

## A dollar economy from Alaska to Tierra del Fuego

Increasing world economic integration is a fact, as measured in goods trade and physical and human capital movements. But it tends to be deeper in surrounding countries – as it would equivalently happen at cities or neighborhoods levels –, basically because of communication and transportation costs that in essence determine efficient economic boundaries and in so doing promote a more common history within the specified area. That is the case of the European Union, and also of the American continent, perhaps the most peaceful but not necessarily until now the most successful one.

In this last case, it is interesting to look at some figures that point to a not so subtle integration that is happening now, with no apparent end in sight, and moving forward even if resisted in some countries. If we were to consider only the most important economies (A9, for American 9), the aggregate GDP of USA, Canada, Mexico, Colombia, Venezuela, Brazil, Peru, Argentina and Chile would amount to approximately US\$ 17,45 trillion at PPP, with the US accounting for 70% of it. Its exports would be US\$ 1,8 trillion (52% from the US) and its imports US\$ 1,7 trillion (70% to the US). Its population would be 780 million inhabitants (38% from the US), with a noticeable larger share of younger people than the US alone, being almost 25% of it people aged under 15 years, whereas that figure would be 20% in the US case. Population annual growth would be a bit higher than 1%, similar to world population growth rate, but its life expectancy at birth much higher at 75 years instead of 65 years.

How about present A9 trade integration ? At a country level basis, foreign trade within this A9 area relative to total foreign trade – total country exports plus imports - is over 30% in most cases, with the highest values going to Mexico (74%) and Canada (73%). The lowest figure goes to Brazil, with 27%; the US one is 30%. It seems to be no coincidence, then, that the biggest integration appears where free trade agreements were previously agreed upon (NAFTA).

Moreover, how about A9 human capital integration ? Again, the biggest influx is within Canada, Mexico and the US. Net migration in Mexico is minus 4,3 inhabitants per 1.000; 5,8 inhabitants per 1.000 in Canada and 3,2 inhabitants per 1.000 in the US. Not at all surprising, the other A9 countries have almost no net migration flows. It should be noted that not all these existing net migration flows are within this A9 area, but they are clearly their biggest component, for obvious reasons. Or have you not seen recent immigration parades in the US ?

The die is cast. Now we need leaders to make this process easier and more efficient, for it will happen anyway, making their own the premise that prices for capital and labour are not determined locally, but globally, and that technological innovations are being copied by emerging economies as those south of Rio Grande at lower costs and much faster rates than at any period before in world history. It should be no surprise then that by 2040 this A9

group will have the US, Brazil and Mexico as members of the top 10 biggest world economies group, as projected by the IMF.

Immigration issues could easily be solved if net receiving countries could charge to departing countries any extra costs immigrants were putting into their domestic economies. Just “send the bill”, mainly for public school, housing and health expenditures, but let the economy allocate its resources as it freely determines. Physical barriers are not only illusory, but give an unnecessary non friendly signal that we all know is artificial in the long term, as demonstrated by what is already happening with demographics tendencies. The younger poorer southerner is needed by the older richer northerner, and vice versa, to make the whole economic pie bigger. Just remember economic convergence between Atlanta and New York after the Civil War and the whole new reinvigorated country afterwards.

As for capital movements, free and direct access bypassing incumbent financial institutions along with dollarization and reimbursement seignorage settlements all over these A9 countries, would be a natural step to make them more deep and flexible. Given probable political issues, why not try a simultaneous collective step considering all A9 countries that already have free trade agreements with the US, that is, Mexico, Canada and Chile ? The rest would soon follow, and a certain economic efficiency institutionality would be spread over the continent.

Future generations will appreciate these steps, obvious in hindsight. Short term political decisions, perhaps difficult to take given other pressing issues, will be better understood when looking at where we southerners are and where the US is, and where we will all be in the next decades. Taking these steps would make it worth rewriting a new version of Profiles in Courage. The book is now open.

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