

Justin Bullock:

(music)

Justin Bullock:

Welcome back to another episode of Bush School Uncorked. I'm your co-host, Justin Bullock.

Gregory Gause:

And I'm Gregory Gause.

Justin Bullock:

Today we have with us one of our favorite guests, I think they've been with us now what maybe, this is maybe your third visit with us. Yeah. Welcome back.

Gregory Gause:

I think he holds the record.

Justin Bullock:

Who are you?

Raymond Robertson:

Hi, I'm Raymond Robertson. I'm an economist and director of the Mosbacher Institute at the Bush School.

Justin Bullock:

Thank you so much for being with us again, Raymond.

Raymond Robertson:

Always a pleasure being with you guys.

Justin Bullock:

Yeah. It's always a nice time.

Gregory Gause:

We have to thank our friends at Downtown Uncorked.

Justin Bullock:

In historic downtown Bryan.

Gregory Gause:

Historic downtown Bryan, very good.

Justin Bullock:

I'm on a roll. I keep getting it.

Gregory Gause:

Very good for opening up their facility to us and hundreds of people who come to the live broadcast.

Justin Bullock:

Yeah, we should make sure we share some photos of the hundreds of people here with us.

Gregory Gause:

At some point.

Justin Bullock:

At some point. We have a couple guests with us, so thank you so much for being here. Hoping maybe you have some questions at the end, as we move forward. Thanks to the audience for being here.

Gregory Gause:

A couple guests among the hundreds.

Justin Bullock:

Among the hundreds in the audience that are not all piled into Downtown Uncorked. That'd be a fire hazard. Don't want to cause any trouble. We have Raymond with us, thanks for joining us. We want to talk about some Mosbacher things and check in with you about how the institute's doing and what kind of new projects that you have going on. I was able to attend one of the meetings of some of the new lab that Mosbacher's launching. Which also ties in with one of our separate series that we're going to do this semester, that we'll be updating you more on in the near future.

Justin Bullock:

But before we get to that, there are lots of political things going on.

Gregory Gause:

Maybe a few hot takes.

Justin Bullock:

Maybe a few hot takes would be nice. Greg and I like to share our opinions, so I feel like now's a good time to do that. And we have Raymond with us who might also have some insight. I at least heard one good joke he's made.

Gregory Gause:

He's from the upper Midwest.

Justin Bullock:

That's not really... Iowa. I guess it's close.

Gregory Gause:

Well, it's not from Iowa, but it's close.

Justin Bullock:

I don't want to accuse him of such a thing and be like accusing him of being from another state that can't count. But I'm not going to tell the joke.

Gregory Gause:

Yeah, I mean we are 20 some hours since the end of the Iowa caucuses and we're just getting results. It was a debacle, it was a disaster. If you're a Democrat, it's a very, very bad omen for the beginning of the electoral campaign. President Trump did not hesitate to point that out.

Justin Bullock:

It seems like that would be his move. I think roles reversed, that would be a good move for the opposing team.

Gregory Gause:

Did you see any of the results that got posted in the last hour or so?

Justin Bullock:

I didn't, but a couple of my students informed me at the end of class that something like maybe 60% was reporting and that Pete Buttigieg was leading with 26 delegates maybe and then Bernie Sanders in a close second at 25 or 24, something like that. Is that your read?

Gregory Gause:

Yep, and Vice President Biden way down the list.

Justin Bullock:

Is he coming in at third? Behind...

Gregory Gause:

Behind Elizabeth Warren. Not a good start for the vice president, and we will see.

Justin Bullock:

We should talk about the apps because technology is [crosstalk 00:03:35].

Gregory Gause:

This is you. This is your...

Justin Bullock:

Here's my question about Iowa. Does it matter anymore in the news cycle? Do we care about Iowa? We used to really care, it used to predict things. Should we even care about Iowa?

Gregory Gause:

I mean, going forward, I'm not sure Iowa's going to have even the same kind of role that it has now after this debacle, after the 2016 debacle in Iowa in the caucuses on the Republican side where they didn't have the right count. Unless it can get its act together, I think Iowa is basically showing itself unfit to be

the first major contest in the primary system. I think the caucus system is weird anyway. I don't know going forward, but Iowa has covered itself not in glory, but in mud. I'm really not sure where things go. The other thing though, is how important is Iowa? I forget who won the Iowa caucuses in 2016 on the Republican side. I think it was Senator Cruz, I think.

Justin Bullock:

I'm not sure. Any insights around the table? Anybody recall?

Gregory Gause:

I think it was Senator Cruz, it wasn't President Trump. Bernie Sanders didn't win the Iowa caucuses in 2016 on the Democratic side, but then he went on and swept the New Hampshire primary. So I think that what we're going to see is this cluster of four. Iowa, New Hampshire, Nevada and South Carolina. Those lead into Super Tuesday. Look, if you got Buttigieg coming out as the top vote getter in Iowa, Sanders winning probably in New Hampshire, Nevada, I don't know, up for grabs. And if Biden doesn't win South Carolina, that's a huge setback. But if that happens, Buttigieg, Sanders, who knows in Nevada; could be Warren, could be Sanders, could be Biden. Then Biden in South Carolina, seems to me it's a wash going in to Super Tuesday.

Gregory Gause:

Then you have to ask yourself, "What happens to Mike Bloomberg?" I think he's going to spend \$100 million on television ads in the lead up to Super Tuesday. We know he spent \$6 million on one ad in the Super Bowl. Is Bloomberg able to make a dent in Super Tuesday?

Justin Bullock:

Well, at least following all of the ads also for us millennials, I don't know what this television thing is you speak of. There was a big party or something?

Gregory Gause:

I think it's streamed on the internet too, just in case you missed it.

Justin Bullock:

But what you do see is-

Gregory Gause:

There was a big football game.

Justin Bullock:

There was a big football game. But you also see Bloomberg's ads on Facebook. He's marketed aggressively on Facebook. If you follow the polls, it does seem that there's been a payoff to all this money that's been spent to get his name out there. I think in the national polls, he is polling ahead of Buttigieg in some polls and tied with Warren at that third spot. It seems the dumping of dollars into the campaign has paid off, at least leading up.

Gregory Gause:

Of course.

Justin Bullock:

It'll be interesting to see Super Tuesday. It'll be interesting to see if the narrative coalesces around any candidate after it seems like leading up to Super Tuesday it will be a wash.

Gregory Gause:

I mean, not if those four contests leading into Super Tuesday are all won by different people.

Justin Bullock:

Mm-hmm (affirmative)-. What's your take, Raymond? Have you been following along?

Raymond Robertson:

Not too much. I know that I think Iowa had an offer for some help from Florida to count the votes. That was what I heard. Other than that, I haven't followed it too closely.

Gregory Gause:

Here's your trivia. Since Mayor Pete apparently won the Iowa caucuses, we should understand people have trouble with his name and he's Maltese. His people are from Malta and Malta was conquered by the Arabs and ruled by the Arabs for hundreds of years. The Maltese language has enormous amounts of Arabic in it. So Buttigieg is actually from the Arabic, [Arabic 00:08:28], which means the father of the chicken.

Justin Bullock:

No.

Gregory Gause:

I swear, I swear to you. I swear to you, I am not joking. His people were chicken farmers back in Malta.

Justin Bullock:

That's awesome.

Gregory Gause:

That's where Buttigieg comes from.

Justin Bullock:

That's really great. Well, there's all kinds of interesting things with the namings. The other interesting one is actually the president. I think it was John Oliver covered this, that his family name was Drump until they-

Gregory Gause:

Until they came to America.

Justin Bullock:

Until they came to America.

Gregory Gause:

When you come to America, you're allowed to change your name.

Raymond Robertson:

I think that's fair.

Justin Bullock:

Sometimes you don't get to pick it, as my wife found out when she became an American citizen. She was not allowed to pick her last name, it was just given to her. Which is interesting.

Gregory Gause:

Well, we can talk about that perhaps when we talk about the borders.

Justin Bullock:

Yes. Before we move on, one of the things that fits in, not having the Arabic background like Greg here, one of the things about this particular piece of story is that the Democratic party is blaming this on an app. Here we have yet another example of trying to adopt technology in a voting sphere and it not being tested, not being tested well. Something we have with a lot of our algorithms that out there, we just turn them loose and we're reaping some of the consequences of not bothering to test and retest and check out our technology before we unleash it on the population. It wasn't the Florida story, but it was-

Gregory Gause:

Yeah, that wasn't technology.

Justin Bullock:

It wasn't technology, it was other problems Florida has. But there was another state that today announced that they had that same technology and that they're no longer going to use it for the primary. So there's already some fallout from this app that seems to have some bugs in it.

Gregory Gause:

We're all going back to paper.

Justin Bullock:

Seems maybe better, all things considered. All right, any other hot takes you have?

Gregory Gause:

I don't know, I just wonder how when Putin is being briefed on what happened in Iowa, what people are going to say. What his people are going to say. If he says, "Oh, was that us?" Are they going to take credit for it or are they going to... It'll be interesting. I wish I were a fly on the wall in the Kremlin.

Justin Bullock:

For lots of reasons, not just this one. Raymond, since we last spoke last, since we last spoke last.

Raymond Robertson:

Since we last spoke last.

Justin Bullock:

Since we last spoke last, doing well with the English this evening already. Give us an update on things Mosbacher. Mosbacher's one of our institutes that we're quite proud of and we appreciate you taking the time yet again to come join us. I think early last fall was the last time we spoke, so what have we missed going on in the Mosbacher world?

Raymond Robertson:

Well, I got to tell you, thank you so much for having me out. It's great to be out here with two of the smartest guys from the Bush School, two of the smartest professors-

Gregory Gause:

And me.

Raymond Robertson:

You guys are doing such a great job with the... Well, there's other ones in the audience here. Referring to any two. But no, it's been really exciting to see the success of this podcast and see you guys doing so well and I'm just honored to be here.

Raymond Robertson:

But Mosbacher has been doing a really great job lately. We've been really excited about all the stuff we have going on. I got to tell you, this week we're going to have the British Minister of Trade is coming in for a noontime talk on Thursday. And followed up by one of the preeminent development economists, Dani Rodrik will be here for dinner for an evening event on Thursday. So it's going to be a very exciting week for us. We have a number of initiatives, we're looking at grants, we're having events. We actually had a great event a couple weeks ago. We signed a memorandum of understanding with the Organization of American States and we had their technical officer on migration come and visit us, and she was here. Justin actually was at that event. We were excited to see him there taking part. What did you think? Did you have a good time there, or?

Justin Bullock:

Yeah, I was able to attend the talk and the evening discussion the night before, which was really cool to see. I mean, Raymond's mentioned this, but the variety of players they've been able to bring to the lab from all their different disciplinary backgrounds, different types of questions. It was really cool. This is outside of my area of expertise, but as we mentioned in the last podcast, something that I've been trying to develop a better understanding for because we're going to have a mini series on borders and migration. It was interesting to see all the different folks and the viewpoints they brought to their research.

Justin Bullock:

Yeah, I got to attend the event and so this was really cool for me because in the American dialogue, the political dialogue, it's been hard for me often to make heads or tails of both what's going on from a legal standpoint and how much of it's rhetoric. The guests that Mosbacher was hosting laid out some of the international law and then the law in the American states, particularly related to migration, but also

towards asylum seekers. And what is the actual law under the United Nations, what's law across the Southern Americas, and then what is the US law, to give people a picture of that. Then also looked at migration flows over time and how the current crisis if you will, fits in with previous waves of migration.

Justin Bullock:

It was a lot of fun, and the room was standing room only essentially. I had to stand up against the wall as I entered because there wasn't a lot of room. And it was a lot of good quality questions. But yeah, it was interesting to me to learn what the legal obligations both internationally from the UN, but also from the US's own code is towards asylum seekers in particular, as one piece of this migration and borders lab. Yeah, I was super excited to be there and just be in the room and hear it. It was also the welcoming event for the migration and borders to see having some people networking in with the law school, sociology, public policy.

Raymond Robertson:

Architecture, yeah.

Justin Bullock:

Architecture.

Raymond Robertson:

History.

Justin Bullock:

History, all the different lenses.

Raymond Robertson:

Sociology.

Justin Bullock:

And sociology, yeah all the different lenses. That you can come to thinking about migration and borders because I think again, in the current dialogue and people just watching the news, it gets pigeon holed. Just thinking about what's going on in the US/Mexico border, Texas/Mexico border.

Gregory Gause:

I think the US/Texas border, that was settled back in 1846.

Justin Bullock:

It depends on-

Raymond Robertson:

Not for everyone.

Justin Bullock:

Yeah, not for everyone.

Raymond Robertson:

Not for everyone, but for lots of folks.

Justin Bullock:

Yeah, it was really neat to be at the talk and hear some of just the general lay of how migration patterns have changed over time, how asylum seeking has changed over time, the approaches the American states have taken towards what are some of the general accepted norms and the way in which the US is following some of these norms. Some of the norms, we're making some changes to.

Raymond Robertson:

Well, yeah. And there's a real call and a real need for more research on migration. I mean, people are so worked up over migration, it's been such a hot topic in the political arena. You all have touched on that a little bit. But most people don't understand a lot of the current what we call stylized facts about migration. For example, most people aren't aware that the net migration flows between the United States and Mexico are now negative in the sense that there are more people going to Mexico than are coming into the United States. So this return migration is something that we're planning on studying a lot more of. What are the causes, what are the drivers of that? What are the implications of that? If we think that migration has certain either positive or negative economic effects, does immigration, going the other way, have the opposite effects?

Gregory Gause:

Why do people think that the flow is reversed so you get out migration back to Mexico? Is that the politics in the United States? Is that the consequences of economic downturn, because the economy seems to be perking along these days? Why are we still getting net out migration? You can understand that in 2009 or 2010 as a response to the economic crisis, but why now?

Raymond Robertson:

Sure and that's a great question. Actually, the meeting I just came out of before I came to visit you all, was with a lawyer and a sociologist and we were debating that and trying to figure out what those causes are because we're putting in a grant to answer that very question. We think it's very important to answer that question, but also unknown. The leading hypotheses are as you would imagine, as you said, the economic conditions in the United States. Immigration from Mexico peaked at around the time of the financial crisis, 2008, 2009, 2010. Since then it's been declining. Part of that might be a change in the economic conditions, but with the falling US unemployment rate, it's not really clear that that would be going in the same direction.

Gregory Gause:

You would assume that there would be demand for labor.

Raymond Robertson:

Exactly. That's exactly it, there's a huge labor shortage now. Why aren't people staying here or coming here to take those jobs? And they're not. Another reason might be potential demographic changes in Mexico itself. Mexico had a demographic bubble as we call it, where they had a lot of people entering the workforce. As those people are aging out now, there's more labor market opportunities within Mexico. Mexico's been developing, most people don't realize that Mexico's actually been increasing its

GDP per capita. Not as fast as maybe we would expect or Mexicans would like. But it's been going up significantly and that creates opportunity within Mexico.

Raymond Robertson:

The very reason why we had this North American Free Trade Agreement at the time when I was studying this way back in the day because I'm old. But I tell you this, was one of the reasons-

Justin Bullock:

You're not as old as Greg though, so it's okay.

Raymond Robertson:

He looks younger though, he looks younger. You can't tell on the podcast, but he looks so much younger, it's unfair.

Justin Bullock:

Even your voice is younger. No kidding.

Gregory Gause:

Our listeners should know, Professor Robertson is old.

Raymond Robertson:

I am. I am old.

Justin Bullock:

What does that make you then, Greg?

Gregory Gause:

Older.

Raymond Robertson:

No, no, no. I was studying NAFTA before NAFTA was cool and then before it was hated. But one of the reasons given then was if we create opportunities in Mexico we won't have as much migration and that's very much a realistic explanation for why we don't have as much. There is others though. What we've also seen is a spike in border enforcement. The Obama administration was very proactive in deportations, the Trump administration has had rhetoric that's been very anti immigrant from the very beginning. We've also seen a spike in regulations at the local, county and state levels that are potentially anti immigrant and that could also be pushing migrants out. So there's a number of different hypotheses and we're going to be exploring those in our future research.

Justin Bullock:

As I remember from the meet and greet with the migration borders lab, one of the lawyers at the Ft. Worth campus, was looking at the impacts of deputizing essentially local law enforcement to enforce immigration law. Which is not something I had thought about, but super interesting.

Raymond Robertson:

Yeah, Huyen up at the Texas A&M law school in Fort Worth, has actually been working since 2005 to put together a very unique and important database of all of the state, local, county regulations and those types of actions against migrants. She has this amazing database that really generates... She's used it to generate an index of migrant favorability or hostility or whatever. The legal conditions that migrants face in this country. That's where that's coming from. And we've seen that that's also been potentially playing a role.

Gregory Gause:

Isn't that what Joe Arpaio tried to do in Arizona? [crosstalk 00:20:38]

Raymond Robertson:

Arizona's a remarkably anti immigrant state.

Gregory Gause:

[crosstalk 00:20:40] used local law enforcement to enforce his interpretation of federal law on immigration. [crosstalk 00:20:49] What did these lawyers say about that?

Raymond Robertson:

Yeah, that's right and that's part of the concern. Is that you have this very strong anti immigrant push that generates these types of local policies. It's funny, I was actually in Arizona. I have a relative who lives there, my aunt lives there. I was asking her, "Why are people in Arizona so anti immigrant? Have you ever wondered about that? Why-"

Gregory Gause:

I don't know, I haven't spent enough time in Arizona to tell, but-

Raymond Robertson:

I've got to tell you, it was great to be there and ask her. She said, "People don't understand that there's a huge portion of the Arizona population that's Native American, huge swaths. They're anti all immigrants. Everybody's an immigrant to them."

Justin Bullock:

Oh, my goodness.

Raymond Robertson:

That's a big problem. They don't want anymore people coming in. Regardless, from Mexico or anywhere else, understandably in that sense. But no, it does call back this local and county and state regulations have been really potentially affecting how immigrants view whether or not they're welcome.

Justin Bullock:

I'm glad that some research is looking into the reasons. One of the impacts of immigration back into a country like Mexico, people coming from the US back to Mexico, Emily Sellers, who used to be with us at the Bush School, looked into some research what are the-

Gregory Gause:

The push and pull factors of migration from Mexico into the United States.

Justin Bullock:

What are the impacts when there's more out migration, what are the impacts to countries that have the net out migration, brain drain and other things? But I hadn't thought about this, but as you guys know and maybe the listeners have heard me say, my wife's a Mexican immigrant. She's had family at different points migrate to the US. Now with the youngest generation, some of them are migrating back. I watched some of this play out first hand where some of her family was able to find a job in the US and the job was actually in a big department store service center, but doing stocking and packing. Working long hours and working shifts on weekends and nights and undesirable shifts. This particular family member found better opportunities in the economy in Mexico taken as a whole, both being back in a culture that she was more comfortable with and the economic opportunities. That it was more desirable given the gap between the opportunities in the US and Mexico had minimized to such a degree that being back in her hometown was more desirable than remaining in Texas.

Raymond Robertson:

When I was living in Mexico, I had some friends that the dad was leaving to go to the United States. And people don't appreciate the human toll. I mean, migration's not an easy decision. It's not like people are coming here willy nilly. I mean, you leave your family, you leave your kids, it's brutal. The kids were crying and they never know if they're going to see him again. People die in the desert or they die in the crossing. This migration's incredibly difficult and so if you do have that opportunity, wouldn't it be better to stay in Mexico if you're from Mexico? I had other friends, so I asked them when I was hosting them in the United States. I was like, "Isn't this a great country, isn't this the best place in the world to live?" And they're like, "You got lots of money and you got lots of opportunity, but it's just not home."

Justin Bullock:

It's not home, mm-hmm (affirmative)-.

Raymond Robertson:

George Borjas, he's famous Cuban descendant. But he's an economist who does research on immigration. He said, "One of the greatest puzzles about migration is not why do people migrate, it's why do people not migrate?" Look at Puerto Rico for example. There's free migration between Puerto Rico and the mainland and the wages are way higher in the United States. Why is anybody still in Puerto Rico? And of course, I told them, "Have you ever been to Puerto Rico?" Absent the earthquakes and the lack of power and current conditions, I mean historically it's a fantastically beautiful place. I mean if you have to decide where to live, I mean. College Station's beautiful, but Puerto Rico [crosstalk 00:24:59].

Gregory Gause:

The Spanish called it Rich Port.

Raymond Robertson:

Yeah, yeah. Puerto Rico, right? Puerto Rico, exactly.

Justin Bullock:

I have to say, it's really pleasant to hear an economist talking about a sense of place and a sense of community, and not just dollars and dimes. I'm really proud of you Raymond.

Gregory Gause:

He works at a policy school....

Raymond Robertson:

Exactly, that's [crosstalk 00:25:18] decision.

Gregory Gause:

If you were still in a department of economics you wouldn't be talking like that.

Raymond Robertson:

And I did, and that's why I'm here now.

Justin Bullock:

That's why you're in policy.

Raymond Robertson:

No, but actually, to be fair. I mean, a lot of the current research in economics on migration decisions mainly between industries and between states, not across countries yet, but they actually look at adjustment costs in two ways. There's firms can hire and fire and that's a cost to firms. But if you look at workers and you try and estimate the cost that they have just to switch jobs or to switch states, some of these estimates run as high as seven times annual income. People don't like to move, it's actually really difficult to leave where you've been established, where your friends, or whatever. Those costs are tremendous. I mean, the real question is not why people migrate. Borjas was right. It's why do people not move?

Gregory Gause:

Why doesn't everyone in Pennsylvania move to Texas?

Raymond Robertson:

Exactly.

Justin Bullock:

Because it's better here, so they should.

Raymond Robertson:

Life is better here, you'd think.

Gregory Gause:

There's all sorts of places in central Pennsylvania where you just wonder why they just don't form migrant caravans and come to Texas.

Raymond Robertson:

People move, but on the margins. Yeah, I mean think of your high school friends. I mean, Justin you and I have had this discussion. How many of your high school friends are still in their hometown?

Justin Bullock:

Overwhelming majority, yeah.

Raymond Robertson:

The vast majority does. Same with mine. People generally don't move as much as you would expect, given the difference in wages and opportunities. And this is actually going into the trade part of what Mosbacher does. We also are focusing on trade. But there's been a lot of research on the effects of China and the imports and the adverse effects that that's had on wages. These local communities get hit when the plant closes or the plant shuts down. People don't leave that town. So these effects of trade on the specific localities persist over long periods of time because people don't do the migration that is needed to spread out and dissipate those shots.

Gregory Gause:

And the people who do leave are probably the ones that you don't want to leave. They're not the most ambitious [crosstalk 00:27:20] smartest, best educated.

Raymond Robertson:

[crosstalk 00:27:20] are the most mobile nationally. And the people with the least education are the least mobile generally. So it creates these big disparities and creates real hardship for these towns. Instead of thinking about how do we fix trade, I mean you and I have had this discussion actually, is wouldn't it be better to try and help those people in those towns? I mean, try to meet them where they're at instead of trying to change trade policy. I mean, these people are needing help, let's help them on the ground.

Justin Bullock:

Particularly when the costs as you mentioned, are seven times the salary. [crosstalk 00:27:54]

Gregory Gause:

What you're saying is that for people to up and move within their own country, just to another state, another region, they have to get seven times the amount of salary that they would make [crosstalk 00:28:10].

Raymond Robertson:

On average, on average. I mean, obviously you and I moved out of our state to move into somewhere else for less than seven times. I didn't get seven times.

Gregory Gause:

No, I didn't get seven times either.

Raymond Robertson:

But you got a big increase.

Gregory Gause:

I got a nice bump.

Raymond Robertson:

And we're the marginal workers. So on average what you can see is these wage [crosstalk 00:28:26].

Gregory Gause:

Hold up, did you just say we're the marginal workers?

Raymond Robertson:

Yes. In the sense that we're the mobile ones, we're the ones that made the decision to move.

Gregory Gause:

Oh, I see, I see. I thought you were [crosstalk 00:28:34]. We're marginal, we're on the margin.

Raymond Robertson:

No, no, no, but we're the ones who made the decision to move. For everyone of us there's 25 people that don't move, you know what I'm saying?

Gregory Gause:

Yes.

Raymond Robertson:

That's what I'm saying. That's what I mean by marginal. But these wage gaps are tremendous across the country and people don't really move.

Justin Bullock:

Yeah, I have another just anecdotal example. I have family that was-

Gregory Gause:

Well, you get enough anecdotes together it becomes data.

Justin Bullock:

It becomes a narrative and then it's data.

Raymond Robertson:

Then it's a fact.

Justin Bullock:

But where I'm from in Northwest rural Georgia, doesn't have the same types of economic opportunities as other parts of the country and one of my-

Gregory Gause:

Other parts of Georgia.

Justin Bullock:

Other parts of Georgia, yeah. One of my brothers was in a tough spot and looking to move and restart. Actually with the same skill set from where they were, in the community they were working, to the new community they were in a different state is almost three times what they were making as a household. Still it required real amounts of resources, to your point, to enable the move from rural Georgia to their new community. Even when they got there, their household income being triple what it was before. Now, they got there happy and it's worked out very well for them, but they on their own weren't in a financial situation to go from where they were to their new spot. Even when the new spot made sense from a financial standpoint, made sense even from an environment standpoint and from a daily life standpoint. The costs as you mentioned, are really high to moving.

Raymond Robertson:

Well actually, that's another interesting fact about migration from developing countries to developed countries. It's not the poorest people who move, the poorest people can't afford to move, so it's actually the people who are just above the poorest who have some plot there, some money that allows them to move. It's another of these potential explanations that you were asking before Greg, about why do move people move back. Now they have the money, they can afford to move back.

Gregory Gause:

They can afford to move back.

Raymond Robertson:

They say that's what they'd like to do and now they've actually earned enough and they can make that move back.

Justin Bullock:

On the note of trade and moving on from borders and migration as one part of what Mosbacher's doing, there was some updates on a trade deal between China and the US not too long ago that I don't think we've gotten to talk about. Maybe we could talk a little bit about that to the extent that you've been able to... Unlike Greg, I won't put you on the spot. But if that's something that you have some insight into that would be good for the listeners, it'd be great to talk about that. Then also, as we're recording this on February 4th, there's some things going on internationally that's diminishing trade. In particular, there's the coronavirus crisis really, in China right now that has shut down travel to China and is putting a damper on trade we might say. So I want to talk a little about that. But let's start with what is your sense of what's going on with the US and China trade relationship since last time we spoke?

Raymond Robertson:

Well, I would hate to suddenly zag when you're trying to zig over there on your conversation. But I also think it's important to mention that on the 29th of January, just last week, the president signed the USMCA, the new US, Mexico, Canada agreement. I think that's also a big development in trade, so we should just throw that into the mix.

Gregory Gause:

But we had you talking about that before. We've covered USMCA.

Raymond Robertson:

And I'm sure all of your listeners are like, "He talked about that last time. I don't want to hear about that again."

Justin Bullock:

What happened then? It's in effect? What's changed since last time we spoke?

Raymond Robertson:

Right, right, right. Last December, the house and the senate actually for the USMCA had both proposed legislation. They both got passed in December and it was signed-

Gregory Gause:

Bipartisan votes?

Raymond Robertson:

Well, actually the result, the votes were overwhelming. It was 80 to 14 in the senate. I mean it was really overwhelming. It actually had the most bipartisan support of any agreement over the last 10. The overall support among the Democrats had been about 34% and here it was almost double that. It was much higher support among the Democrats for USMCA and no other agreement-

Gregory Gause:

You're talking about Democratic votes in the senate and the house?

Raymond Robertson:

That's right, that's right, that's right. Had been about 36% in favor and now it was much more. It was closer [inaudible 00:33:05].

Gregory Gause:

Among the presidential candidates, I think Sanders voted no.

Raymond Robertson:

Sanders yeah, no.

Gregory Gause:

I think Warren voted yes, didn't she? I'm pretty sure she voted yes on USMCA.

Raymond Robertson:

I don't know how Warren voted in particular. Greg's looking it up, so we'll be able to check. But the Democrats-

Gregory Gause:

Klobuchar definitely voted yes.

Raymond Robertson:

Yeah, she was actually [crosstalk 00:33:26].

Gregory Gause:

I mean, if you're on the Northern border...

Raymond Robertson:

Minnesota actually is in a very pro trade situation. But it had a lot of bipartisan support and so now we expect that that's going to be going through. That should actually protect the status quo of the free trade with Mexico that we talked about how important trade is. It's really critical, it's a victory for President Trump, which is great. But also the Democrats and the Congress are claiming victory because they got to push through a whole bunch of amendments that they really liked. It's one of these great, rare examples of a bipartisan victory where everyone is saying that this is a win. And I think here in Texas we know that this is absolutely critical for the state. Mexico is Texas' number one trading partner and Texas is the number one exporting state in the United States with billions of dollars of trade with Mexico in particular.

Raymond Robertson:

Automobiles are actually fourth on the list of things that we trade with Mexico. You have petroleum, you have computers, electronics and chemicals rank above that. It's incredibly important just to maintain the status quo. Not that the USMCA's that much different than NAFTA. Down in El Paso, people were saying this is no different at all. Most of the text, 60 some percent of the text is actually identical. Either to the NAFTA or the TPP, so [crosstalk 00:34:50].

Gregory Gause:

Senator Warren did vote in favor-

Raymond Robertson:

Yeah, sure.

Gregory Gause:

Of USMCA. The votes against USMCA were very much concentrated in New England.

Raymond Robertson:

Yeah, Pennsylvania, I'm sure.

Gregory Gause:

No, Pat Toomey voted against USMCA. But from a free trade he said this is too restrictive of trade. But the people who voted against were Schumer, Gillibrand, Booker, Markey, Jack Reed and Sheldon Whitehouse all from New York and New England. Senator Schatz from Hawaii voted no, Bernie Sanders voted no, and Kamala Harris voted no.

Raymond Robertson:

Not very many.

Gregory Gause:

And Bernie Sanders.

Justin Bullock:

I'm glad that given the conversations we've had with Raymond elaborating on the benefits of free trade, I wouldn't have thought that 80 senators could have agreed that the world was round, much less that free trade was good. So it's really nice.

Raymond Robertson:

You asked me about China. I mean, we could talk about China, but we could also talk about the labor provisions in the USMCA were very different. It is a very different kind of amendments that made the Democrats very happy. I mean, I don't know if you want to talk about that or you want to talk about China.

Justin Bullock:

Sure, yeah, yeah.

Raymond Robertson:

I was on the phone with a friend of mine who's a lawyer, who's going to be starting at Cornell University's law school this fall. But she says one of the things about this that's different than all other agreements, was it had these incredible externalities that it required changes in Mexican law. So Mexico has been changing its labor law, especially with regards to unionization, protection in union votes. That's usually outside the scope of an agreement. That's what makes this very different. Democrats and president of the AFL-CIO, Richard Trumka, have been really trying to push these types of changes for a long time. Lighthizer, the USTR, Lighthizer was also very in favor of pushing these labor reforms through. So it was a very pro labor kind of agreement. It's bizarre.

Gregory Gause:

We can do that with Mexico because Mexico is weak and desperately needs us. We can't do that kind of thing with China.

Raymond Robertson:

[crosstalk 00:37:06] Labor issues in the China trade deal were not even on the table, so-

Gregory Gause:

We cannot make the Chinese change their laws.

Raymond Robertson:

Not even close. The China deal was actually a lot more marginal than you would think because basically the agreement was okay, we said we were going to impose these tariffs and now we're not. The rate of increase in tariffs is going to be smaller. That's progress, I mean that's great and we're able to work out some of those differences. But the tariffs are still 10 times higher at least than what they were without the trade war.

Gregory Gause:

Ten times higher?

Raymond Robertson:

Oh, yeah. Before our tariffs 2%, 3%, 4% and now they're 34%, you know what I'm saying. They're much higher in many areas.

Gregory Gause:

Can we do this under WTO?

Raymond Robertson:

Well, Trump has actually found amazing ways to do that by calling them national security tariffs, which is something that was put forward by law in the 50s and 60s or whatever that was. And he just pulled that out, it might have been earlier, I don't remember the exact dates, but-

Gregory Gause:

Yeah, I mean with the Canadians I understand that because they are a security threat.

Justin Bullock:

They keep me up at night.

Raymond Robertson:

Anyway, but yeah, yeah, yeah. We're hoping for more progress on China, but I think it's very obvious that this coronavirus is going to have a lot bigger effect than the trade war. And both of those are going to have a bigger effect than the marginal change in the USMCA. I think this coronavirus is potentially really, really serious. Obviously, because of the loss of life and people are dying and our hearts go out to those families and we should be praying for them [crosstalk 00:38:37].

Gregory Gause:

Not that many people are dying.

Raymond Robertson:

One death is more than you want.

Gregory Gause:

The death rate on coronavirus is much less than on SARS, right?

Raymond Robertson:

[crosstalk 00:38:45] number infected is now more than SARS though.

Gregory Gause:

Right. But the death rate on SARS was up to 10% and the death rate at least so far, on the new coronavirus is 2%, right? [crosstalk 00:38:58]

Justin Bullock:

I would think this is something two good Catholics could agree upon. Loss of life is bad.

Gregory Gause:

Yeah, but we're talking public policy here.

Justin Bullock:

Well, it's relative.

Gregory Gause:

Right, a single death is a tragedy and a million deaths is a statistic. Just because Stalin said it doesn't mean it's not true. But if we're going to get really afraid of coronavirus because it's going to kill us all, we should really look at the facts. And how many more people in America have died from the flu in the past six months than from the coronavirus?

Justin Bullock:

Twenty-five thousand or something, according to the talk today, yeah.

Gregory Gause:

It's huge.

Justin Bullock:

But it does also still impact the Chinese economy and its trade with-

Gregory Gause:

So let's get away from how many people are going to die and let's talk about how it's going to affect global trade.

Raymond Robertson:

Right, I was just saying our hearts go out to those families. But there is going to be a very significant effect on trade. To the extent that we saw Hyundai made an announcement where they're shutting down a lot of their production in Korea because they can't get their supply chain going from China. They're worried about the supply chain. So many American companies have their supply chains deeply linked into China. Whether it's clothing, or electronics, or cars, or-

Justin Bullock:

Or medicine too, it turns out.

Raymond Robertson:

iPhones or medicines. [crosstalk 00:40:22] Yeah, medicines. No, we import tons of medicine.

Gregory Gause:

From China? [crosstalk 00:40:26]

Raymond Robertson:

From China, that's right, that's right.

Justin Bullock:

At the talk today, Scowcroft had something like 80% of basic ingredients of medicines come not only from China, but from the Wuhan district, from the province, yeah. Which I also did not know.

Gregory Gause:

Should I throw my Tylenol PMs away? What's the deal here?

Raymond Robertson:

What I heard was, the coronavirus, it lives on tables and surfaces for a couple hours. I mean, so it's there, it's health threat because it stays around, it doesn't just dissipate. But it can't survive... Yeah, you should wipe down your table I just touched. [crosstalk 00:41:13] It's not going to survive months without a host.

Gregory Gause:

It's just when the person in the grocery stores sneezes on it that I should be worried about it.

Raymond Robertson:

I'm sure you've seen Outbreak. Everyone's seen Outbreak [inaudible 00:41:25], terrifying.

Gregory Gause:

So we don't have an outbreak.

Justin Bullock:

Not in the US.

Raymond Robertson:

No, but a pandemic, it's appearing.

Gregory Gause:

Oil price is down \$10 a barrel roughly since the outbreak of the coronavirus. Chinese stock market down, crashing in absolute correction mode.

Raymond Robertson:

That's right.

Gregory Gause:

Right? It's down 10%, 15%, something like that. Our own stock market not in the same area, but 3% to 4%. So when we talk about these global supply chains, are we talking about days, weeks or months of the ripple effect?

Raymond Robertson:

Yeah, that's a great question because there's so much variation [crosstalk 00:42:19]. But it's going to be weeks, I mean if you really were worried about just in time, day to day, you're not sourcing from China. It's going to be weeks.

Gregory Gause:

You could be sourcing in North America, possibly.

Raymond Robertson:

Exactly, you should be sourcing in Mexico for things that are time sensitive.

Gregory Gause:

But the supply chain for China really is based on ocean shipping.

Raymond Robertson:

Yes, that's right.

Gregory Gause:

So we're talking about at least a couple weeks.

Raymond Robertson:

At least a couple weeks. But nevertheless, I mean one of the things was I was down in McAllen, Texas, down there [crosstalk 00:42:50]. Yeah, along the border. They're actually optimistic, first about the trade war, but potentially with the other complications China's having because this is disrupting supply chains significantly. The problem with the supply chain decision, is that there's a fixed cost involved. It's not just like, "Oh, I'm just going to move my production to Mexico for a couple weeks until China recovers." I mean there's a huge fixed cost in realigning your supply chain.

Gregory Gause:

You can't pick up the factory and move it to South Korea.

Raymond Robertson:

And then move it back.

Gregory Gause:

And then move it back.

Raymond Robertson:

I mean you can, but it's just so expensive. There are these huge fixed costs. That means that these large shocks can induce what economists would call a switching behavior, where you actually get engaged in making those fixed cost investments. And the border is hoping that this is going to be good for the border. There's some conditions, but Bob Shanley and I, who maybe... I know you know. You introduced me to him over at the Republic.

Gregory Gause:

I'm sure our viewers are very interested in that, but go ahead. Our listeners.

Raymond Robertson:

Well, local commerce, local commerce, yeah. But we're doing a project right now looking at what are the conditions and implications necessary for McAllen in particular, to capture some of that change in the global supply chain.

Gregory Gause:

At what point do you think that American companies, pick Adidas or Converse-

Raymond Robertson:

Yeah, footwear.

Gregory Gause:

Nike, Converse, it's 1974. Nike sources in China. How much disruption would it take for Nike? I mean it has to be more than a couple weeks or a month for Nike to pick up its... Say, "We're changing our supply chains and we're not going to source from China. We're going to source from Vietnam," or, "We're going to source from Northern Mexico."

Raymond Robertson:

I'm glad you asked me this question, because I actually have an answer for you. In one of my books that I've done, we actually estimated what's called the elasticity of inter-country movements with responsive prices. It's actually pretty high when you talk about footwear and clothing. Footwear and clothing are actually a lot easier to move than electronics and cars. Those are pretty footloose and actually, textile and apparel suppliers in China have already adopted before corona and before the trade war, an ABC policy. Which is anywhere but China. They've already started shifting out of China.

Gregory Gause:

Why? Why before the trade war?

Raymond Robertson:

Because wages in China have been rising so significantly and apparel... You mentioned footwear. Apparel and footwear are at the bottom of the wage ladder.

Gregory Gause:

Wage scale, okay.

Raymond Robertson:

The Chinese wages actually in 2000, they started below the Mexican wages. Now they're almost double in the period over the last 20 years. The wage growth in China has been remarkable and it's causing what we call... I'm doing another project now with some other folks including this woman at Duke, whatever. She's a friend, but we're doing this project. She and I are looking at what we're calling the apparel bubble. Developing countries tend to go through this surge in apparel production, which sucks in women into the labor force, then they move on to other things. They move on to footwear, they

move on to electronics, they move on to... China's actually going through this bubble, they're already on the downside. They're shifting out of it. For those industries-

Gregory Gause:

Where are they going? They going to Vietnam?

Raymond Robertson:

Bangladesh, Vietnam. Vietnam, Bangladesh, Cambodia are the big ones. Then after those countries we're expecting Africa to kick in. Africa's trying to get linked into the supply chain.

Justin Bullock:

If you haven't titled one of your papers, Footwear is Footloose yet, now you have to.

Raymond Robertson:

Yeah, yeah, yeah, for sure. We promised those results in that book-

Gregory Gause:

I was going to make a joke that way and I said, "No, that's really bad."

Raymond Robertson:

Footwear is very footloose, yeah.

Justin Bullock:

No joke is too bad for me, as you guys know. I think we're getting close to our hour mark. Is there anything from either a Mosbacher perspective, or things going on in global supply chain, or things going on related to trade that you haven't gotten an opportunity to talk about, that you would like to leave our listeners with before we actually have a few people we could take some questions from?

Raymond Robertson:

Let's get to some questions, that's the most exciting part. I definitely would like to hear what other people are saying more than [crosstalk 00:47:30].

Justin Bullock:

All right. We don't have hundreds here, but we do have some-

Gregory Gause:

You did say at the top of the show, we have hundreds.

Justin Bullock:

Well, it's thousands now. Thousands, no longer hundreds, it's thousands with all the roar of the background noise that you hear, cheering us on. Oh, I think that's just in my head. All right, we do have a few guests. Does anyone have any questions for the panel this evening? Don't be shy.

Gregory Gause:

So many hands going up. We might not have time. We might not have time to take any questions, there's so many.

Justin Bullock:

We may have stunned them into silence tonight.

Gregory Gause:

It's possible. It's possible.

Justin Bullock:

Okay.

Gregory Gause:

Well, we might have to wrap.

Justin Bullock:

Okay, we're wrapping. I think we've taken enough of Raymond's time.

Raymond Robertson:

It's always a pleasure hanging out with you all. Thank you so much for having me, it's such a pleasure.

Justin Bullock:

We'll do it again. It's always a pleasure to have you, my friend.

Raymond Robertson:

Any time.

Justin Bullock:

We will be doing it-

Gregory Gause:

What's the next trade agreement going to be? We have this British trade minister coming to the Bush School.

Raymond Robertson:

The British trade minister is coming to try to drum up support for the US/Britain trade agreement.

Gregory Gause:

For the US/British trade agreement.

Raymond Robertson:

Trump has been very supportive of that idea.

Gregory Gause:

Well, he was very supportive of Brexit, that's for sure.

Raymond Robertson:

That's right and now he wants a bilateral agreement. That's why, he doesn't want these multi-lateral agreements. [crosstalk 00:48:49] We're expecting that to be a big deal and we'll be reviewing that in the talk on Thursday. Invite your listeners to [inaudible 00:48:58] [crosstalk 00:48:58].

Gregory Gause:

No, we're not going to have the podcast out in a day and a half. [crosstalk 00:49:02]

Justin Bullock:

It's possible, but not typically. Friday is what we shoot for.

Gregory Gause:

I mean, are there any trade agreements in the works? Is the South Korean trade deal, is that done?

Raymond Robertson:

That was done a long time ago and so they are trying to renegotiate that.

Gregory Gause:

But it hasn't come up to Congress, right?

Raymond Robertson:

The renegotiation?

Gregory Gause:

The renegotiation.

Raymond Robertson:

No, the renegotiation has not. The big thing isn't so much the trade agreement, it's the increased use of these anti dumping duties and countervailing duties. Mexico was hit with these aluminum and steel tariffs-

Gregory Gause:

Well, the aluminum and steel, the Canadian steel.

Raymond Robertson:

Those went away last May and in May and June they were lifted but Mexico's still being hit by these countervailing duties. There was just a case on structural steel from Mexico. Actually, the devil's in these details, it's not in the main tariff schedule, it's in the off tariff schedule. In the 98, 99 range of the tariff schedule where all the action is nowadays.

Gregory Gause:

We're not talking about the whole-

Raymond Robertson:

Major agreements.

Gregory Gause:

We're not talking about major agreements, we're talking about the prospect of an agreement with Britain.

Raymond Robertson:

Yes, and that's probably the biggest [crosstalk 00:50:10]. Yeah, the Brexit's the biggest story. That's the big [inaudible 00:50:14].

Gregory Gause:

Question.

Audience:

I would like to ask a question.

Justin Bullock:

Please do.

Audience:

What would be the future of the United States without all of the Mexican immigrants that are coming back to United States, because actually they're all fitting in those unskilled work, unskilled jobs that are actually in the United States. What would it be like, a picture of the United States without them?

Raymond Robertson:

When you take out the less skilled workers, there might be some increase in wages for the people at the very bottom. But if you look at the United States distribution, there aren't very many of those people that don't have a high school education. The average number of years of education in the United States is about 13. The number of people without a high school education is very small. So the other side of the coin is that there's huge complementarities. If you remove these low skilled workers, other people, if you're a professor at the Bush School for example, or a lawyer, or something-

Gregory Gause:

Classic low skilled wage.

Raymond Robertson:

Well, now you're going to have to find other ways to get those jobs done. Maintenance and roofing and gardening or whatever, you know what I mean? So you're either going to have to pay more in wages for those, which reduces your consumption and you'd have to work more. Or you have to do those yourself instead of working. You might actually see a reduction in the wages at the top as a result of the loss of the [crosstalk 00:51:39].

Gregory Gause:

In other words, I'll have to spend less time at the Bush School and more time on my roof.

Raymond Robertson:

That's right. That's exactly right without these migrants-

Gregory Gause:

That's not going to happen.

Justin Bullock:

The specific question-

Gregory Gause:

I will pay whatever the wage, the going rate is to get that roof fixed.

Raymond Robertson:

But then you have less money to spend on other stuff. That's the point, then it reduces your consumption overall.

Gregory Gause:

Justin's going to have to start buying his own drinks.

Justin Bullock:

Finally. The question was in specific about Mexican immigration and if there's less of it, what does that mean for, in general, of the US, and the future of the US labor market. But I'd like to expand out from that and talk about maybe immigration more generally. And say if we become stricter on immigration in general, what does that mean to the aging work force of the US?

Gregory Gause:

We're become Italy or Japan. I mean the only reason that we are not in this downward demographic spiral like Japan or Italy, is because of immigration.

Raymond Robertson:

That's absolutely right and I've also done work with my students at the Bush School, where we've estimated the growth in firms between those that have migrants and those that don't have migrants. Comparing same industry in similar states and that sort of thing. And migrants contribute a lot to productivity. I mean that's a big problem and if you really start shutting out migrants you're losing productivity, you're losing obviously this complementarity. So there's some significant costs that we're going to have to wrestle with.

Justin Bullock:

Did anyone have any other questions? Thank you for your question. Anyone else? Going once, going twice, Greg?

Gregory Gause:

I think it's time to thank our friends at Downtown Uncorked in historic downtown Bryan for once again hosting us. Thank our guest-

Raymond Robertson:

It was a pleasure.

Gregory Gause:

Professor Robertson.

Justin Bullock:

We have a week off. [crosstalk 00:53:38] Yeah, we have a week off. You're traveling, I'm traveling as well.

Gregory Gause:

You're traveling.

Justin Bullock:

And we'll return for recording on the 18th. So if anyone would like to join us, we have at least one agreed guest for the 18th. Professor of history, Jonathan Coopersmith.

Gregory Gause:

Oh, Jonathan Coopersmith.

Justin Bullock:

Who is also a returning guest.

Gregory Gause:

Historian of technology, yeah.

Justin Bullock:

I'll get to nerd out on some technology stuff, which will be fun for me. Less international affairs for a change, we can be in my wheelhouse. And we have some stuff coming down in March, but yeah we'll be back in two weeks and have a few events coming down the pipe in March. Thanks again, Raymond, for being with us.

Raymond Robertson:

Always a pleasure.

Justin Bullock:

Always a pleasure. Thanks Greg, it's always fun. Thanks to the audience, thank you for joining us this evening. Oh, round of applause. Look at that, woo hoo! We didn't even bribe them with that. All right, thank you so much to the listeners as well, thanks for giving us your time and following along this evening. (music)

