fact arise from real conflicts of interest. If the requirements discourage persons from entering public service, the law may be doing the job for which it was designed.

The opponents' argument that the post-employment restrictions are too harsh similarly lacks hard evidence to support it. Any difficulties officials in the Carter administration experienced in procuring private sector jobs at the end of their term of employment are not linked to legal restrictions. The ethics law does not prohibit advising or counseling activities nor is it much more restrictive than the old law. The one-year ban on communication applies only to the agency in which the former employee was an official (J. of Patent Office Society 62:721-31, Dec. 1980; Creighton Law Review 14:707-21, 1981). The Ethics in Government Act constitutes a good balance between the need for the continued exchange of expertise between the private and public sectors and the need to avoid both "switching sides" in a controversy between public and private sectors and the use of undue influence.

The Dean Rusk Center was established in 1977 to foster interdisciplinary research, service, and education concerning trade and investment. U.S. fiscal and monetary policy has been a major focus of Center study because of its increasing impact on international commerce. Other areas of concern include international political and military relations and various types of social and cultural exchanges. The Center recognizes, however, that the internal affairs of nations remain the major determinant of international relations and that domestic concerns about the value of the society, its social dynamics, and the availability of resources will continue to vie for dominance in determining a nation’s posture in world affairs. Thus, much of the Center’s work dwells on domestic events and different disciplinary explanations of their presence and evolution.

Admittedly, the interactions of fiscal and monetary policy, international arrangements, and domestic events cannot be fully analyzed in a specific geographic or subject context. Nevertheless, many of the Center’s policy development activities concentrate on the North American region and on related subjects of agriculture, national development, business-government relations, and public governance. These biweekly “briefings” reflect the convergence of the Center’s diverse activities and interests.

Facts and details of events addressed in Briefings are gathered through a scanning of major daily newspapers and weekly periodicals, which are cited throughout each article. Sources of related policy and disciplinary material appear in a listing following each article. The purpose is to link facts with policy implications and academic points of view in order to present an integrated and in-depth approach to current issues. Views expressed are not necessarily those of the Rusk Center.

1. FISCAL AND MONETARY POLICY

ECONOMIC ASSUMPTIONS IN THE BUDGET PROCESS - After a five-month political struggle over national priorities, Congress has finally passed its first general resolution on the 1983 budget. While the president does not have to agree formally to the resolution, this broad outline of the future budget has administration approval. The resolution calls for generating additional revenues of $20 billion from increased taxes in 1983 and commits the Congress to make deep cuts in social entitlement programs. Federal spending for Medicare and Medicaid is to be cut by $4.3 billion; child nutrition and food stamp programs are targeted for a $900 million reduction; and a further $300 million is to be taken away from welfare and supplemental security income. In addition to these cuts, however, the resolution envisions the greatest peace-time increase in military spending in history, although military pay itself is only scheduled to rise by 4%. The budget deficit is officially estimated at $103.3 billion, $12.5 billion lower than the original Senate version and $4 billion higher than the House plan (Wall St. J., 6-21-82, p. 2; 6-24-82, p. 3; N.Y. Times, 6-18-82, p. D17; 6-24-82, pp. 1+).

The passage of the first budget resolution completes only the first phase of the budget process, as established by the Budget Act of 1974. The resolution is intended to set broad spending and revenue targets which are not binding on Congress until the enactment of the second budget resolution, due September 15. Until then, individual congressional committees must attempt to make specific cuts to satisfy the general mandate of the resolution. After passage of the second resolution, final fiscal adjustments are made on the budget; and by September 25 or soon thereafter, the completed budget is expected to go to the president for his signature (Nation’s Bus., 4-82, pp. 22+).

While Congress and the president have apparently agreed on broad fiscal goals, the predictability of the economy or even of actual 1983 spending and revenue levels has not been improved significantly. Indeed, a wide gap exists between the dictates of the budget resolution and political and economic realities. With Congress facing an election,
Individual members may find it politically difficult to cut social programs and increase taxes as called for by the resolution. Confronted with election pressures, Congress can be expected to deviate from its broad economic plan by enacting such measures as industry subsidies and supplemental appropriations for popular social programs (Wall St. J., 6-25-82, p. 3; N.Y. Times, 6-25-82, pp. 14).

Besides political pressures, the accuracy of predictions in the budget resolution about expenditures and revenues is limited by the role economic assumptions play in the computations. Outlays and revenues are dependent upon future economic conditions. The costs of social programs, for instance, are contingent upon unemployment and inflation rates. Yet budgets, if they are to be valid blueprints of future fiscal activity, depend on precise and accurate economic forecasts, based in turn on three fundamental economic assumptions: (1) that economics is a science and thus has the property of making future events predictable; (2) that experts understand the science sufficiently to predict today’s economic conditions; and (3) that their projections can be accurately quantified and applied in econometric models which adequately approximate reality.

The first assumption has not been seriously debated in economic or political circles since the Kennedy administration, when economists were able to predict with accuracy the effects of tax cuts. Indeed, while economic predictions are generally less dependable today than they were in the 1960s, the more fundamental relationships, such as the law of supply and demand, remain valid. Economic theory is now generally accepted as a potent policy tool for politicians and government (Wall St. J., 6-21-82, p. 1).

The second assumption, that the present cause-and-effect dynamics of the economy are understood, is more open to controversy. While most economists support current government goals of encouraging private investment to raise productivity and pursuing monetary policies to decrease inflation, they disagree on the means to achieve these ends. Some claim that a reduction in taxes will provide the private sector with an incentive to increase investment and that government spending must be cut to prevent huge deficits from inhibiting economic growth. Debts caused by fiscal imbalance force the government either to produce more money, increasing the money supply and inflation, or to borrow in the financial markets. If, as is more likely, the government borrows, these economists feel the private borrowing needed to fund private investment will be crowded out by the government monopoly of available funds. Other economists, however, insist that no evidence links deficits to inflation or interest rates. Phillip Cagan of Columbia University argues that deficits stimulate the economy to grow in real terms, although he does admit that if markets expect deficits to result in higher interest rates in the future, demand for credit will increase today, keeping interest rates high (Economist, 5-18-82, p. 25; Stein, 1982). The major thrust of this argument, then, is that deficits are not in themselves an evil.

Unable to understand key economic forces with certainty, administration and congressional officials face formidable difficulties in designing budgets to achieve specific policy goals. Reagan’s original forecast for 1981 was that productivity (measured as real gross national product (GNP)) would rise substantially and inflation would fall. Instead, real productivity rose only slightly for the year as a whole, inflation did fall, but unemployment increased significantly so that by year-end real GNP was falling precipitously (Stea & Feldmar, 1982). The 1981-82 recession was caused predominantly by unexpectedly high interest rates for which there is no adequate explanation (Wall St. J., 6-21-82, p. 1; Tobin, 1982).

The third assumption, that the projected economic statistics and econometric models used in preparing the budget are adequate representations of future reality, is an extension of the second. In putting together a budget, its creators must not only know future trends but use precise mathematical figures to determine outlay and revenue levels. Tax revenues, for example, depend on taxable income, which is influenced by real GNP, unemployment, and inflation. Even when economists accurately predict general future trends, it statistics used in computing
the budget are in error, the budget can be off by billions of dollars (CBO, 1982: Part II). Indeed, a one-percentage-point increase in the projected unemployment rate is estimated to result in $25 billion in added federal outlays and decreased revenue (Nation's Bus. 4-82, p. 224).

The econometric models also contribute to erroneous economic projections. A recent Treasury report found that between 1963 and 1978 Treasury estimates of federal revenue have averaged only about 45% on average. The department blamed a substantial portion of this margin on the limitations of the models, which must simplify complicated conditions into straight-line projections (CBO, 1981). Since 1978, however, the accuracy of the models has deteriorated. In particular, when the Fed switched in October 1979 from a policy of controlling interest rates to one of managing the money supply, forecasters oversight had to contend with new variables in their models—higher volatility of interest rates—which has added a substantial degree of uncertainty to economic projections (U.S. News & World Report, 7-5-82, pp. 26+).

Economic forecasts have already resulted in embarrassment for the current administration and Congress. In 1981 Reagan had to ask Congress for further cuts in the 1982 budget because of changed projections only one week after unveiling his economic recovery program. While officially the 1982 budget calls for a $37.7 billion deficit, current estimates with a deficit greater than $100 billion (N.Y. Times, 2-28-81, p. 9; CBO, 1982: Part II). This more than $60 billion discrepancy is caused in part by higher-than-expected unemployment and interest rates as well as lower revenues (CBO, 1982, Part II). In 1982 Reagan once again had to revise his budget soon after its submission to Congress as economic assumptions changed. Because of this pattern of inaccuracies, the administration was forced to admit that its projections of future conditions "are subject to substantial margins of error" (Wall St. J., 4-12-82, p. 3; 2-8-82, pp. 44).

The uncertainties of economic forecasts result from a number of factors other than reliance on questionable economic assumptions. First, figures may be adjusted or changed slightly to meet extraneous political ends. It has been charged that the Reagan administration predicts high deficits to force the Congress into making more drastic cuts. Keynesians and monetarists reportedly predict pessimistic future conditions to show that supply side economics will not work (Wall St. J., 12-4-81, p. 34). Partly in reaction to this phenomenon, Nobel award winner Theodore Schultz has recently accused economists of being too often no more than "hired guns" for politicians instead of devoting more time to social and economic criticism (N.Y. Times, 6-23-82, p. 26).

A final factor leading to inaccurate predictions is the degree to which forecasts must depend on noneconomic events even more subject to uncertainty than economic trends.Projected farm price support payments, for example, must be based on estimates of crop yields, a function of the weather, as well as on the likelihood of future grain embargoes. Defense outlays may change greatly from year to year, depending on when contractors catch up with their paperwork and submit bills (Penner, 1982).

According to the CBO, forecasting future economic conditions currently has three major areas of uncertainty: whether the Federal Reserve will be too restrictive in its monetary policy; whether interest rates are sensitive to high deficits; and whether inflation will rise again (CBO, 1982: Part I). Two of these three areas reflect the general uncertainties surrounding future interest rates.

With respect to the role of the Fed in the recent past, most economists blame high interest rates on its handling of the money supply. Some evidence suggests that in mid-1981 the Fed was giving incorrect statistics which exaggerated the money growth rate. The Board of Governors quickly acted to limit the perceived rise in the rate. With severe restrictions on growth, the supply of funds fell unexpectedly and interest rates shot up (Atlanta J., 6-29-82, p. 46; Tobin, 1982). An alternate explanation for the interest rates is that increased loan demand resulted from fear of rising deficits (Bus. Wk., 5-31-82, p. 87).
With the causes of high interest rates not fully understood, it is difficult to predict when they will decrease; but until they do economic recovery will be inhibited. Estimates of government revenues and expenditures a year in advance must therefore remain suspect. Both the Congressional Budget Office (CBO) and the administration have projected that a recovery will come in the latter half of 1982 as income tax reductions go into effect. Reagan hopes for a substantial increase in real productivity, even though the current capacity utilization rate is only 70%. However, private economic forecasting firms such as Wharton Econometric Forecasting Associates, Morgan Stanley & Co., and Solomon Brothers predict interest rates will remain high, with no or only a slight recovery (Nash. Post. 6-20-82; N.Y. Times, 6-27-82, pp. F14; C30, 1982: Part I).

Because of the inaccuracies and uncertainties of the assumptions underlying the budget, the deficit of $103.5 billion cited in the 1983 budget resolution should not be taken too seriously. The resolution ignores a CBO estimate that $10 billion will be lost from faster military outlays and delays in revenues from leases on the Outer Continental Shelf. Furthermore, the budget envisions management savings of $11 billion more than was agreed on both by the Senate and by the "gang of 17." This failure to reach a compromise for other reasons. The 1983 deficit will be at least $20 billion more than estimated in the resolution (Newswest. 7-5-82, p. 31; N.Y. Times, 6-18-82, p. D17; 6-19-82, p. 101. Perhaps a more valid assessment, however, is that the real 1983 deficit is incapable of being approximated at this time; too much depends on political developments, natural events, and the uncertainty of future economic conditions.


II. INTERNATIONAL ARRANGEMENTS

ECONOMIC/COMMERCIAL - OVERSEAS CHINESE IN ASEAN COUNTRIES

Since the June 1981 meeting of the economic ministers of ASEAN (Association of South East Asian Nations), the five member nations of Singapore, Thailand, Indonesia, Malaysia, and the Philippines have been trying to agree on public and private economic development policies to promote their international trade (Asian Bus., 2-82, p. 5). Eager promoters of free enterprise, ASEAN countries are particularly concerned to attract foreign investment. In March 1982, economic and policy leaders of ASEAN initiated talks with U.S. business and government officials in an effort to enhance trade relations and discuss investment possibilities. The U.S. is responsible for 25% of the foreign investments in ASEAN-countries which individually are strong allies of the U.S. The Association has also been meeting with other trade powers—Japan, the dominant foreign influence (accounting for 50% of project developments), and with the European Economic Community (Business America, 3-9-82, p. 2; Asian Bus., 1-82, p. 41). Although each member nation of ASEAN has a relatively small gross national product (GNP), as a whole ASEAN totaled a GNP of over US$180 billion in 1981. Unity and shared goals can therefore be sources of economic strength for ASEAN members. While ASEAN continues to have excellent opportunities for economic growth, it faces a number of problems common to other similar associations, such as the competition among member nations, self-centered goals that focus on nationalism, and disputes over the proper course of economic action. Its uncommon problem, however, centers around the role of Chinese eth-}

ics in the commercial life of member nations.
The present socioeconomic position of overseas Chinese in these countries can be traced historically to colonial policy. After serving for hundreds of years as long-distance traders who provided merchants from surrounding countries access to Chinese ports, the Chinese in Southeast Asia, because of their business contacts and trade experience, became local middlemen who catered to the needs of the Dutch as they entered Indonesia in the 1600s. Internally, Dutch colonial policy began by focusing on land development and crop production utilizing the indigenous population as labor. The Chinese fit naturally into the new economic environment by becoming intermediate traders and administering the shipment of produce, a role which eventually developed into the supervision of the import-export business. By the mid-1800s, trade in Southeast Asia opened up for Britain and North America (Yambert, 1981).

The Dutch intentionally kept the political power of money away from the indigenous population by putting wealth in the hands of the Chinese. Further protecting their position, colonial rulers then restricted Chinese participation in political and civil occupations. Unable to use their capital to buy land or political power, the Chinese were limited principally to trade as a career option. Eventually, they developed their own isolated middle class (Yambert, 1981).

With the end of European rule, the new national governments began policies to promote the position of native citizens and appropriate the wealth and business positions held by the overseas Chinese (Yambert, 1981). Since World War II, Chinese communities in Southeast Asia have suffered even greater economic isolation because governments tended to consider the Chinese as aliens who would eventually return to their homeland. The overseas Chinese have also been under suspicion as an internal political and economic force for China (Wu & Wu, 1980).

The role of the Chinese in ASEAN economic development can hardly be ignored considering their position in terms of trade. Comprising 2.6% of the population of Indonesia, they control 90% of its wholesale trade and are responsible for 80% of the interregional trade between Indonesia and Singapore, where the Chinese are the dominant ethnic group (74.5%).

Chinese businesses tally 55% of the retail trade in Malaysia although only 39.4% of the population is Chinese. In Thailand, Chinese ethnicities represent 10% of the population but enjoy selected positions of authority, especially in banking and export finance. Only in the Philippines (1.4% Chinese) is the economic position of this group on the decline (Stauch, 1981; Wu & Wu, 1980).

While hopes of returning to their homeland may have been strong among some Chinese, especially those who came to ASEAN countries at the time of the communist takeover of China in 1949, with time their attitude has undergone a transformation. Few are anxious to return to a mainland China now firmly in communist control. Yet many overseas Chinese are resentful of government demands that they renounce their heritage—in some instances even giving up their Chinese names—and become citizens of the host nation. Those who do apply for citizenship may find it difficult to obtain. In Thailand, for example, the Chinese can seldom meet such citizenship requirements as military or government service to the host nation and proficiency in the native language (Yambert, 1981). With ASEAN countries pressuring the Chinese to assimilate yet making it hard to do so, and with the Republic of China constantly changing its position regarding their status, the overseas Chinese are in doubt about where to cast their loyalty.

A majority of the legislation and political policies implemented in ASEAN countries promote the economic well-being of their indigenous populations at the expense of the overseas Chinese. Examples of restrictive legislation include Chinese exclusion from specific industries and careers, government intervention demanding the transfer of a percentage of equity in Chinese businesses to stockholders of indigenous descent, mandatory requirements for the training of indigenous workers within Chinese operations, and policies calling for overseas Chinese to share control of certain businesses with native management (Wu & Wu, 1980). As the governments of ASEAN strive for national economic development, the ethnic Chinese are being pushed further into the background. With the exception of Singapore, ASEAN governments—and particularly Indonesia—favor indigenous businesses over those of the Chinese
awarding government contracts. The Indonesian government is also pressuring foreign investors to replace Chinese staff members with native Indonesians (Hein, 1982).

Preoccupied with the drive toward nationalism, the member nations of ASEAN may not foresee the economic consequences of discrimination policies. Not only does replacement of overseas Chinese with indigenous workers result in the dislocation of a significant portion of a reliable and efficient work force, but a fall in Chinese revenues—and the general uncertainty of the position of the Chinese—represents lost savings which could serve as investment capital (Wu & Wu, 1980). Although ASEAN countries do not suffer from a lack of capital, the majority of that capital is controlled by ethnic Chinese, who are presently unwilling to venture into long-term investments in ASEAN countries (Asian Bus., 1-82, p. 41). Numerous businesses in ASEAN are concerned that as ASEAN prime ministers accept more government-to-government loans from Japan, they risk making their nations financial colonies of Japan (Asian Bus., 3-82, p. 40). The recently formed ASEAN-Japan Development Corporation promotes long-term, low-interest loans for joint projects in ASEAN (Asian Bus., 2-82, p. 41). The Japanese threat would possibly not be so great if ASEAN overseas Chinese relations were to improve. Such a change could serve as a catalyst to promote local Chinese investment in needed long-term projects (Bus. Int'l., 1979).

From the U.S. perspective, ASEAN is a viable trade and investment partner. Direct investment from American businesses totaled $5 billion in 1980. During the following year, the U.S. exported $4.8 billion in goods to the Southeast Asian markets. The appeal of ASEAN to U.S. businesses is based on high real growth rates, with Singapore leading at approximately 10% per year, and diverse economic opportunities. While U.S. investments in the past have been concentrated in the electronics and petroleum industries, ASEAN nations are beginning to refine and process such natural resources as rubber, timber, and metals. Providing an inexpensive labor force, tariff cuts, and basic political stability, ASEAN is an attractive market for foreign investment. Each nation varies in its policy toward foreign investors, but the common ASEAN attitude favors foreign investors entering projects jointly with domestic businesses. Trade and investment relations in the five member nations are being promoted by the ASEAN-U.S. Business Council, developed in 1979 by the combined efforts of the U.S. Chamber of Commerce and the ASEAN Chambers of Commerce and Industry (Bus. America, 3-82, pp.5-9).

Even as they pursue foreign trade and investment, however, Association members must address the question of how best to fit the overseas Chinese into their scheme of economic development. For too long ASEAN nations have not generally recognized the positive aspects of their Chinese populations. One of the main challenges facing these countries is to create a unified national identity for the numerous ethnic groups in each of them. With over 300 ethnic groups living in Indonesia alone, that nation must somehow instill an attitude of nationalism without isolating segments of the population. Indonesia still experiences anti-Chinese riots as indigenous workers assert that the Chinese monopolize business opportunities. The Indonesian government is also concerned over the possible influence of communist China (Atlantic, 6-82, p. 19). If the overseas Chinese demonstrate greater loyalty to their adopted country and take every opportunity to promote economic growth through support of nondiscriminatory national development policies, perhaps ASEAN governments may begin to recognize the Chinese as an asset and natural resource (Fryer, 1979). At a time when ASEAN offers opportunities for investment, perhaps the best place to begin negotiations is in its own backyard. Unity among ASEAN governments and the overseas Chinese can only enhance the international trade and investment possibilities in ASEAN.

Business International. ASEAN: Challenges in the International Market. Hong Kong: Asia/Pacific Ltd. 1979.


SOCIAL/CULTURAL – CARIBBEAN BASIN IMMIGRATION TO THE U.S.

Including refugees, legal immigrants, and foreign nationals entering the country without permission, the United States each year takes in substantially more immigrants than do all other nations of the world combined. In 1980 more than 1,300,000 came to the U.S., including 267,000 refugees given political asylum; 270,000 entering under country-by-country quotas; 171,000 parents, spouses, and children of American citizens; and an estimated 500,000 illegal entrants. Given the political instability in many countries of the developing world and the fact that over the next 20 years they must find jobs for more people than are presently employed in the work force of the entire developed world, a significant decrease in the number of people seeking admission to the U.S. is unlikely (Talbotbaum, 1980; Nat'l. J., 2-20-82, pp. 336).

Motivated by a need for labor in an expanding continental nation with a rapidly growing economy, the U.S. had from its formation a relatively liberal immigration policy. One of the largest influxes of immigrants came in the late nineteenth and early twentieth centuries, accompanying the country's industrial revolution. Modern immigration numbers, however, surpass those of earlier periods. Since no corresponding rapid, large-scale expansion of the U.S. economy is occurring, greater attention has been focused on the domestic effects of immigration and on ways to alleviate some of the problems (Talbotbaum, 1980).

One difficulty is the extent to which states are obligated to provide services to illegal immigrants. The Supreme Court has recently ruled that states cannot charge tuition for public school attendance of children of illegal immigrants. While Texas argued, in seeking to impose a tuition, that the cost of providing education was simply too high for the state to bear if these children were included, the Supreme Court ruled they are entitled to Fourteenth Amendment protection under the Constitution. The Court seemed to limit its decision, however, to the area of education, since the opinion stated that Congress had the power to deny other benefits, such as food stamps, to illegal immigrants (Chir. Sci. Mon., 6-17-82, p. 3; Congressional Qtrly. Wkly. Report, 6-19-82, pp. 1479-81).

The opinion, also highly critical of the government's lack of control over immigration, may give impetus to the growing movement to revise federal immigration laws. The Simpson-Mazzoli bill, under consideration by Congress, would for the first time penalize employers who knowingly hired illegal aliens. Persons who entered the U.S. without permission before January 1, 1982, would be granted legal status, and provision is made for a more secure identification system, possibly with a national workers' identification card. The bill would also set lower levels for legal immigration. Despite opposition from the U.S. Chamber of Commerce, which dislikes the employer sanctions provision, and civil liberties groups that fear abuses of the identification system, the Simpson-Mazzoli bill is likely to be approved by Congress in its present form (Chir. Sci. Mon., 6-17-82, p. 3; Congressional Qtrly. Wkly. Report, 6-19-82, pp. 1479).

In line with the traditional separate treatment of refugees and immigrants in federal law, the Simpson-Mazzoli bill does not deal with the question of refugees who ask asylum. The recent influx of Cubans and Haitian refugees has brought pressure for law reform in this area as well. The Reagan administration has not dealt with the Haitians as refugees but has detained them in jail until they offer some proof of possible persecution if they return home. In June a federal district court held this policy unenforceable because no notice was given of the rule change nor were hearings for public comment held. However, once the procedural requirements are met, the policy will probably be reinstated (N.Y. Times, 6-19-82, p. 8).
Given the problems associated with current refugee law, a proposal (H.R. 5879) has been introduced in the House of Representatives to change some parts of that law. A refugee is legally defined as a person facing political persecution in his or her home country. Since this part of the law would not be changed by the proposal, the dejection policy of the administration, designed to discourage other people from entering the U.S. illegally and claiming asylum, will probably not be affected. However, two important changes would be made. First, the Office of Refugee Resettlement of the Department of Health and Human Services would be required to develop a resettlement plan to keep new refugees out of already saturated areas such as Florida. Second, cash assistance to refugees would be conditional on their participation in available job- or language-training programs, with assistance terminated if a refugee refused a suitable job. The new bill also clarifies existing language to ensure that the federal government reimburses the states for the entire cost of cash and medical assistance to refugees (N.Y. Times, 6-19-82, p. 8; Congressional Qtrly. W.ly. Report, 5-15-82, p. 1104).

The massive flow of immigrants, especially Hispanics, is having the marked domestic effect of changing the American societal character. Since 1968, 33% of all legal immigrants and the majority of illegals have come from Latin America. If present fertility and immigration trends continue, Hispanics will comprise the largest minority group in the U.S. by the year 2000; and in 100 years, 40% of the entire U.S. population will consist of post-1980 immigrants and their descendants (Atlantic, 7-82, pp. 27-39; Massey, 1981; Fitzpatrick & Parker, 1981).

Some concern has been expressed that immigrant groups may coalesce to form a significant political lobby, perhaps leading to political and social upheaval. Available evidence suggests, however, that recent immigrants, and especially the Hispanics, are readily being assimilated into American culture. While Hispanic immigrants with higher socioeconomic status are politically involved, they tend not to associate themselves with ethnic political causes. The educational system and special programs sometimes available to immigrants are designed to promote the assimilation process and are apparently succeeding, at least in the case of middle- and upper-class refugees and immigrants (Fitzpatrick & Parker, 1981; Massey, 1981; Kelly, 1981).

Assimilation cannot be taken for granted, however. Anti-refugee and anti-immigrant sentiment in the U.S. is growing, if it became pervasive, it could force immigrants to separate themselves from the rest of society for protection, with the feared social and political changes following. This situation is exacerbated by the low degree of social mobility available for poorer immigrants. Most immigrants, especially illegal ones, are concentrated in low-skilled, low-paying jobs with poor working conditions—one sign that the educational process is not sufficiently successful at another level. The danger thus exists that an underclass of citizens will be formed, receiving the worst jobs and the worst treatment of any group in the society (Fitzpatrick & Parker, 1981; Massey, 1981; Teitelbaum, 1980).

Some anti-immigrant sentiment derives from the belief that immigrants, legal and otherwise, take jobs from U.S. citizens and drain social welfare resources. Yet the evidence on these issues indicates that displacement of American workers is insignificant because immigrants tend to hold low-skilled jobs most Americans reject and that immigrants make no greater use of social services than the rest of society. Moreover, evidence introduced in the Texas education case indicates that most illegal aliens pay more in taxes than they receive in benefits (Teitelbaum, 1980; Chr. Sci. Mon., 6-17-82, p. 31).

One real fear is that immigrants with the lowest socioeconomic status may, like their U.S. counterparts, have a greater motivation to become involved in criminal activity. Apparently under this assumption a secondary-level language training program for Vietnamese refugees contained a week-long vocabulary lesson devoted to words used primarily in the drug subculture. Indeed, if the educational system fails to provide immigrants with the skills necessary to become integrated into mainstream American culture, involvement in delinquent cultures could become one of their few viable options (Kelly, 1981).
The proposals for change in refugee and immigration law do not deal fully with all the problems surrounding the phenomenon of immigration. Their purpose seems to be to control the "pull factors"—those conditions that draw immigrants to the U.S. A major criticism of current immigration policy is that it does not sufficiently address the "push factors," such as political instability, repression, and poverty, which encourage immigrants to leave their home countries in the first place. The argument is that immigration is not solely a concern of domestic policy, but is inextricably linked to the nature and effect of U.S. foreign policy, especially with respect to the Caribbean area.

Former Secretary of State Habig has stated that the U.S. does not draw a false dichotomy between North-South and East-West relations, in which the former is treated as economic and the latter as military (Dept. of State Bulletin, 9-81, pp. 16). The Reagan administration's hard-line policy toward the Caribbean Basin, where U.S. efforts are aimed at countering threats of Soviet-Cuban aggression, is held as the appropriate response to a global military threat. Critics of this position argue that what is not taken into account is the effect of the policy on immigration problems.

A strict anti-Soviet policy in the Caribbean has lead to U.S. support of some repressive authoritarian regimes, as in El Salvador and Haiti. Support of these regimes, it is argued, merely exacerbates or continues the repressive policies. Since political repression is the primary cause of refugees seeking asylum and other types of immigration, the relationship between this aspect of U.S. foreign policy and its immigration problems is apparent. If the U.S. refuses to accept refugees from these countries, as has been the case with the Haitians and Salvadorans, then desperate people from these countries will try to enter the U.S. illegally. Such a policy also leaves the U.S. in the untenable position of claiming these people are not refugees, when good evidence does exist that they are being persecuted and sometimes murdered upon their return (Loescher & Scanlan, 1981; Briggs, 1982).

Thus these critics would argue that the protection of human rights should play a major part in U.S. foreign policy, not only for reasons of ideology but for pragmatic reasons as well. If political repression decreases, emigration will decrease. The U.S. might therefore serve its own best interests if it tried to limit repression, thus securing relief from the massive influx of immigrants.

Political instability is, of course, not the only push factor affecting the flow of immigrants. Another is the widespread poverty and unavailability of jobs typical of less developed countries. The suggestion has thus been made that the U.S. should place a major foreign policy emphasis on development aid for these nations. If the U.S. can provide the right types of aid and technological assistance, then Caribbean countries would be in a better position to create jobs for their citizens and decrease the number of emigrants. Problems with this approach are that development is a long-term process with little immediate effect on immigration and that these countries have shown a tendency to invest aid funds in capital-intensive areas rather than in areas that would create worthwhile jobs. The question also remains whether the U.S. can afford to fund a program large enough to have much effect upon the immigration flow (Briggs, 1982; Teitelbaum, 1980).

Policymakers are thus left with the question of what to do in the meantime. The answer most often offered is to take measures to control U.S. borders and the number of people who enter the country—measures like the Simpson-Mazzoli bill. In creating such short-term policy, however, it is important not to lose sight of the interrelatedness of these domestic and foreign policies. If the U.S. succeeds in limiting the number of legal immigrants and refugees admitted to the country, the lack of options for people in Caribbean Basin countries with high unemployment and political instability may serve to exacerbate those conditions. Pressure to migrate would thus increase, with the possibility that more and more people would try to enter the U.S. illegally (Teitelbaum, 1980).


III. DOMESTIC ISSUES

VALUES - THE LEGISLATIVE VETO

A series of recent events promises to intensify the controversy surrounding use of the legislative veto. Last March the U.S. Senate passed bill S. 1080, which if enacted would give Congress a two-house veto over all government regulations except those issued from the Department of Defense and the Internal Revenue Service and those dealing with wages, prices, and mergers. The measure would prevent regulation from going into effect until the responsible congressional committee has time to study the proposed rule. Then, if a committee disapproves of a rule, each chamber would have 30 days to pass a resolution rejecting the measure. The House of Representative's counterpart legislation, H.R. 746, differs from the Senate's version by requiring presidential approval before a veto goes into effect, although several amendments to the bill are expected to be submitted once it reaches the chamber's floor (Congressional Orty. Wkly. Report, 3-27-82, pp. 701; 7-3-82, pp. 1567+).

Even if an across-the-board veto power over the bureaucracy does not pass Congress, the impetus to include the legislative veto in congressional initiatives will probably continue to grow. As of 1981 over 300 provisions for the legislative veto had been included in more than 269 congressional acts (Hearings, 1981). The Congress presently is in the process of renewing many of these provisions, including the two-house veto over the Federal Trade Commission (Congressional Orty. Wkly. Report, 5-15-82, pp. 1131+). In opposition to the veto, consumer groups such as the Consumer Union of the United States and the Consumer Energy Council of America are challenging the constitutionality of the veto in court. In its next term, the Supreme Court will decide Immigration and Naturalization Service (INS) v. Chadha, dealing with a veto reversing a 1974 INS decision not to deport Chadha back to his native Kenya, and The Federal Energy Regulatory Commission v. Consumer Energy Council of America, which involves a veto of energy pricing regulation (Wall St. J., 7-6-82, p. 10; Congressional Orty. Wkly. Report, 7-3-82, pp. 1567+). The single-house veto in both cases was held unconstitutional by courts of appeals.

The legislative veto is a power in Congress to nullify or modify the activities of regulatory agencies without satisfying the constitutional requirements for passing a statute. Several different kinds of legislative vetoes exist. Some can be exercised only by one house of Congress; others require both houses to pass concurrent resolutions; and a few can be exercised by a single congressional committee (Congressional Orty. Wkly. Report, 2-6-82, pp. 200+; William & Mary Law Review 23(1):123-38, 1981). The legislative veto was first used in the Legislative Appropriation Act of 1932, although it has been included frequently in legislation only since the 1970, in reaction to Watergate (Hearings, 1981; Smith, 1981). While the broad purpose of the legislative veto is to increase public accountability of regulatory agencies, its inclusion in legislation may result from congressional mistrust of an agency's intentions, dissatisfaction with past regulatory activities,
or indecision concerning an issue which Congress would like simultaneously to avoid and control (Bruff & Gollhorn, 1977).

Debate over the legislative veto reflects differences in fundamental values, policy preferences, and constitutional interpretations. In regard to values, a significant portion of American society views regulation as a product of a scientific process which should be insulated from political influences. This belief stresses the need for experts to be unhindered in regulating industries in order to achieve the best balance between the interests of industry and the public. Another portion of American society, however, insists that in a democracy the people should have more input in the decision-making process than is allowed by autonomous regulatory agencies. Suspicious of delegating rule-making power to agencies when the Constitution explicitly vests it in Congress, this segment sees the legislative veto as a compromise measure allowing Congress to keep a check on regulatory initiatives (Bruff & Gollhorn, 1977).

On the policy level, supporters regard the legislative veto as a necessary oversight device for controlling regulatory agencies, which often act in ways not intended by Congress. While the actual effects of widespread congressional control of regulatory agencies through the application of the veto power are unknown, those people predict that, because of the overarching threat of the veto, agencies will issue fewer rules and ones more consistent with their fundamental purposes and public expectations. Regular legislation, they charge, involves too slow a process to be effective in curbing agency abuses (Conn. Print, Senate Com. on Gov't. Operations, 2-77, pp. 115-22; N.Y. Times, 3-19-81, p. A17; Congressional Qtrly. Weekly Report, 2-6-82, pp. 2004).

Opponents of the legislative veto point out that passing a two-house veto resolution is not necessarily less cumbersome or lengthy a process than passing legislation. And, they claim, Congress has not in the past been prevented by presidential veto from changing agency regulations (Hearings, 1982). Moreover, critics emphasize that the legislative veto can result in a great deal of harm. Regulatory bodies currently issue about 7,500 rules a year, making it impractical for Congress to exercise meaningful oversight of all newly issued regulations on a permanent and continual basis. Technical regulations would have to be studied by congressional staff and members, who would either have to delegate less time to other matters or make hasty decisions concerning complicated and important economic issues (Hearings, 1982; Bruff & Gollhorn, 1977).

Other harmful effects of the widespread use of the veto include extra delays in the regulatory process and the resulting uncertainties within the regulated industries. Proponents, though, insist these delays and uncertainties would not only be limited, but worth the veto's benefits. Still another argument against the veto is that nullifying individual regulations could seriously damage regulatory programs, which often consist of interrelated and mutually dependent rules (Conn. Print, Senate Com. on Gov't. Operations, 2-77, pp. 115-22).

The most powerful attack on the legislative veto, however, charges that an extensive veto power in Congress would have an effect opposite to that intended. The increased workload on Congress would strengthen the power of congressional committees, because at least with complicated regulations, a committee's report and recommendations would tend to be followed on the chamber's floor. Each committee would then maintain close contact with the agencies under its jurisdiction and eventually start negotiating acceptable rules with the regulatory body to avoid an embarrassing veto. The regulations finally issued, therefore, would not be formulated by either the agency experts alone or the Congress as a whole, but by the few members and staff of a congressional committee working together with and greatly influencing the regulatory body. These members, with a tighter constituency than the Congress, are more vulnerable to lobbying pressures from special interest groups; and consumers, who are usually less organized than industry groups but currently receive fair hearings before regulatory agencies, would be disadvantaged. Regulations created under the threat of veto would probably not have a greater public accountability than those issued now without the threat of veto (Bruff & Gollhorn, 1977).
Besides policy arguments, the legislative veto faces legal challenges. Supporters believe the veto can be reconciled with the formal constitutional legislative process if its enactment is considered one of Congress' implied powers under the Constitution's "necessary and proper" clause. Since the veto is reasonably related to the delegation of legislative power and Congress' oversight activities, they reason, it is constitutional (Smith, 1981). Opponents of the veto disagree, insisting that, as a legislative act, it must follow the requirements of the legislative process described in the Constitution. At present, because one or two houses of Congress are able to enact the veto, it fails to satisfy the prerequisite of presidential approval and often violates the principle of bicameralism. Moreover, in addition to avoiding the legislative process, legal scholars assert that it also unconstitutionally encroaches on the responsibilities of the other branches of government. When the veto acts to prevent unlawful applications of a statute, it interferes with the judicial branch, charged with interpreting the law; when the veto allows Congress to share in the administration of the statute, it performs an executive function; finally, when Congress seeks to modify the effect of a statute, it is explicitly avoiding the formal legislative procedure with its checks-and-balances protections (Land & Water Law Review 17(1):241-56, 1982; William & Mary Law Review 23(1): 123-38, 1981).

The use of the legislative veto in the future depends immediately on the outcomes of the test cases before the Supreme Court. If the Court holds at least some form of the legislative veto constitutional, Congress will probably enact an across-the-board veto or include the device more frequently in authorization legislation. Even if the Congress emerges victorious from its current legal battle, it may have to face another confrontation with the Reagan administration. Although the Republican platform and Reagan himself during the last campaign endorsed the use of the veto, the administration has argued against its validity before the Supreme Court and has indicated Reagan would reject any veto of executive orders not requiring presidential approval (N.Y. Times, 3-19-81, p. A17; Congressional Qtrly. Wkly. Report, 2-6-82, pp. 200+).


IV. NORTH AMERICA

CUBA'S POSITION IN THE WESTERN HEMISPHERE - Motivated by a stagnant economy and a pressing need for foreign capital, Cuba altered its investment policy in February to allow more favorable terms for possible foreign investors. Investors in joint projects with the state would be allowed to own up to 40% of the venture and would be able to repatriate profits in full. They would also have considerable freedom in personnel decisions and would be relieved of paying taxes on dividends and gross income (Latin America Wkly. Report, 4-2-82, pp. 94). The new policy is aimed at raising Cuba's hard-currency earnings and increasing trade with the West from 23% to 30% by 1985. To lure foreign investment, Cuba is emphasizing the advantages of a stable and disciplined work force and of the relatively high educational levels of Cuban workers compared to those of its Central American neighbors (Economist, 6-19-82, pp. 96+; Latin America Wkly. Report, 4-2-82, pp. 94). Canada, Mexico, France, and Spain have already expressed a desire to develop Cuban tourism; and Cuban officials, hoping to engage foreign investment in off-shore oil exploration, reported that two Canadian oil companies showed an interest in developing Cuba's oil industry until the U.S. intervened (Economist, 6-19-82, pp. 96+).

But Cuba's success in boosting trade with the West will be hampered by new U.S. regulations aimed at tightening the longstanding economic embargo against Cuba. The new laws, effective May 15, forbid U.S.
citizens from making transactions with Cuba in either business or tourism. The regulations will also curtail activities between Cuba and U.S. affiliates overseas. Employees in U.S. firms abroad will be subject to the same penalties—up to 10 years in jail and a $50,000 fine—for infractions of the ruling (Bus. Latin America, 4-28-82, p. 132). While these new regulations complement Reagan's hard-line stance towards Cuba, they may be counterproductive considering Cuba's recent capitalist reforms. Besides the new foreign investment policy, Castro has already instituted capitalist measures to improve production in Cuba. The government is allowing farmers to sell their surplus once they have met state quotas, and workers in state service industries are allowed to take second jobs in private enterprise. Homemakers are beginning to capitalize on regulations allowing them to sell homemade dresses, and factories are using monetary incentives, rather than ideology, to boost production (U.S. News & World Report, 8-31-81, pp. 26f).

Although Cuba's new economic policies might be interpreted as a move toward realignment with the West, its economic and ideological dependence upon the Soviet Union makes such a shift unlikely. For Cuba, renewed ties with the Western Hemisphere would mean an expansion of Western investment in Cuba and reduced security fears that the U.S. would invade the island. These benefits are far outweighed, however, by the potential loss of Soviet subsidies of the Cuban economy. In 1979 the Soviets bought 75% of Cuba's exports, including 55% of sugar exports, at prices high above the world market price. The Soviets also provide Cuba with a substantial portion of their energy needs—approximately 200,000 barrels of oil (bbl.) a day at the heavily subsidized price of US$12.80 a bbl. Furthermore, Moscow supplies Cuba with billions of dollars worth of military equipment free of charge which Cuba uses to export its revolution in Latin America and Africa. Should Cuba realign with the West, it would lose the aid it receives from the Soviet Union, as well as the political prestige it derives from successfully antagonizing the United States (Economist, 6-19-82, pp. 96f; Bus. Wk., 2-15-82, pp. 72f). Intensified domestic political criticism of Castro's regime could conceivably induce Castro to shift his alignment, but boosts have thus far prevented that scenario. In 1980 the Mariel exodus brought approximately 125,000 Cubans to the U.S. This event, which cost the U.S. government over $700 million, benefited the Cuban government both politically and economically. Castro was able to export his political opposition, and the exodus left needed houses and jobs for Cuban veterans returning from African wars. Moreover, Castro's regime maintains strong popular support. Four-fifths of the population belong to government-sponsored mass organizations. While some do so to facilitate finding jobs and to make life generally easier, others join because they genuinely support the government (Domínguez, 1981).

Relations between Washington and Havana have been characterized by paranoia since the revolution. The Cubans view disruptions in their economy as CIA instigated, and the U.S. formulates much of its Latin American policy in terms of containment of Cuba. Fears on both sides are not unfounded, however, given the Bay of Pigs Incident and Castro's continued commitment to world revolution. In both cases these heighten- ed fears cloud possibly beneficial policy alternatives. For example, although Castro is allowing and encouraging free-enterprise, his official policy stance is still adamantly anti-U.S. In his speech before the Sixth Congress of the Association of Small Farmers he emphatically rejected Reagan's offer to "rejoin the Western Hemisphere" and promised that the "hell of capitalism" would not return to Cuba (Latin America Wkly. Report, 5-28-82, pp. 7f). Meanwhile several Cuban officials have signaled to U.S. academics that Cuba would prefer to follow a policy of "mutual restraint," including normalization of relations in the Caribbean. They admit, however, that such a policy would be temporary depending on Cuba's economic situation. Given this caveat, Reagan's hard-line approach is more understandable (N.Y. Review of Books, 5-27-82, pp. 17f).

Other U.S. policy alternatives include severe negative sanctions or a soft-line approach similar to the policy adopted by Carter. Most experts deem negative sanctions such as a blockade or invasion absurd and are wary of the soft-line approach, since Carter's policy failed to prevent Cuban adventurism in Ethiopia. They believe a strategy of gradual engagement offers the best hope for dealing with Cuba. Cuba's
economic condition suggests that the U.S. could influence future Cuban actions through a progression of positive economic rewards. Such a policy might encourage Castro at least to reduce his political involvement in other areas of the world, enabling the U.S. to develop a more productive Latin American policy. The current U.S. policy, favoring military aid to much of Latin America in order to thwart Cuban activism, stifles foreign investment because it heightens fears of political and economic instability. A more economically oriented policy would enhance diplomatic relations as well as foreign investment in the region (Buss, Latin America, 1-13-82, pp. 9; Leogrand, 1982; Schulz, 1981).

While Castro may be sending conflicting signals to the U.S., his ultimate goal is the same—to boost Cuba’s hard-currency earnings through increased sugar and tobacco exports and an augmented tourism industry. The current administration, doubting Castro’s sincerity towards amicable relations, is trying to prevent Castro from achieving this goal and to force Cuba into even greater dependence on the Soviets, principally to put additional stress on both their economies. Although the success of this policy is uncertain, the outcome of other policy options is also questionable. Improved U.S.-Cuban relations seem possible only if Castro is willing to give up the political infamy he has attained by being the scourge of the U.S., but Castro may not be willing to relinquish his revolutionary reputation in perpetuity for improved U.S. relations.