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SYMPOSIUM: EMIGRATION/IMMIGRATION

THE ECONOMIC IMPACT OF HONG KONG'S BRAIN DRAIN

BY MICAELA KELLEY

CUBAN IMMIGRANTS IN MIAMI

BY JILL CALAHAN

THE ECONOMIC IMPACT OF HONG KONG'S BRAIN DRAIN

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INTRODUCTION

In a world characterized by the demise of the Soviet Union and declarations of independence by nations long oppressed under Communist rule, the British colony of Hong Kong is in a unique position. The world will watch with great interest as the People's Republic of China regains sovereignty of Hong Kong in 1997, for it will mark the first time in history that a free, capitalist society will be placed under communist rule. As 1997 draws near, uncertainty and a fear of the future have spurred many of Hong Kong's residents to flee the territory in what is commonly referred to as the 'brain drain'. As the majority of the outflow consists of Hong Kong's most talented people, the brain drain is particularly harmful to the small territory whose greatest resource is its people. This massive emigration of Hong Kong Chinese has forced the British government as well as the receiving countries' to re-examine their policies regarding the matter. In this paper I will describe Hong Kong's typical emigrant and the effect of the brain drain on the territory's economy.

HISTORICAL BACKGROUND

Hong Kong's repatriation to China is a particularly sensitive issue for many of the colony's residents, for approximately 70% of Hong Kong's population or their parents fled from communism in China, a great number of them from the successful entrepreneurial business center of Shanghai (DeMont, p. 81). Under the provisions of the Sino-British Joint Declaration, Hong Kong is to maintain its capitalist lifestyle for 50 years after the changeover, or, in the words of Deng Xiaoping, "one country, two systems". However, a vice president of an international company emigrating to Canada expressed a skepticism common in Hong Kong when he said, "I have read about what happened to people doing well before the Communists took over in China. So many went back after Mao, but the government failed them. I've heard the horror

stories—I won't take the risk" (Murphy, p. 24). Recent historical events have done little to quell the colony's fears. In the 1960's Hong Kong survived two attempts by Mao Tse Tung to overthrow the colony's government; the first being a massive influx of 70,000 Chinese refugees in 1962, and the other being riots instigated by Mao's Red Guard in 1967 (DeMont, p. 22). After the Tiananmen Square massacre in 1989, 1/5 of Hong Kong's normally politically apathetic population took to the streets in protest (Bowring, p. 24). Thus, popular confidence and stability in Hong Kong is a reflection of China's policies and actions.

PROFILE OF EMIGRANTS

A poll taken two years ago reported that 30% of the entire population will attempt to leave the colony before 1997 (*Economist* 8/4/90, p. 27). In 1990 and 1991, emigration rates were 62,000 and 60,000 per year, up from 42,000 in 1989 (State Dept., p. 1). According to the U.S. Consulate, "those persons with the most to lose from political risk tend to seek legal emigration channels" (State Dept., p. 9). Popularly deemed yuppies, the majority of Hong Kong's emigrants are young, well-educated, middle-class professionals. Fifty percent of the emigrant population is aged between 25-44, and 14.5% are degree holders and 23% are professional and managers, as compared with 5.6% and 5.9% of the general population (Wong, p. 4). According to a survey performed by the Hong Kong Society of Accountants, approximately 80% of Hong Kong's accountants plan to emigrate before 1997. A 28 year old career woman comments that "for people my age, this should be the best time for us. But emigration has become a fashion. Because everyone else is going, it becomes your destiny" (Murphy, p. 20).

Others have chosen more furtive ways of obtaining visas. Many students hope that their studies in the U.S. or other countries will enable them to work for a domestic company, and eventually have the company sponsor them for immigration. A substantial number of women have chosen to have their children in the United States so that their children are able to get U.S. citizenship. In her article in the *Asian Wall Street Journal*, Julia Leung writes that the \$12,000 a

U.S. passport would entail in terms of costs is well worth it, for it would entitle the child to have subsidized U.S. tuition fees and his or her parents would benefit from the option of immigration when the child is old enough to apply (Murphy, p. 24).

ECONOMIC IMPACT ON HONG KONG

Compared to other nations, the brain drain has had a particularly deleterious effect on Hong Kong since its greatest resource are its people. This flow of emigrants compounds other difficulties already facing the territory's labor market, including labor shortages and low birth rates. Attempting to calculate the impact of emigration in terms of figures is quite difficult, a Hong Kong banker commented that "I wish I could offer you my own set of forecasted number, but our senior economist also recently emigrated" (Guyot, p. 54). However, a study performed by Price Waterhouse estimated that emigration could reduce Hong Kong's economic growth by 45% before 1997 (Seldon, p. 501). This figure reflects the fact that the majority of the emigrants were employed in business and financial services, two areas essential to Hong Kong's success (AmCham, p. 30). The pinch is felt on the management level as well. John R. Hung of the Hong Kong Management Association commented that there is a growing feeling that "the experience gap is widening, that the quality of management is not as good as it was four or five years ago" (*Director* 5/89, p. 131).

A Peat Marwick study in 1988 identified a number of different economic problems caused by the brain drain. The loss of skilled workers would result in declining efficiency as less qualified people replaced them. Firms would have to offer higher benefit packages to employees to compensate them for the risk involved in remaining in Hong Kong. Another method might include sending an employee to a subsidiary abroad for a period just long enough for them to obtain a foreign passport. The brain drain would cause a decline in investment as Hong Kong citizens diversified their assets away from the territory, and multinational corporations found it a less desirable place to invest because of the political uncertainty (AmCham, p. 30). The government has been forced to spend a great deal on education in an

effort to help replace the rapidly shrinking pool of skilled workers. Hoping to increase first year university enrollment from 7,000 to 15,000 by 1995, the government has funded the new Hong Kong University of Science and Technology (Guyot, p. 54). Thus, emigration has proved to be costly to not only the private sector, but to the government sector as well.

However, some have suggested that the brain drain may not be as serious as it appears, and may actually be beneficial for the territory. Although the job turnover rate is substantial, statistics indicate that only 1% of that number can be attributed to emigration, the remainder to fluctuations in the labor market (Skeldon, p. 509). The replacement of Hong Kong's skilled workers with those from other nations again suggests that the outflow might be the cause of market conditions. The emigration from Hong Kong can be explained by the general increase in the numbers of Asians immigrating to countries such as the United States, and not by the territory's political uncertainty.

Wong Siu-lun, a professor of sociology at the University of Hong Kong, suggests that there are economic benefits to be gained from a refugee mentality. He argues that this mentality creates "a spirit of enterprise and engenders economic dynamism" (Wong, p. 14). In addition to encouraging achievement, it also increases the value of higher level education, for it is considered to be a mobile asset. Prospective emigrants tend to save a great deal more, in anticipation of future hardship, raising the national savings rate.

Professor Ronald Skeldon, also from the University of Hong Kong, proposes that instead of being Hong Kong's greatest problem, emigration might be the key to preserving its prosperity (Skeldon, p. 517). As emigration continues, Hong Kong citizens abroad will form an arena of the future. Hong Kong Chinese in Canada or the United States will be instrumental in expanding trade between their adopted countries and Asia. Skeldon writes that "emigration will internationalize Hong Kong's future and preserve its linkages to the wider world as it is integrated politically into China" (Skeldon, p. 517).

CONCLUSION

If the Chinese government hopes to maintain Hong Kong's prosperity when it regains sovereignty in 1997, it must make a concerted effort to maintain confidence levels in the territory and give its people good reason to stay. If not, other nations stand to reap the benefits of Hong Kong's emigrants.

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CUBAN IMMIGRANTS IN MIAMI

BY JILL CALAHAN

INTRODUCTION

When the average American thinks of immigrants in the United States, he or she is likely to think of Europeans who immigrated in the earlier history of this country, or of Mexicans, the largest nationality group recent immigrants. But to South Floridians like myself, immigrants represent a rather different population. They are the people from the Caribbean and Latin America, and in particular people from Cuba. Why? Miami, the largest city in the area, is 62% Hispanic (Henderson p. 302), largely due to the presence of Cubans, who comprise about two-thirds of the Hispanic population and 45% of the overall population (*Advertising Age*, p. S6). In this paper I will explore why Cubans came here and how they have influenced the economy of Miami and fared within it.

BACKGROUND

To begin with, I will take a look at patterns of Cuban immigration to the United States, since these patterns affected Cubans' success here. Almost all of the Cuban emigration to South Florida has been since 1959, when Fidel Castro came into power. Alejandro Portes and Robert L. Bach break down the ensuing period up to 1980, into five subperiods:

1. **January 1959-October 1962:** This wave of immigrants was composed mostly of the wealthier class, including many professionals and smaller merchants. They fled either to organize the overthrow of Castro while in exile or to rebuild fortunes and positions abroad. About 215,000 Cubans came during this time.
2. **November 1962-November 1965:** As a result of the Cuban missile crisis, Castro terminated all direct flights from Cuba to Miami so that those who desired to leave had to go

through clandestine means or on restricted flights to third countries, especially Mexico. In Sept. 1965, though, Castro permitted the emigration of relatives of Cubans already in the U.S. through the port of Camarioca; this brought 5000 new exiles to the U.S. Overall, about 74,000 Cubans fled to the U.S. during this period.

3. **December 1965-April 1973:** In Dec. 1965 the Cuban and American governments agreed to two direct flights a day, which brought 340,000 new refugees. We see in this new wave the declining status of the immigrants which is to characterize the subsequent flows. They were comprised of an increasing proportion from the lower-middle and urban-working classes. Still, their average educational and occupational attainments were greater than the average for Cuba.

4. **May 1973-April 1980:** In April 1973 the Cuban government unilaterally ended the direct flights to the United States, which drastically reduced the numbers of refugees to only about 40,000 for the whole period.

5. **May-September 1980:** In April 1980 the Cuban government took over the Peruvian embassy in Havana, triggering the largest ever emigration in a single year. The government declared the port of Mariel open to anyone who wished to leave, resulting in the famous Mariel boatlift, which brought 124,769 refugees to the United States in the span of five months. In this group we see two distinct subsets of the immigrants. First, we see the 62,000 people who were processed and released directly into Miami; they were not much different than earlier exiles and consisted largely of family groups and of individuals with relatives already in the U.S. Second, though, we see the other half going to camps established by the U.S. government; they were mostly single men, younger than the average waves before them, and consisted of a large percentage (16%) who had been incarcerated in Cuba. The two subsets' occupational distributions were similar, though (Portes pp. 85-87).

As a result of this period of immigration, then, the United States received almost 800,000 Cuban immigrants over a twenty-one year period. This emigration, of course, continued after 1980 into the present day, with an average of 10,571 Cubans emigrating per year between 1984 and 1986 (Allen p. 24). Given that the migration has been almost exclusively one-way and that at present over 60% of Cuban-Americans live in Miami, it would seem that the Cuban influence in Miami, with a population of 1.2 million people, must have been and continues to be overwhelming. In fact, it has had a great effect, but not necessarily what one would expect.

ECONOMIC IMPLICATIONS

One would expect such an influx of labor to lower overall wages in Miami; this has not been the case, however. We have seen virtually no effect on black, white, or other Hispanic wages, and only a weak effect on wages of Cubans already established there. We can hypothesize that these waves of immigration either held back people from other countries from immigrating to the U.S. or at least to Miami, or that it increased migration out of Miami to other parts of the country (Card pp. 255-256). While this may be part of the answer, it is not the whole explanation. To understand how Cubans have fared so well in Miami, we must examine the immigrants' human and physical capital and also the type of economy which they entered into when they arrived here.

CAPITAL

First, we can look at their capital. As mentioned earlier, the first Cubans to come to the States were, on the whole, wealthy people. With subsequent waves, though, the immigrants' physical capital declined. This is also true of their human capital (i.e., education and job skills), especially with the Marielites (Card p. 248). But even in 1979, before the Mariel boatlift, Cubans had a lower mean education than blacks, whites, or other Hispanics (Card p. 247).

As far as job skills, most were employed in Cuba as either skilled workers, intermediate service workers, or white-collar workers and minor professionals (Portes p. 157). In America they tended to be either semiskilled or skilled urban workers (Portes p. 192).

However, we can see as the 1980s progressed that Cuban-Americans moved up, so that by the late 1980s they were the most educated and had the best jobs of all Hispanics in America (Schwartz p. 45, Henderson p. 308). They also had the highest median income of all Hispanics (\$26,800 in 1986), which was growing faster than Hispanics in general. We see, then, that Cubans have been very successful in this country. It is natural, then, to ask what has made their situation different from any other Hispanic group.

THE ENCLAVE ECONOMY

When Cubans started coming to the U.S. in the 1960s, they were organized through the government's Cuban Refugee Program, which afforded them access to more resources than other immigrants but also required them to conform to more government regulation. Most of the Cubans were relocated out of South Florida so as to distribute their impact among a larger number of people, but many later returned to Miami. While they were in the North, they took advantage of the higher wages and saved up money. Combining this with capital they brought from Cuba, they joined Cubans in Miami in forming what is known as an enclave economy, or enclave society (Portes pp. 88-89). Portes and Bach define this as "a distinctive economic formation, characterized by the spatial concentration of immigrants who organize a variety of enterprises to serve their own ethnic market and the general population (p. 203)." They note also that in order for this to evolve, immigrants need sufficient capital and also an extensive division of labor (Portes p. 203). The Cuban situation in America matched these requirements perfectly.

With the wealthier and more educated class coming first, they set up their own small businesses, mostly in services and retail sales. These then served as entry points for new immigrants into the labor force, as they just joined the bottom ranks of the already established

businesses in this vertically integrated, ethnically enclosed environment (Portes p. 238). This association with Cuban employers then played a strong role in their own self-employment (Portes p. 215). Because of their sheer numbers, Cubans were able to create their own economy, tailoring their products to a culture they already understood and speaking a language that was common to all of them. The result: Cuban-Americans now own 25,000 businesses in Miami, including retail stores, service stations, small factories, restaurants, banks, construction companies, auto dealerships, and fishing fleets.

CONCLUSION

Cubans, as stated earlier, fled their homeland to escape Fidel Castro and communism, coming in waves starting in 1959. These waves of immigrants diminished in terms of human and physical capital, but because of the enclave economy which earlier Cuban refugees set up in Miami, Cubans on the whole have been very successful there. In fact, they have been credited with turning this declining city around, making it an important center for international banking, trade, and tourism (Henderson p. 308). Cuban-Americans, then, are a story of the American dream come true.

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