

# The New Immigrants And America's Future Identity

WASHINGTON – We now know that the Australian government is openly concerned that unless it can manage its immigration policies properly, there is a serious risk that Australia may soon lose its political and cultural identity. There is fear that there are now too many new economic immigrants who, while living and working in Australia, do not fully understand and embrace the core values that bind Australia together. If this were indeed the case, the country will soon lose its identity and become something else.

## **Non assimilated immigrants**

On the face of it, this stance does not seem to be motivated by anti-immigrant prejudice, or xenophobic hysteria. Rather, it seems to be driven by a genuine concern that all new comers to Australia, even if initially motivated mostly by economic reasons when they decided to become immigrants, along the way have also embraced Australia's national values.

If this is not so, non assimilated economic immigrants may contribute to the progressive fragmentation of the Australian society. This is valid concern in a country largely composed of recent immigrants.

## **America is also a country of immigrants**

If we switch over to the U.S., the current immigration debates, well-meaning in some aspects, emotional and acrimonious in others, are somewhat similar. America is also a country of immigrants. However, and here is the similarity with Australia's current predicament, there is a significant qualitative distinction between earlier waves of migration to America, mostly from Europe, and the current wave composed mostly of individuals immigrating to the U.S. from Mexico,

Central and South America. Most of the old immigrants wanted to become Americans as soon as possible.

The new immigrants are usually happy to be here. But they do not feel the same urgency/pressure to assimilate. Just like the Australians, we would like to be reassured that new immigrants can and will be successfully assimilated into the main stream of American culture and society, just like millions of others before them.

### **Is the American core still intact?**

In other words, we should be able to feel confident that new waves of immigration will not weaken America's core values as enshrined in the U.S. Constitution. America's core values are relatively simple. But we cannot assume that every new American truly understands them and will live by them.

America is a country based on popular sovereignty in which the government has been established to preserve freedom and serve the People, where accountability is a duty, and the protection of all basic individual freedoms is a duty of public institutions, while a properly functioning system of checks and balances prevents abuses and protects minorities. Sounds simple. But it is not at all simple. Understanding the deep meaning and implications of these relatively simple principles requires deep reflection, and in most cases the rejection of other models in which the state is sovereign and the citizen a subject.

### **No pressure to assimilate**

But why can't we be sure that these principles are properly embraced by the new immigrants? Very simple. Fundamental changes have occurred in the last 20 to 30 years. Absorbing core values was part of the assimilation process. However, assimilation as we understood it until a few decades ago may not be happening anymore. New immigrants are no longer automatically "blended", this way quickly becoming

Americans. The US has already become a multi-ethnic, multi-cultural and multi-lingual society, with distinctive ethnic enclaves within which people preserve the language, culture and belief systems of their country of origin. And this happened in large measure because there is no longer any strong incentive nor pressure to assimilate and be assimilated. It is a fact that in the U.S. many states or regions within them now are predominantly Hispanic or Latino, and Spanish-speaking. Other ethnic enclaves also exist; but the communities from south of the border are the largest.

### **No pressure to embrace American core values**

Let me be absolutely clear. These relatively new Americans are mostly good people. Still, if we cannot be sure that these new immigrants, after they came here, fully embraced the American political culture and its underlying values, overtime this will lead to a significant –in fact structural– transformation of the America we know today. And since America developed and grew in what it is today because its diverse citizens subscribed to a certain set of constitutional principles, it is important to check as to whether most citizens still share those beliefs. And if some do not, it would be good to know what they believe in.

### **There is no more a “melting pot”**

The main –and probably irreversible– change when it comes to the difference between old and new immigration, is that the old “*melting pot*” metaphor no longer applies. Up to the 1960s the “*melting pot*” was a fair representation of the willingness and ability of the American society to receive, absorb and homogenize large waves of diverse immigrants, this way turning them rather quickly into “*true Americans*” .

All this no longer applies. The US ceased to be this mostly Anglo-Saxon “*cultural blender*” that overtime absorbed, digested, homogenized and integrated millions of other

immigrants coming from different backgrounds.

### **Old immigrants under pressure to become assimilated**

*How did this happen? Here is the thing. The reason why the "melting pot " metaphor no longer applies is about the fundamental difference between the immigration experience of the Europeans who came to America a hundred years ago and the experience of the Latinos who come today. The qualitative distinction is that most of the older immigrants –in particular the Europeans– came to the U.S. with a keen awareness, explicit or implicit, that by immigrating into the U.S. they had also permanently severed their ties to their countries of origin.*

*Sure, in many cases they would retain, at least the immigrant generation, a specific identity within the American ethnic mosaic. But most of them were absolutely bent on "becoming Americans", as soon as possible. Rightly or wrongly, fast assimilation was deemed to be the ticket into the American mainstream. With assimilation came acceptance; and therefore more economic and social opportunities, for the immigrants and certainly for their children growing up in America.*

### **Superficial differences remained**

Looking among newcomers to America a century ago, one could have easily recognized Polish Americans as different from Italian Americans. But, by and large, whatever the different countries of origin, physical appearance and accents, there was a unifying trait that most new immigrants shared. Indeed, those who came to the U.S. and stayed here had made a total commitment to becoming Americans, and to place any residual tie or connection with their country of origin: linguistic, cultural or culinary, on a much lower tier.

### **Old ties soon dissolved**

Furthermore, in many if not most cases, the new immigrants

were unable or unwilling to preserve their linguistic identity and pass it on to the following generations. (Let us also consider that many of them were often semi-literate or illiterate within their own cultures. Thus they did not have the tools to preserve linguistic and cultural complexities that they did not fully master).

Therefore, the kaleidoscope of exotic last names that still today dots the American landscape has value mostly for the ethnographers and historians who can spot and identify Norwegian, Irish, Greek, Russian, Polish, Portuguese, or German origins.

### **Immigrants intermarried**

However, if we fast forward to today, the individuals who bear those last names –the descendants of the immigrants– with a few exceptions, usually can barely tell you that their great grand parents came from somewhere in Ireland or Germany. Besides, mixed marriages among different immigrants blurred the picture even further. The Italians intermarried with the Irish and their offspring later on with other descendants of other nationals. A third or fourth generation American today can easily be part German, Swedish, Scottish, Russian and Greek. Therefore, for him or her it is almost impossible to determine a meaningful national or cultural origin, let alone have strong feelings of belonging to it.

### **Immigrants today stay connected**

Well, today it is different, very different. And the basic difference between these old waves of immigrants and the Latino waves rests largely on geographic proximity to the countries of origin, and the consequent easy travel back and forth, relatively higher standards of living, and the availability of low cost or zero cost communication tools that keep the old ties alive and relevant. This level of communication between new immigrants and their country of

origin was simply unimaginable a century ago.

A hundred years ago, most European immigrants by and large came on a one way third class ticket on overcrowded steamers. ***Once they had landed, and after they had been processed at Ellis Island, they were psychologically and materially committed to a fast track to integration in order to increase their chances of improving their lot vis-a-vis the other Americans. In most cases, going back to the country of origin was out of the question. Immigration to America was final. Thus, embracing this new world, in all its aspects, including its political culture and values, was absolutely necessary in order to have a chance to succeed in it.***

### **Ties to the country of origin**

The Latinos belonging to this new wave of migration instead do not have the same urgency to assimilate. They come by bus, by car or by air, many of them across the Mexican border. For the most part, (even if we take out the many who do not have legal papers who therefore cannot cross the border back and forth for fear of apprehension), except for the very poor, these immigrants have the opportunity to travel at least occasionally to their country of origin. Some do this rather frequently. Back home in Mexico, El Salvador or Colombia there are many relatives and circles of old friends. US-based immigrants send money back to them. At least some of them plan to make enough money in America, so that they can bring their savings back home and live comfortably there.

To think of Polish peasants transplanted in Illinois at the turn of the last century taking an even occasional summer vacation to visit with relatives back in the village is preposterous. Except for the extremely successful few who had become really rich in America, hardly anybody ever went back.

### **Easy to communicate**

On top of that, nowadays, even for the relatively poor

Latinos, phone and video contact with relatives back home is the norm rather than the exception; while the gigantic remittance flows from the U.S. into Central and South America, indicate continues involvement with families and communities in the countries of origin.

And the retention of the Spanish language as the primary or at least co-equal language is an indication that these immigrants do not have the same urgency to integrate and in some fashion forget about their origins. They see no need for this.

### **Large immigrant communities retain their identities**

The strength of large numbers in most cases may help in shaping attitudes. No need to learn English fast in large communities where the Latino population is actually the majority. Indeed, at least in some communities in the U.S. it is possible to have a reasonably “normal” life in terms of semi-decent work opportunity without any need to acquire real English fluency, something that certainly was not the case, even in the most “ethnic” states or regions, at the height of the European immigration waves.

### **Learning English used to be the ticket to success**

Certainly, even in the past there have been many large ethnic islands within the United States. And it is true that many immigrants could get by in America with little or no English. However, the understanding of all was that English was the only official language of the country and that all official transactions would be conducted in English. No equivalent at that time of the now ubiquitous “*press 2 for Spanish*”, in any telephone help line, let alone taking driver license tests in languages other than English or the notion of officially sanctioned bilingual education.

We know that being an American is not about ethnicity, as demonstrably there is no “American” ethnic group. However, ***becoming an American*** is both possible and absolutely

necessary, if we want the original American ethos, as enshrined in the U.S. Constitution, to be preserved.

And it all boils down to the voluntary and sincere embrace (*“without mental reservation, or purpose of evasion”*, as the Oath says), of a set of constitutional principles and the values that sustain them.

### **Immigrants had to become Americans**

Of course, we know that, even in the past, most immigrants coming to the U.S. were primarily economic immigrants, driven by material needs, rather than by lofty political ideals.

***However –and this is a crucial distinction between then and now– whether they liked it or not, the old immigrants were “forced” by circumstances to buy into the prevailing Anglo-Saxon political culture and become sooner than later “homogenized Americans”, thus quickly shedding the legacy of their origins and embracing America and its values, at least in most cases. As indicated above, at that time, America was a genuine melting pot. Today, it is a completely different story. No more a melting pot.***

### **Civics exams do not make citizens**

True enough, the rule today is that before being naturalized, that is legally accepted into the American society and polity, all applicants must take and pass a test of basic knowledge of the U.S. Constitution.

This is not a bad idea. But since this is the only test, it is a truly low bar. So low, in fact, that it is insignificant. Demonstrating knowledge about how many Justices sit on the U.S. Supreme Court is important, but hardly conclusive evidence that the applicant understands –and most importantly agrees with– the principles of the American Constitution when it comes to the preservation of individual liberties, popular sovereignty, limited government, or effective checks and



balances, let alone the values that should sustain these core principles.

### **No real differences among the descendants of earlier immigrants**

When political leaders today affirm that the strength of America lies in the diverse backgrounds of the diverse immigrant population that somehow enrich all of us, they are talking nonsense. They should know that when we talk about Americans of European descent, today this “diversity” is in fact so superficial that it is in fact insignificant. They know that the descendants of those Italian, Swedish, Portuguese, German, Russian and Greek immigrants are now indistinguishable from one another.

Indeed, while some of them may have retained some superficial traces of their distinctiveness, (Italian Americans have dark hair, Scandinavian Americans have blonde hair), at this point they are all homogenized Americans. Kohl, Lantos, Giuliani, Voinovich, Kerry, Tenet, Dukakis, Rubio, Pompeo, just to stay within the sphere of people involved in public policy, are all “ethnic” names. Yet, all these are Americans –with a capital A.

### **Latin immigration is different**

However, ten years from now, will we say the same about the Mercado, Martinez, Ortiz, Lopez and Rodriguez who will be the Mayors, Senators, Governors and eventually national leaders of America? The critical difference between the old and the new immigrants is that many Latinos did not and do not have the same pressure to integrate and quickly become “*homogenized Americans*”.

Both old and new immigrants appreciated then and appreciate now the opportunity to have a better life in the USA. However, to the extent that the new immigrants (most of them from Central and Latin America) can easily maintain an active

connection with their countries of origin, (something that those who came along with the previous immigration waves simply could not do), they do not seem to have the same urgency to totally and quickly transform themselves into "Anglo".

### **Embracing America and its values**

If, while preserving the old ties, all or at least most of them would voluntarily choose to truly and fully embrace the values of their adopted country, this would be a genuine achievement of good multiculturalism.

***Let me be clear, this is not about "forcing" people to abandon their cultures, their language and their roots. There is absolutely nothing wrong in retaining and cultivating one's culture and language of origin, as long as there is also a genuine embrace of American values up to the point that they become the key reference.***

But, here is the thing. The old immigrants willingly or unwillingly were "sucked into America".

As for today's immigrants, realistically most of them will not spend sleepless nights poring over the *Federalist Papers* or other tomes on Jefferson or the U.S. Constitution in order to critically understand and fully appreciate America's core values and how they were incorporated into the Constitution.

But here is the thing. Without the perception that in order to have a normal life in America they need to embrace the values of this society, most new immigrants will simply tend to their own private affairs. And, in the pursuit of their own interests, they will be guided by the principles that they acquired in their formative years.

### **America is not just the place you found work**

If this is so, regarding these new waves of immigrants, we

cannot rest assured that their value systems and beliefs are or will be the same as those that are prevalent among other Americans, simply because their backgrounds are different and their learning and socialization took place in a different context, while the urgency to embrace American values is simply not there.

And herein is the challenge. America has worked reasonably well so far because a recognizable political culture has been preserved and passed on to new generations and millions of new immigrants over more than two hundred years through a fairly successful process that caused total outsiders –millions of immigrants from different countries– to become integrated into the American mainstream rather painlessly and in a relatively short time.

### **More than just language**

The substantial recent inflow of millions of people from nearby Mexico, Central and South America who bring with them not just another language but also different values and who see neither the obligation nor the need to fully understand and subscribe to the American political culture will bring about substantial qualitative changes. These changes will provoke new debates about what is it that we mean by “*being an American*”.

***Once again, let me be clear. I am not even remotely suggesting that all these new Latin immigrants are disloyal or suspect people. I am simply suggesting that most of them are fundamentally economic immigrants who –unlike the European economic immigrants who landed here more than a century ago– are not under any pressure to understand, absorb and fully embrace American values.***

### **Many Americans do not know much about their history and values**

True, the notion that all the descendants of the old European waves have an unflinching, clear understanding as to what are

the American values that they theoretically subscribe to is highly questionable. Indeed, many do not. But, at least in general, they cannot look at political or cultural alternatives that derive from other perspectives that coexist in their cultural and personal universe.

That said, if anything, the lukewarm appreciation about the distinctiveness of American political culture and values among many descendants of older immigrants complicates the problem, as it does not present to the new immigrants a really clear picture of the value system that they should absorb in order to become "real" Americans.

### **America is a political society shaped by shared values**

We all know that America is a rather unique country, in as much as those who are here today cannot point to a shared ethnic, religious or cultural identity. America is not a Nation-State in the European sense. America is a community of people coming from a variety of countries who freely decided to subscribe to a set of values which became the unifying principles of this Country.

*Americans are Americans because they share a political culture. Until not too long ago, the implicit assumption was that all of those who are here genuinely embrace it.*

*This political culture has been the intangible yet ultra strong magic glue that kept this complex machinery of the American society together. Going forward, we have to face the fact that this glue may not be as strong a bonding agent as it used to be.*

### **A new era**

And we have to face this fact now. Indeed, for the first time in our complex history, we have a large chunk of new immigrants who may very well live here as law-abiding, productive citizens; but who are under no pressure to truly

join in by embracing our political culture.

Again, let me stress that this does not automatically make these new immigrants disloyal or dangerous citizens. But it makes them different.

Just like the previous waves of immigration into America, these are predominantly economic immigrants. ***However, unlike the immigrants of old, these relatively recent immigrants did not and will not go through the “political and cultural indoctrination”, benign or “forced”, willfully accepted or “suffered” by millions of others before them. The old blender that homogenized everybody and made them into “true Americans” is no longer working.***

The new immigrants are different. Their large and growing numbers will affect the culture and the values of the broader society in which they live, and eventually they will radically transform it –its value systems and core beliefs. How this transformation will change America and us all is impossible to predict.

But America will never be the same.

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## **Does America Need Nuclear Energy?**

**WASHINGTON** – Can nuclear power come back as a cost-effective modality to generate electricity in America? Some scientists and innovators claim that the sector, challenged by prohibitively high costs of construction and fears of accidents may have a future after all, and it is called Small Modular Reactors, or SMRs. According to them, it would appear

that the sweet spot for nuclear will not be in the traditional model of large scale, expensive and difficult to build power plants that will serve millions of customers. The future is in Small Modular Reactors, SMRs that can be built quickly and cheaply.

### **Small nuclear?**

If this were indeed so, if we could indeed quickly build several SMRs at a reasonable cost, this would be a true game changer, for the nuclear power industry, for the future of electrical power generation in the U.S., and more broadly for all efforts aimed at devising a mix of electrical power generation sources that will help us drastically reduce carbon emissions, and therefore finally put a stop to global warming.

### **On the road to extinction**

By most account, here in the U.S., nuclear power plants are on the road to a silent and unlamented extinction. A combination of fears of accidents, uncertainties about a reliable way to dispose of all the spent fuel and then huge, in fact prohibitive, upfront construction costs for new plants created almost insurmountable policy, political, psychological and financial barriers that work against the very notion that nuclear is a viable, safe, reliable, non carbon solution to our needs for electricity.

As all this was debated here in America several years ago, the Fukushima Daiichi accident of March 11, 2011, in Japan was an additional and huge body blow to the entire nuclear power sector and the companies and policy-makers that support it.

Leaving aside all the technical analyses about the very specific circumstances that caused that major accident in Japan, (a major tsunami that flooded the plant, disabling the pumps), U.S. public opinion, or at least a big chunk of it, became even more convinced that nuclear power generation is inherently dangerous.

## **There are other options**

Therefore, energy experts argued, as we do indeed have choices, let's discard nuclear power as a means to generate safe and reliable electricity. The Greens of course advocated renewables. Others focused on the emerging and promising shale gas sector. Indeed, with so much new and cheap natural gas coming on line, America could reliably generate all the affordable electricity it needs, for decades.

And so, as a result of all this skepticism regarding nuclear, while other commercially viable alternatives have been developed, we are witnessing the progressive shrinking of the U.S. nuclear power electricity generation sector. The stark reality is that no new nuclear plants are built, while old plants little by little are phased out and decommissioned.

This is a big deal. Nuclear used to provide about 20% of all electrical power generation in America, a huge percentage of the total and a large overall amount for an advanced industrial power like the U.S. that produces and consumes a great deal of electricity.

## **Nuclear is dangerous and too expensive**

As indicated above, for some this transformation may not be so bad. Nuclear –they argue– is dangerous, as we do not have an effective way to dispose of all the waste produced by the plants. And then there are possible accidents. May be not of the Fukushima kind. But other possible malfunctions may cause the release of harmful radiations in the atmosphere. The consequences of such events would be dire.

On top of that, the fact that nuclear is now so expensive is an additional reason for deciding to move on to other more promising technologies. If you are Green, you want to focus on solar and wind, technologies that have become much more cost-effective in recent years. If solar has become so cheap, why bother with nuclear? If you are not Green but are simply

looking at cost-effective ways to generate electricity, you focus on shale gas, not exactly clean, but far better than coal when it comes to emissions.

## **Renewables are not enough**

Well, the advocates of SMRs argue against complete reliance on renewables as the silver bullet that will deliver enough safe and sustainable, non carbon based, power. Unless renewables become dramatically more efficient, they argue, you simply cannot install enough renewable energy sources to meet current and future power needs. As things stand today, it is impossible to build enough wind farms and solar plants to power the entire planet. And if we seriously want to progressively “decarbonize” our power generation mix, they tell us, then shale gas will not do it. Yes, it is better than coal, but it is not clean.

In the end, say the SMRs advocates, if we want green solutions, solar and wind, plus hydro power wherever it may be possible to develop it, will simply not be enough. You also need nuclear.

## **Small Modular Reactors to the rescue**

***Here is the strong argument in favor of a new generation of SMRs. If we agree that coal is bad, and natural gas from shale only somewhat less harmful, we simply cannot focus solely on solar and wind as the means to deliver all the power we need.***

Unless we assume tremendous technological breakthroughs that will substantially increase the productivity of all existing renewable technologies, while solving at the same time the huge bottle neck of the lack of energy storage systems – a problem that limits the flexibility and therefore the usefulness of solar and wind power generation– renewables are simply not enough. Without large scale, effective storage solutions, renewables produce electricity; but not 24/7. No sun at night. No power when there is no wind.



And then there is the energy density issue. We simply cannot successfully address our planetary electrical power generation needs by building thousands upon thousands of wind farms, while covering large chunks of the Earth's surface with solar panels. It is just not practical.

That said, if we want to drastically diminish and eventually phase out our dependence on carbon based electrical power generation, we better come up with something else that can be successfully added to the mix.

### **Are SMRs commercially viable?**

Hence the importance of refocusing on nuclear, albeit a different type of nuclear: small, modular, cheap, and effective. Of course, all this is very interesting. Except for one basic fact. SMRs, although the object of serious studies and research, are not commercially viable at this stage. They are much more than concepts, but they are not part of the choices commercially available today to utilities and consumers. At this stage, SMRs are a hope, not a real alternative.

If this SMRs hope does not soon become reality in terms of companies that can offer safe and reliable SMRs to utilities at a competitive price, we are in a real bind. We can generate all the electricity we need; but we are and we shall be unable to seriously curtail greenhouse gases emissions. And this means that Global Warming will get worse.

This is bad news for Planet Earth.

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# Why Self-Driving Cars? Upgrade Bus Networks Instead

WASHINGTON – The ongoing buzz about the marvel of “driverless cars” soon hitting the roads is a bit too optimistic. A great deal of money and effort is devoted to perfecting this futuristic technology. We know that Google and other high-tech companies are involved in this research. General Motors has entered a \$ 500 million partnership with Lyft to produce a robot vehicle that will drive itself. Eventually driverless cars will be managed by Uber or similar services and used for ride-sharing.

## **The advantages**

I see the point of getting into a car that can safely take you anywhere. Instead of focusing on driving, while in the car, you are just a passenger. You can read, do work. You can safely make phone calls, or rest.

I can also understand how older or disabled people who can no longer drive but need to go places would find a self-driving vehicle to be the perfect solution to their daily mobility needs.

I can also see how it may possible within a realistic time frame to match car services like Uber and driverless cars. If this formula worked, many people would simply not buy cars anymore. And this would help alleviate traffic congestion. (More on this in a moment).

## **You are still stuck in traffic**

That said, this is not necessarily the best way to invest precious funds. And here is why. Suppose we get there. Suppose that there is some kind of breakthrough. Consumers will soon be able to buy an affordable, safe, intelligent car that they

do not need to drive. Or we shall let Uber do the driving, so that some of us will not feel the need to own private cars anymore. Fine.

*Now imagine yourself in your new robot-vehicle that drives you. You are in the middle of Los Angeles, or Cairo, or Paris, or Nairobi, at rush hour. Guess what, the car may drive you, but both the futuristic vehicle and you are still stuck in horrible traffic. Sure, you are not as stressed as you used to be by bumper to bumper congestion, because the car does the driving. But you are still stuck in an endless traffic jam. True enough, if many cars will be owned and operated by Uber or equivalent services, most definitely there will be fewer cars on the road. Still, there will be plenty of cars. Not to mention delivery vehicles, trucks, ambulances, police cars, buses, you name it. Which is to say that your daily commute will continue to be long and unpleasant. Your driverless car will help alleviate congestion. But it will not eliminate it.*

*So, here is my point. All this focus on making cars smart is a poor allocation of scarce resources. The problem is not that cars are not smart enough. The fact is that in large urban areas the car, private or Uber managed, is a poor choice to address the issues of easy, affordable, dependable personal mobility.*

*Let me say it again. There are just too many cars on our roads! And too many cars means shared discomfort for all users.*

**The car is a bad solution to mobility needs**

The fact is that we are way past the point of diminishing returns when it comes to the usefulness of the automobile in all large urban areas, anywhere in the world. In most big cities the car is the wrong answer to our need to move around at leisure, in comfort, and reasonably fast. There are just too many people with too many cars sharing limited road

surfaces.

The answer to epic traffic jams and slow-moving traffic, often 24/7, is not to make cars more intelligent. ***The answer is to get rid of cars altogether in large urban settings, and opt for smart mass transit solutions.***

(PLEASE NOTE: This general rule applies only to large cities. People living in rural areas, in isolated communities, or remote farms need cars. And, of course, cars are may still be necessary for road trips, long and short).

### **Bus Rapid Transit systems**

While there may be several options available, at the moment the most cost-effective –and proven– solution seems to be **Bus Rapid Transit, BRT, systems.**

*“Come again? We are working on high-tech, intelligent cars and you are proposing clunky old buses? “Yes, I recognize that this does not sound terribly sophisticated. And in fact it is not. And, yes, in the roll-out phase this BRT option can be very disruptive.*

***But let me tell what you get with Bus Rapid Transit. You get all the advantages –in terms of speed and reliability– of an underground subway system, minus the often prohibitive cost of digging tunnels which make subways systems always inadequate from the perspective of the average would-be user. Walking 30 minutes in order to get to the subway station and then another 20 to get from the closest station to your final destination is not appealing. And in some large metropolitan areas there is no subway, because of cost. Period.***

### **Dedicated lanes, fast buses**

Here is the issue when it comes to buses operating like subway trains. In most large cities, in order to create a BRT system you would have to ban or at least severely restrict private

cars. The new seamless bus network becomes fast and efficient only if buses can have complete right of way via "buses only" dedicated lanes, not shared with other vehicles. And this means large areas within cities where cars cannot travel.

Once we know that buses will be able to move freely without being stuck in traffic created by private vehicles, then BRT planners will be able to create a seamless network, with bus stops that become interchanges working just like subway stations. Passengers will buy their tickets before boarding. They will ride on a bus, exit at a stop that will also be an interchange, quickly board another bus, if they need to, and get to their destination within the estimated time.

### **Just like a subway, minus the construction cost**

In other words, you get all the advantages of an underground subway system, in terms of easy access and speed, minus the cost of digging tunnels and building underground stations. *In most countries, these upfront costs are prohibitive.* And this is why most cities do not have subway systems. Or, if they have them, they are not large enough to serve the entire population. Hence the continued reliance on private cars.

***"So, are you telling us that the old-fashioned, humble bus can take care of all urban transportation needs?" Yes, it can. But this new (in fact not so new, as you will see in a moment) model assumes vision on the part of municipal leaders.***

***They have to be able to sell to their citizens the unfamiliar notion of people moving around quickly and efficiently using surface public transportation that works exactly like a subway system, minus the cost of construction. They have to convince them that the bus network will be user-friendly, affordable and efficient.***

### **It works**

Well, here are the key question. Does this work? Has it been

tried before? The answer is yes, and yes. It works and there is plenty of evidence to demonstrate this.

It all started back in 1974 in the city of Curitiba, Brazil. The very first BRT system was the result of years of experimentation by urban planners who finally came up with the model of “bus just like the subway”. And then the model spread throughout Latin America. In 2000 Bogotá, the capital of Colombia, launched its own TransMilenio BRT system.

And now you have similar mass transit solutions in Brisbane, Australia; Stockholm, Sweden; Cape Town, South Africa; Ottawa, Canada; and many more cities around the world.

### **Political impediments**

The only reason why BRT systems have not been adopted more widely by other large cities across the world is that municipal leaders are afraid of voters’ backlash. Mayors and Municipal Councils do not want to deal with the unavoidable skepticism and probable resistance of millions of voters-drivers who may not believe that the new BRT system will work as advertised.

Oddly enough, faced with abrupt changes, most city dwellers would rather endure the misery they know –monstrous traffic jams– rather than try something new.

So, this is mostly a psychological/political impediment, rather than a technical issue. Meanwhile, however, millions of people spend hours and hours in traffic jams created by the shared, but totally mistaken, belief that the private vehicle is still the most cost-effective and most efficient way to address personal mobility needs.

### **Getting there, fast**

So, back to driverless cars. Would you rather have a high-tech car that drives you, but can do nothing to avoid traffic

congestion and an endless daily commute; or would you rather get where you need to go by low tech bus that gets you there fast, thanks to a seamless and efficient network?

Think about it.

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# Italy's Chaos May Endanger The EU

**WASHINGTON** – Italy is once again the problem country within the European Union (EU) and beyond. And this time it may be a really huge problem. After the recent inconclusive political elections, the most improbable governmental coalition between the anti-system 5 Star party and the nationalist/xenophobic League party in the end could not happen on account of Paolo Savona, the openly anti-euro nominee placed by the two would-be coalition partners as Minister in charge of the Economy.

## **The president says no**

Sergio Mattarella, the Italian president, argued that he could not swear in a cabinet in which this critical portfolio would be handed over to an openly anti-Euro economist. This move by the Italian president is border line unconstitutional. The Italian president usually approves the cabinet choices made by the parties that create a coalition government that has a parliamentary majority.

While taking this odd twist into account, without the president's approval of the proposed cabinet and lacking any new workable coalition, this means that Italy most likely will

soon go to new political elections.

### **A care-taker government**

In the meantime, president Mattarella gave the mandate to form a new coalition government to Carlo Cottarelli, a technocrat with IMF experience but zero political experience and backing. Clearly Cottarelli has no political mandate for any long term political solution. Assuming he can stitch something together, he will be the head of a care taker cabinet tasked to deal with day-to-day affairs, as the country prepares to go to new political elections.

This bad scenario: at first an improbable political path for Italy –an openly anti-European, populist, anti-immigrant coalition, without any credible economic or fiscal agenda–and now nothing except for fresh elections which may not yield better political outcomes, is seriously disheartening and potentially very disruptive for both Italy and the European Union. We should remember how just a short while ago the financial/fiscal/political mess in Greece for years kept all of Europe preoccupied.

### **Another Greece?**

At the time, some speculated that the Greek crisis might have caused the collapse of the entire Euro edifice. Well, in the end, with the enormous combined financial back up from EU Headquarters in Brussels, the European Central Bank in Frankfurt, and the IMF in Washington, DC, super indebted and comatose Greece was kept alive –if barely.

### **Worse than Greece**

Well, if the confused Italians really want to pursue the objective of exiting the Euro, this would be a lot worse than the Greek crisis. Unlike tiny Greece, Italy is the third largest economy within the Eurozone. Yet, size notwithstanding, the Italian economy is extremely fragile due



to low productivity and lack of innovation on a scale that would produce any real champion that could effectively compete in the global arena.

Besides, the Italian people have to shoulder an astronomic public debt, (the second worst as a percentage of GDP within the Eurozone, after Greece, and third largest in the developed world after Japan), while the country's economic fundamentals are very weak. Assuming even a small rise in interest rates, debt service alone could become an unmanageable fiscal problem.

### **Blame game**

But the Italians have the bad habit of not taking responsibility for their own mess. They take refuge in convenient conspiratorial theories whereby all their economic and fiscal problems have been caused by others.

The semi-official narrative is that the Germans try to impose their own will on Europe, including unwarranted fiscal discipline, on countries (like Italy) that believe that profligacy and debt are perfectly alright. Besides, many believe that the adoption of the Euro has caused constraints and burdens that the Italians do not like. You see, these days you cannot devalue your currency in the hope of regaining competitiveness for your exports.

### **The immigration crisis**

Last but not least, (and here the Italians do have a valid point) , Italy's European partners have been looking mostly the other way when Rome repeatedly asked for help in dealing with the gigantic problem –in fact an emergency– of multi-year waves of illegal migration, mostly from Africa, into Italy.

Because of its geography, (Southern Italy and Sicily are fairly close to North Africa), Italy is the first port of call for thousands upon thousands of migrants from Northern and

sub-Saharan Africa seeking a better life in Europe. For years they kept coming and there is no end to this migration. Semi-impooverished Italy for a number of years has been dealing all by itself with the massive and seemingly endless problem of welcoming and resettling hundreds of thousands –now several millions– of mostly poor, illiterate and unskilled African and Middle Eastern migrants.

Just imagine the cost of providing shelter, food, medical care and schooling for this helpless and expanding lot. And do not forget the obvious cultural/religious difficulties and consequent frictions caused by the attempt to “assimilate” poor African villagers, many of them Muslim, into the fabric of what is at least nominally a predominantly Catholic society.

### **Anti-immigrant political parties**

In fact, the political rise of the openly anti-immigrant and xenophobic League can be largely ascribed to the emotional reactions of millions of Italians who have seen their country transformed beyond recognition by the impact of millions of African newcomers who cannot possibly blend into the Italian social fabric.

That said, aside from this illegal immigration crisis, it is sadly obvious that most of Italy’s problems are self-inflicted wounds. The real issue is not about having a dispassionate cost-benefit analysis over staying or not staying within the Eurozone.

### **The real issues**

The real issue is a major, supposedly capitalistic, western economy that lost its competitive edge long ago. As *The Wall Street Journal*, put it (May 28, 2018):

*“Lost in the debate is the reality that Italy’s economic problems are mostly homegrown, with a 20-year erosion in*

*productivity, a cumbersome bureaucracy and a dominant small-business sector that has stifled productive investment, making Italy one of Europe's sickest economies. According to Eurobarometer, 80% of Italians judged the state of their economy as "bad," with only Croats and Greeks reporting worse opinions."*

So, here is the situation. Confronted with slow but steady economic decline, due to lack of competitiveness, the Italians are incapable or unwilling to do what it takes to take responsibility and change course.

### **Reforms in order to regain competitiveness**

What's to be done? First of all, Italy should reform and seriously upgrade the entire edifice of public education in order to produce better educated new generations that could successfully compete with their counterparts in Northern Europe and across the world. Then labor markets and civil law procedures should be dramatically reformed in order to give employers and foreign investors the confidence they need in order to bet on the Italian economy. Firing workers is too difficult. Settling business disputes in court may take years.

Last but not least, there is the enormous challenge created by the twin and often intermingled cancers of endemic corruption and organized crime. It is hard to do business in a country in which kickbacks are the norm, while vast sectors of the economy and local politics are controlled by the Mafia, and its siblings: Camorra and 'Ndrangheta.

Fighting about the Euro and excessive German influence may be politically expedient, but it is just like charging the windmills. It will get Italy nowhere.

That said, I doubt that there is any appetite to see this serious political impasse as an opportunity to change course and start behaving in an adult way, that is: take responsibility and undertake serious reforms. The tendency to

look for and find scapegoats abroad, while hoping on simple political fixes for gigantic economic problems, is deeply ingrained.

### **Stop right at the edge of the abyss**

Still, if the past can offer any guidance, the Italians while messy and litigious, usually stop when they get right at the edge of the abyss. Confronted with the real possibility of a complete collapse, generally they retreat and agree to pay a huge economic price in order to steady the economy. However, once the emergency is gone and sheer survival is no longer in question, then the usual game of blame takes over again, with a vengeance.

Italy could choose to undertake serious reforms, this way regaining economic competitiveness and credibility, becoming once again the destination of precious foreign investments.

But I would not count on wisdom and sobriety suddenly springing in this country of myopic leaders perennially fractured by parochial interests.

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# Oprah For President?

**WASHINGTON** – Oprah for President? Yes, after her recent Hollywood speech this is now a distinctly possible scenario for the 2020 presidential contest. Well, are we to conclude that America has gone mad? Are we going to see a presidential contest between highly polarizing former developer and reality TV star Donald Trump and Oprah, the much loved queen of inspiring TV talk shows? Is this what Americans want? To be led by entertainers with only vague knowledge about public policy issues and the complicated art of government?

## **Systemic failure**

The answer is: may be so. Well, how did we get to this point? Very simple. *“The Establishment”*, both Democrats and Republicans, pounded and demonized during the 2016 presidential campaign, was and still is completely discredited. And rightfully so, since it has failed. Miserably.

Far from being the expression of a self-confident, forward looking Republic, America’s political leadership –the elected Senators and Congressmen– is composed mostly of small minded, often ignorant and risk averse, pros who long ago lost sight of the purpose of government: preserve liberty, protect the Nation, ensure the administration of justice, and deliver critical services in a fair manner, and at a reasonable cost to the American taxpayers.

## **Government is not working**

Just a few examples. Washington can no longer perform even basic, fundamental operations. The Congress cannot create and pass sensible federal budgets within the established time lines. We limp along from stop-gap to stop-gap through “continuing resolutions”, gimmicks that secure funding for government agencies, without however any serious debates about

strategies, priorities and goals.

The elected leaders in Congress reflexively focus on their own narrow parochial issues –in order to please their constituents, this way paving the way to their own reelection– while disregarding the progressive deterioration of America's public finances.

### **Colossal fiscal mismanagement**

Indeed, lacking any serious policy debate about a proper and fair rebalancing of revenue and public expenditures, especially on vast and growing entitlement programs, (Social Security, Medicare, Medicaid), the federal government spends all it gets from taxes and mindlessly borrows the rest. The net outcome of this systemic and now colossal fiscal mismanagement is a gigantic and growing U.S. federal debt: \$ 20 trillion and counting. At some point this monster will eat us up. And yet, this impending public debt calamity is hardly mentioned at all in current Washington policy debates.

### **No serious discussion about critical issues**

Indeed serious issues with a huge impact on federal spending, such as the need for a serious reformulation of major entitlement programs, so that the elderly and the truly needy are covered, while the federal government secures the necessary revenue to finance these current and projected outlays, are left untouched.

Grotesque realities such as our astronomic health care costs –the highest among all rich countries– and our bad and declining health statistics, are not part of the national conversation.

Last but not least, our chronically under performing public education system is only occasionally mentioned. Apparently the fact that almost half of all young Americans –especially the poor and minorities– grow up and get into the world

without a modicum of knowledge and skills that would give them a fair chance to get good jobs and move up in our society is of no importance for our elected leaders sent to Washington to serve the Republic.

### **Inept leaders**

Simply stated, the professional politicians who are supposedly in charge, are mostly mediocre people, if not completely inept. They lack vision, intelligence, and the courage to deal with complicated problems. They simply do not know how to mind the store.

### **When the pros fail, Americans looks at outsiders**

Well, no wonder then that millions of unhappy Americans turned somewhere else for help. In 2016 they tried Donald Trump. In 2020 they may want to try Oprah. Will she run? Can she be elected? Who knows.

But if these –Donald or Oprah– are the possible leaders that America wants to choose from, as opposed to the pros that supposedly know how to run a modern Republic, it is because the pros have proven that they cannot do it. As simple as that.

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# **Palace Coup In Zimbabwe Will Not Bring Along Genuine Democracy**

**WASHINGTON** – Despite some last minute confusion regarding the timing of his exit, Robert “Mad Bob” Mugabe is finally gone. He is a despot, a cruel dictator, and the undisputed author of

Zimbabwe's economic ruin. After 37 years of autocracy, is this finally good riddance? Well, I would not bet on a good outcome. A happy ending is highly unlikely. Indeed, this sudden change at the top of the government in Zimbabwe is certainly not about an injured nation that finally rebels against its tormentor, forcing him out of power while creating genuine foundations for democratic rule and true accountability.

### **Just a palace coup**

Sadly, this is just a garden variety palace coup. One faction against another, with the military finally deciding that it was time for the old man (now 93) to go. In particular, the army chiefs did not like the prospect of Grace Mugabe, the President's much younger and equally rapacious wife, replacing him this way creating a dynastic rule.

For this reason the generals took over and rearranged the palace furniture, so that their favorite "leader", Emmerson Mnangagwa, Mugabe's Vice President, (who had just been sacked by Mugabe), will become the next president. Now 75, Mnangagwa, is not exactly part of the next generation. At home, he is affectionately known as the "Crocodile". This nickname alone may give you an idea of what kind of man will become the future president of a post-Mugabe Zimbabwe.

### **New handpicked leader not a champion of democracy**

The poor citizens of this unlucky country are rejoicing –for the moment. They chant in the streets of Harare, proclaiming that now they are finally "free". Well, I would not be so sure.

Their new leader is also a cruel despot, while perhaps endowed with a bit more pragmatic attitude, at least if compared to Mugabe. It is a well known fact that as a senior cabinet official, for years Mnangagwa (cheerfully?) implemented the most awful violations of human rights directed by his boss,



“Mad Bob” Mugabe.

## **Economic disaster**

So, here is the grim picture. After 37 long years of Mugabe’s systematic looting and monstrous mismanagement, the economy of Zimbabwe is virtually destroyed. It will take a miracle to create a genuine pro-growth, business friendly environment that will entice desperately needed foreign investors.

The “regime change” that just took place, while welcome, won’t mean much when it comes to hopes of economic development; unless it is accompanied by genuine democratic reforms. And this is highly unlikely. Indeed, we can rest assured that the authors of this palace coup acted in their own self-interest; most certainly not in the interest of the people.

## **Silence across Africa**

But this is not the entire story about poor Zimbabwe. The real story is that for decades all the African leaders stood silent, as Mugabe imposed his cruel dictatorship on the citizens of Zimbabwe who back in 1980 applauded him as their liberator.

Indeed, it is absolutely true that Robert Mugabe led the fight against white minority rule. And he deserves credit for that. Because of his role in the struggle against oppression, after this troubled former British colony finally obtained independence from the UK, (this way formally ending the white minority regime), Mugabe became the legitimate leader of Zimbabwe back in 1980.

This happened after Ian Smith, the self-appointed leader of a new Rhodesia led by a white minority government, was forced to give up power, and abandon his crazy dream of a sustainable white minority government. Because of his critical role in the long struggle against the white minority government, Mugabe the Freedom Fighter entered the Olympus of Africa’s Great Men.

That said, it became obvious almost from day one that the poor people of Zimbabwe had traded one white dictator (Ian Smith) for another (Robert Mugabe). The difference being that Mugabe was a resistance hero and therefore politically untouchable, within Zimbabwe and across Africa.

### **South Africa did nothing**

And yet much could have been done to stop him. Especially after the end of white minority rule in South Africa in 1994, it would have been quite possible for the new African National Congress (ANC) leadership now in power in Pretoria to force Mugabe to stop or at least tone down his crazy autocratic rule. By African standards, South Africa's economy is a giant compared to that of neighboring Zimbabwe. Had it wanted to, South Africa could have easily imposed its will on Harare.

But no, absolutely nothing was done. South Africa did nothing. Zimbabwe's other neighbors also did nothing. The African Union did nothing. Ostensibly this silence about Mugabe's gross violations of human rights was out of deferential respect for a "Freedom Fighter" who got rid of white oppression, this way gaining a special place in the hearts of all Africans.

Yes, Mugabe did good things in his years as a Freedom Fighter. But he will be remembered as one of the worst (and most incompetent when it comes to economic management) dictators of this century. And every African head of state knew all this. And they did absolutely nothing to stop him.

### **Disingenuous western media**

Let me add a sad foot note to this tragic story. A recent BBC retrospective analysis of Mugabe's 37 rule is titled: "*Robert Mugabe -revolutionary hero or the man who wrecked Zimbabwe?*". This headline is at best disingenuous, at worst horrible journalism.

After 37 years of dictatorship which led to economic ruin,

fantastic inflation, political persecutions against ethnic opponents and millions of Zimbabweans in exile, is the BBC still in doubt about who Mugabe really is? Does this matter really require further scrutiny and analysis before reaching a conclusion?

Come on, BBC!

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# **Tax Cuts Will Increase The U.S. National Debt To Unsustainable Levels**

**WASHINGTON** – It is really hard to properly assess the Republican tax reform proposal now discussed in Congress. Many details have yet to be ironed out. Sure, in principle we can agree that a basic reform leading to a simplification of the almost incomprehensible U.S. Tax Code would be much better than the confusing morass we have now.

## **Lower corporate tax rates**

We can also agree that a lower corporate tax rate would be good for American firms, in as much as lower rates would simply realign the U.S. with corporate tax rates prevailing now in most advanced countries. And, finally, limiting the interest deduction on home mortgages in excess of a certain

amount is good. This deduction in practice is only a subsidy to wealthy home owners who get a nice “rebate” –a huge deduction based on the amount of interest they paid on their mortgages– when they borrow large sums of money to finance their mansions.

That said, in all the back and forth about potential winners and losers and possible –just possible– incentives that may be created by this new legislation that may end up boosting investments, economic activities and therefore overall growth, one major consequence of this new tax law is barely mentioned.

### **This is mostly a tax cut**

Whichever way you look at it, this “tax reform” plan is mostly a tax cut that will end up cutting national revenue –by trillions of dollar, over several years. In turn, lower revenue caused by lower tax rates will force America, an already highly indebted country, to go much deeper into debt in order to meet current and projected spending obligations. This is a horrible, totally undesirable outcome.

### **America is in deep fiscal trouble**

In case you did not know, America is already in deep fiscal trouble. Lower revenues would simply make a bad situation much worse. Indeed, absent sorely needed federal spending reforms aimed at slimming down (read: reduce size, scope and cost) our gigantic, and financially unsustainable entitlement programs –Social Security, Medicare and Medicaid– this Republican tax reform plan will further deteriorate our horrible fiscal outlook, simply because an even greater revenue shortfall –without significant spending cuts to go along with it– will amount to larger deficits, year after year.

Absent spending reductions, it is obvious that future larger annual deficits can be financed only through additional public borrowing.

So, here is the net impact of these ill-advised tax cuts. When all is said and done, some Americans will see their federal tax bill cut, in small or large measure. And this will be good for them.

### **A much larger national debt**

But, as a result of this “reform”, America will have a much bigger national debt. And this is a disaster, not in the shape of a sudden catastrophe; but in the shape of a sliding slope that will amount to diminished federal resources down the line, and consequently much more limited options for the Federal Government in domestic as well as international affairs.

Simply stated, a country with an enormous, and growing, debt burden will no longer be able to afford a large defense budget. Therefore, with a shrinking military at its command, the U.S. President will have to “redefine down” the national interest.

Indeed, trying to cope with mountains of red ink, America will be no longer able to afford meaningful amounts of federal spending on international affairs, foreign aid, health research, sorely needed new infrastructure, space exploration, energy, and what not.

You get the picture. No money means scaled down domestic and global ambitions.

If we look at history, all Great Powers that went deeply into debt simply ceased to be Great Powers. (Check Spain, Portugal, France, Great Britain, the Russian Empire, and more).

### **No longer a Great Power**

This should be obvious to all. But let me restate it anyway. America cannot be a debt ridden country concerned about the mounting financial cost of extravagant debt service

obligations and still remain a Great Power. This is just impossible.

### ***Great Powers are rich.***

The foundation of any Great Power is the flexibility provided by huge economic resources that the Government can use to pursue its objectives. Sure enough, resources are often squandered in the pursuit of ill-advised enterprises.

However, in the case of highly indebted countries, with no real money to spend, the national leadership has few or no options. No option among other things means fewer and fewer power projection means, (read: reduced military spending), and reduced leverage in international negotiations. Simply stated, the World does not give much thought about a country that used to be rich and powerful but is no longer.

### **When will the world stop taking America seriously?**

Since Uncle Sam's debt already topped the astronomic figure of \$ 20 trillion, how much farther can we go before the World stops taking America seriously? Nobody really knows. It is a matter of changing perceptions about the speed and the likely impact of America's fiscal deterioration.

### **Why do we hear almost nothing about this fiscal crisis?**

Well, if the fiscal consequences of this impending tax cut are so dire, why do we hear only vague and somewhat muted comments about the fiscal impact of this tax "reform"? Very simple. Elected leaders do not like to be the bearers of bad news.

And the added complication is that it is really hard to explain in layman's terms the damaging effects of an impossibly large national debt. Voters cannot "touch" the national debt and realize that it is really bad for them. These enormous figures –\$ 20 trillion dollars of red ink, and climbing– seem to be abstractions.

## **The sky is not falling**

Besides, if the sky has not fallen until now, why should it fall tomorrow if just added a little bit more to the debt? Can't we just muddle through, just as before? Whereas a tax cut is a tangible benefit. This is something that can be sold to the voters.

The bigger the cut, the better. If cutting taxes means reducing already insufficient revenue, therefore worsening an already dire fiscal outlook, so be it. Tax cuts that directly benefit your constituents may get you reelected. Whereas increasing taxes and/or reducing spending on unsustainable entitlement programs in the name of fiscal sanity, will not get you any votes.

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# **Only Skilled Workers Will Make It In The Global Economy**

**WASHINGTON** – We can argue that in America may be about half the work force is doing alright because it is positively connected to the fast-moving global economy. For them globalization is good. Most of them are “knowledge workers”. They design the sophisticated technologies which power global or globally connected businesses, or at least are familiar with them and know how to work productively with them.

## **Some do well, many do not**

If they are in high-tech, renewable energy, complex global logistics, medical science and diagnostics, digital design,

supply chains creation, management and sustainability these American workers are probably doing alright.

However, most of the others –those who perform low value, repetitive tasks or who are engaged in manual labor – are or will soon be at the bottom of the skills pyramid. Unfortunately this means that their jobs are not and cannot become stepping stones to future employment in more challenging and more rewarding sectors. In many cases, the jobs that involve repetitive tasks will probably be outsourced, or will disappear altogether, as victims of the relentless automation wave.

### **Lack of skills, lack of opportunity**

If you belong to the bottom half of the “old economy”, your current position is bad and likely to get worse. If you do not have and cannot acquire the skills that give you dexterity with machines that work with numbers, (most likely because you had a poor education and therefore you do not know how to work with these systems), you have no career future. You are or will soon be pushed down into dead end manual labor jobs like janitor, landscape worker, bus boy, or nursing home attendant.

The unlucky former manufacturing workers who lost their jobs due to globalization and automation are equally in bad shape. If they cannot be retrained so that they could aspire to the more sophisticated positions in new high-tech manufacturing or services, in most cases they will end up in one of those dead end, low paying occupations.

### **Getting the jobs back**

Of course, when then candidate Donald Trump came along in 2016 arguing that the only reasons these fine factory workers lost their jobs is the greed of their corporate employers seeking easy profits by exporting jobs overseas, along with unfair trade competition from China, Germany, South Korea, Japan, Mexico and everybody else, these displaced workers were eager



to listen. And they were willing to believe that, indeed, all it takes to restore their old manufacturing jobs, (with all the perks and benefits), is a new President who really wants to help the little guy by turning things around in Washington.

Yes, they believed that a President can reverse the negative impact of globalization. Yes, he can force U.S. companies to stay at home and hire more American workers. Yes, he can re-negotiate unfair trade deals, so that the avalanche of cheap imports will stop, while American companies will find new markets abroad.

### **A nice dream**

This is unfortunately only a nice dream. No, no President, however well-intentioned, can stop, let alone reverse, globalization. Yes, he can strong arm corporations in order to slow down or stop the outsourcing process. But this is no long term solution.

In the end, American companies will succeed only if they can be and stay competitive. Forcing them to keep expensive or money-losing operations in America, so that workers can collect a pay check, while their nimble foreign competitors conquer markets leads only to eventual economic decline.

### **The way out**

So, what is the proper way of addressing this crisis brought about by the competition of cheap labor (mostly from Asia) and the relentless march of automation?

The only way is for the unskilled to become skilled.

Those who are not employable today because they lack the knowledge and the basic understanding of how the high-tech knowledge economy works need to get those skills. And fast. Those who do not, are left behind. For them there is no upward mobility, no career ladder.

*The old adage that “hard work” is the key ingredient to success in America is no longer valid. Yes, diligence and discipline still matter. But only when accompanied by the sophisticated knowledge that allows mastery of complex systems.*

### **How is France doing?**

Well, if this is the rather gloomy picture for millions of Americans who may have missed the bus leading to the global economy, what about elsewhere? What about France, for instance?

France recently embarked in a an incredibly ambitious political experiment. The French voters ditched the established political parties, of the left and the right, and elected President the young and completely untested Emmanuel Macron. And the reason is that this investment banker turned politician, promised nothing less than economic renaissance.

While he phrased his campaign slogans differently, he promised the same end results promised by candidate and now President Donald Trump: a complete bottom-up economic transformation.

Newly elected French President Emmanuel Macron claims that his policies will kick-start France into high gear. This rather old and unimaginative country will become a “Start-Up Nation”. As a result of fresh pro-growth policies, there will be a fresh crop of entrepreneurs and innovators.

### **Reform labor laws**

Well, in principle this is possible. However, how do you make this happen? One good place to start is by reforming the antiquated French labor market. France is still prisoner of the old, pro-union leftist agenda which is all about the protection of workers rights. Nothing wrong with that, in principle.

The problem is however that by focusing on the protection of those who are employed, French labor laws make it much harder for employers to hire new workers. Indeed, when a new worker is hired, given all the protections he/she is entitled to, it becomes almost impossible or at least extremely costly to dismiss him/her when business is down.

In other words, by offering maximum protection to employed workers, French labor laws made sure that fewer workers would be hired, even in good times. In addition, the perks and benefits going by law to employees made French labor costs too high, this way making French companies less competitive in the global market place.

### **Bite the bullet**

It seems that President Macron is willing to bite this bullet. His government wants to tackle labor laws reform.

But here is the political and psychological problem. Even if well designed and skillfully implemented, labor law reforms will threaten the job security of existing workers before they will be able to broaden the labor market, therefore offering new opportunities to those who cannot get into it today. Which is to say that there will be pain first (guaranteed), and (possible, hoped for) gains later.

### **Can Macron convince France?**

Can President Macron convince the French people that he can manage this complicated process well? Can he convince workers who may lose their jobs now, on account of more flexible labor laws, that in the future, given greater overall flexibility, more appealing jobs will sprout across the nation, this way creating brighter prospects for millions of old and new workers? This is going to be a tough sale.

In the end, it is obvious that a brittle French jobs market will not help advance Macron's vision of France as a "Start-Up

Nation". Economic renaissance is very appealing until voters realize that change may entail threats to their current security. I am a bit pessimistic about the depth of France's newly discovered enthusiasm for enterprise and innovation, once the French realize that this hoped for transformation is not pain free.

I doubt that Macron will have the ability to convince most of the country that a more fluid society with fewer protections is also a more flexible society that creates more opportunities. No doubt most French would like to see more competitive companies and more jobs created. But those who are employed now do not want to lose whatever job security they have.

### **The challenge**

As noted above, even here in America, until not too long ago the quintessential "Start-Up Nation", in many sectors of our society and economy we are failing to live up to the old and time-tested "can do" spirit of flexibility and quick adaptation to new circumstances.

We failed to build the education, vocational training and retraining structures that would have allowed millions of workers to have a relatively smooth transition from old-fashioned, large scale manufacturing to a new, complex and more demanding knowledge economy.

Can an even more ossified France do a better job? Can a young, optimistic President Macron inject a new vigor into a declining economy?

Time will tell.

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# Will Washington Give Arms To Ukraine?

**WASHINGTON** – Back in February 2014, right after a popular rebellion ousted pro-Russian President Viktor Yanucovych, this way taking over political control in Kiev, the then Obama administration was long on promises of aid and support; but very short on delivering almost anything of real value to the new supposedly pro-American and pro-European Ukrainian government.

## **Economic basket case**

On the economic front, Ukraine was then (and still is today, by the way) a virtual basket case: an impoverished, non competitive, underperforming economy, poisoned by systemic corruption. On the military side, whatever your political preference on who is to blame for the ongoing fighting between government forces and pro-Moscow ethnic Russians in Eastern Ukraine, back in 2015 it became obvious that Washington was not going to support the new anti-Russian Kiev government in any meaningful way.

## **Non lethal military aid**

President Obama offered some non lethal equipment, (such as radar, night vision goggles), MREs, (military food rations), blankets, uniforms, and socks, (yes, socks), to the Ukrainian army –but no real weapons.

## **New Trump approach?**

Now, with Trump in the White House, most recently the noises have been changing. It is no accident that U.S. Secretary of

Defense Mattis recently made a high-profile visit to Kiev on that country's Independence Day. During public celebrations which included a military parade, Mattis stood at the side of Ukrainian President Petro Poroshenko. Mattis trip to Kiev followed another important visit to Ukraine by Secretary of State Rex Tillerson in July.

In public remarks in Kiev Mattis stated that the Pentagon is reviewing options that could include supplying real weapons to Ukraine; including anti-tank Javelin missiles, and possibly anti-aircraft missiles.

Of course, Mattis insisted that this American hardware—assuming a US Government decision to send it to Kiev—falls under the category of defensive weapons. America's stated goal—again, assuming a green light on this—would be to give Ukraine the tools to defend itself from Russian attempts to unilaterally change borders in the East.

Mattis justified any possible U.S. policy shift regarding weapons sales to Ukraine by pointing out that Russia is not living up to its commitments under the Minsk agreements aimed at solving through peaceful means all issues related to the future of ethnic Russians in Eastern Ukraine.

### **Policy shift**

Well, should these supplies of U.S. weapons to Ukraine actually take place, this would indicate a major policy shift from the “do nothing” Obama years. For several years, Obama's deeds (forget his speeches in support of Ukraine) indicated that America would not get involved, even indirectly, in any conflict involving Russia in Eastern Ukraine, a region with deep historic, ethnic and religious ties to the Russian state. With Obama in the White House, Ukrainian President Petro Poroshenko realized that he was on his own.

Now Donald Trump is President. So, a new more muscular approach to Ukraine in Washington vis-a-vis Russia? We shall

see. Despite what Secretary Mattis just said in Kiev, I am inclined to believe that the Trump administration does not want America enmeshed, even if indirectly, in yet another, almost impossible and probably endless conflict, far from home.

### **A crowded national security agenda**

Let's look at the long "to do" list for the U.S. military, when it comes to hot spots. Washington is and will be engaged in the Middle East, (Iraq and to a lesser extent Syria) for quite some time. The President just announced a more muscular and open-ended policy towards Afghanistan, with the stated goals of defeating the Taliban insurrection. And then you have creeping and potentially explosive crises with North Korea, Iran, and may be with China on the South China Sea. Based on recent Washington moves and public pronouncements, we may also have to add Venezuela to this already long and challenging national security agenda.

Does Washington want to add an insoluble conflict in Eastern Ukraine to the headaches list, while cash strapped America has a hard time keeping up with existing and potential commitments? I do not think so.

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## **Will NAFTA Be Fixed?**

**WASHINGTON** – It is not a bad idea to look at ways to improve NAFTA, the Free Trade Agreement linking Canada, the U.S.A. and Mexico that came into force in 1994. Back then, we had a different world. The Internet was just beginning to blossom; the on line giant Amazon did not exist, and Apple's future was uncertain. Energy production and possible new cross border investments within North America did not even remotely

resemble what we have now. Think of the incredible shale oil and gas revolution in the U.S., large scale oil extracted in Canada from oil sands in Alberta, and then exported to the United States, and the recent liberalization of the energy sector decided upon by Mexico, simply because they are shipped from Mexico.

## **Make it better?**

What is not entirely clear at this early stage in the process is the spirit animating the American negotiators. As a presidential candidate, Donald Trump argued that NAFTA is a horrible arrangement that hurt the U.S. economy and workers, a key item within a long list of fatally flawed trade agreements.

So here is the question. Is the goal here to improve NAFTA or to try to kill it? We shall soon find out.

## **Key issues**

Among the many issues that will be addressed by the U.S., Mexican and Canadian negotiators, “rules of origin”, “dispute resolution” and “government procurement” stand out.

## **Rules of origin**

In order to qualify for the NAFTA free trade preference, (this means no customs duties within the free trade area), goods coming into the United States –say from Mexico– must qualify as “made in Mexico”. For example, they cannot be sneakers or T-shirts made in China, exported to Mexico and then re-exported tariff free to the U.S.A., pretending that they are made in Mexico.

However, in this global economy sustained by global supply chains, how does one establish clear rules aimed at determining the origin of complex products? Think for a moment of automobiles assembled in Mexico. Almost by definition they



contain many foreign made parts –parts not originating from other NAFTA countries.

Well, here is the question. What is the limit of foreign (non NAFTA) made components (in terms of value of the components, and in terms of overall percentage of parts) beyond which the car assembled in Mexico no longer qualifies as “originating in Mexico” and therefore not qualifying for the NAFTA preference?

### **How strict?**

How high do you set the bar? Is a car with 30% non NAFTA components still qualifying for tariff-free NAFTA status? Or can the NAFTA negotiators be more lenient and set the bar at 40%? This is a big deal.

More or less stringent rules of origin will affect established trade relations with a global web of suppliers. No wonder the Japanese are following the NAFTA renegotiation issue very closely. The Japanese brands assemble cars in Mexico. Ostensibly those cars are “made in Mexico” and so they can be exported to America customs free, as they benefit from the NAFTA trade preference.

### **Components made in Japan**

But here is the thing. Everybody knows that these cars contain a large amount of components made in Japan. If adopted by the three partners, more stringent NAFTA rules of origin will inevitably disrupt established supply chains created by the Japanese brands to export components that end up in cars that until today met the minimum NAFTA origin criteria to be considered as “made in Mexico”.

So, here is the issue that will affect the negotiations. America wants much stricter rules of origin, because it does not want what the U.S. considers to be essentially Japanese cars, disguised as “made in Mexico”, to come into the USA tariff free, (because of the NAFTA preference),

Can a compromise be reached regarding what percentage of a finished product must be made of components made in Mexico, Canada or the U.S.A. in order to give this product "NAFTA origin"?

### **Dispute resolution provisions**

The Americans also do not like the "dispute resolution" mechanism included in the original NAFTA Treaty. Many in the U.S. look at it as a binding arbitration process which amounts to an infringement of US sovereignty. Americans do not like to be bound by a process whereby non-U.S. judicial bodies decide the outcome of trade disputes. The other two NAFTA countries would like to preserve this dispute resolution mechanism. Is compromise possible?

### **Public procurement**

Public procurement is another sticky issue. The three countries would like to have free and equal access to public procurement bids (think of government contracts which may include IT services, or infrastructure projects) put out by their NAFTA partners. Except when they do not.

Especially with President Trump pushing for an "America First" general approach on all trade and non trade issues, when it comes to public procurement, Washington wants to privilege U.S. companies through "Buy American" policies.

And this would include all or most government contracts. This is obviously against the spirit of wide open procurement with a bidding process open to all firms within NAFTA.

### **Uncertain outcome**

In the final analysis, all these are very complex and technical issues –on a good day. If the parties are willing to compromise, there is an opportunity to improve NAFTA.

But if there is a negative bias against NAFTA, it is

relatively easy to tear apart this free trade area linking the 3 economies of North America.