
PARADISE LOST? MIAMI, IMMIGRATION AND ECONOMIC DEVELOPMENT

Terry F. Buss

and

Marcela Tribble

National Academy of Public Administration

Florida International University

Abstract

For some, Miami has become a prototypical global city, driven by immigrant entrepreneurs and serving as an economic development model for other places. Immigrants, beginning with exiled Cubans in the 1960s, followed by successive waves of talented people from Latin America, turned this sleepy tourist destination into the Gateway to the Americas, quite literally. Ironically, those factors—location, immigration, culture, and finance—that made Miami grow and develop also have a severe downside. Miami is the poorest city in America, with one-third of its population living in poverty, and has been so for three decades. Miami is a global player in the illicit drug trade, a capital for money laundering and criminal activity of all kinds. Miami is a place steeped in racial, ethnic and cultural tensions. Miami teaches us that culture, ethnicity and race are important factors in the economic development of cities for the new millennium, factors not yet fully understood or appreciated.

INTRODUCTION

Miami is a place of conflicting impressions about its economic development—Paradise gained, or Paradise lost? Some observers refer to Miami as the Gateway to the Americas, the new capitol of Latin America, a Global City, or the new Havana, held up by many as a model of how immigrant entrepreneurs turned a sleepy, vacation-destination city into an economic power. The implication: other under- or less-developed cities might do the same. Others are not so charitable, viewing Miami as a banana republic, the Cuban-American Republic, or a Latin colony. To them, Miami represents the importation of some of the worse features of Latin American economic development and politics, not to mention poverty. No one who knows Miami well seems neutral in their

perceptions. We believe that the truth lies somewhere between these two extremes. Because Miami attracts a lot of attention from those interested in promoting the global economy, it is important to unravel what's going on so that others might learn from the experience.

Economic development in Miami, however perceived, arises from the confluence of five factors, all in one way or another associated with cultural change, global economics, and geographical location:

- Development of Cuban exile culture over the past forty years and its relationship to:
- Influx of newly-arrived immigrants from economically distressed or war-torn Latin American and Caribbean countries;
- Circumstances of non-Hispanic Americans, especially African Americans.
- Influence of laundered drug money from Latin America; and
- Attraction of flight capital from, economic growth in, and burgeoning trade with Latin America and the Caribbean.

This article discusses the contribution of each factor to Miami's economic development.

BACKGROUND

Before turning to economic development issues, we provide an overview of Miami's geography, immigrant population, and local economy.

Geography

Miami is an elongated urban area—Miami-Dade County—sprinkled with municipalities of differing size, including: the cities of Miami, North Miami, Hialeah, Coral Gables, Kendall and Homestead, as well as a necklace of cities along the beach, among them Miami Beach, Bal Harbor, Surfside, Sunny Isles, Golden Beach, and Aventura. Miami is bounded on the west by Everglades National Park and associated wetlands. Not surprisingly, environmentally protected areas on the west and ocean on the east reduce the amount of land for development that in turn drives up the value of scarce real estate along the Atlantic coast.

Immigrant Populations

Miami is a city of immigrants, even more so than cities in the U.S. West and Southwest, and even New York (Suro & Singer, 2002). Miami's population numbered 2,253,362, according to the 2000 Census (see Table 1). Some 57.3%, or 1,275,029 people, reported their ethnicity as Hispanic or Latino (we use the term, Hispanic, hereafter). About one-fifth—457,214 people—are non-Hispanic Blacks or African Americans. Miami's population is dominated by Cubans, 667,150, about 30% of the population overall, and 52.3% of the Hispanic population. Miami City, with a population of 362,470, is 65.8% Hispanic; while Hialeah boasts 226,419 people, 90.3% Hispanic.

Table 1
Racial Makeup in Miami (in 1,000s)

Area	Total Pop.	White	Black	Native Am	Asian	Other Race	Two or more Races	Hispanic/Latino
Miami-Dade	2,253	1,571	457	4	31	103	85	1,291
Miami City	363	242	81	1	2	20	17	238
Hialeah City	226	199	5	0	1	12	8	205

Miami's Hispanic population is diverse. Some 16.7% are South Americans, 14.2% Central Americans, 5.4% Puerto Ricans, and 4.0% Mexicans. A few countries contribute most to the Hispanic population: Colombians account for 8.2%, 104,058 people, and Nicaraguans for 8.0%, 101,743 people. Other countries are represented by substantial numbers as well: Hondurans, 34,679, Venezuelans, 32,456, Argentineans, 20,348, Ecuadorians, 19,938, Peruvians, 18,579, Guatemalans, 14,470, Salvadorans, 14,947, and Chileans, 11,841.

One-half—1,124,100 people—of Miamians are foreign born. Many are recent arrivals: 39.1%, 439,052 people, immigrating between 1990 and 2000, 26.9%, 302,795, between 1980 and 1989, and the remaining 34.0%, 382,253, before 1980.

There are no reliable estimates of Miami's illegal alien population, but illegals greatly inflate numbers of immigrants there. The Immigration and

Naturalization Service estimates that there are 350,000 in Florida. One can assume that the lion's share resides in South Florida. Around 3,000 illegal aliens are expelled from Miami annually and about 1,300 leave voluntarily.

Miami's Hispanic population grew 123% from 1980 to 2000. Much of this growth occurred outside the City of Miami. Signaling a substantial population shift away from the central city. The metropolitan area grew 36% and the suburbs 45% from 1990 to 2000. But the central city grew only 7%.

Local Economy

Even though Miami is known for tourism, the economy is somewhat diversified. According to the latest economic census, there are around 75,600 paid employees work in the accommodation and food service industry. There are 635 hotels, 117 motels, and 390 other accommodations for tourists. There are 3,422 restaurants and drinking places. In addition to the usual concentrations of employment in retail wholesale, health care and services, Miami has a vibrant manufacturing sector. There are 638 textile/apparel-related manufacturers employing 18,000 workers. Somewhat surprisingly, there are 127 computer and electronic manufacturers, employing 6,250 workers. Because of the large number of people, owning but not living permanently in Miami, there are numerous—3,378 establishments, employing 19,800 workers—in the rental/lease industry.

Two *Fortune 500* companies are headquartered in Miami: Lennar, ranked 298 with \$6 billion in sales, and Ryder Systems, ranked 341 at \$5 billion in sales. A great many *Fortune 1,000* companies have branch offices in Miami to serve Latin American and Caribbean interests.

Miami competes in the global economy. Miami ranked ninth in export sales among the Nation's 253 metropolitan areas according to the International Trade Administration. Some 31.9% of exports go to the Caribbean and Central America and 46.2% to South America. Brazil alone receives 15% of Miami's exports.

Miami International Airport processes 16.2 million passengers from international destinations annually, just behind New York Kennedy and Los Angeles International airports (see Table 2). Miami's airport moves 1.43 million tons of cargo annually, making it the first ranked airport nationally.

Table 2.
Passenger & Freight Rankings for Miami

Rank Among Airports	Ranking Factor
3	International Passengers in U.S.
13	Total Passengers in U.S.
17	Total International Passengers among all World Airports
19	Total Passengers among all World Airports
4	Total Freight in U.S.
1	Total International Freight in U.S.
9	Total Freight among all World Airports
7	Total International Freight among all World Airports
9	Total Cargo among all World Airports

Source: Airports Council International.

Miami is also a major seaport in the global economy according to data from the Port of Miami. Miami is ranked first among ports in the tourist industry. Eighteen cruise ships are home-based in Miami. One of every three—3.4 million—cruise ship passengers sails from Miami. Most tourist destinations are to the Caribbean or Latin America. Miami is also a world-class cargo port. Forty shipping lines are home-based there. Two-thirds of the port's total volume—8.2 million tons—represented imports to or exports from the Caribbean or Latin America, even so, Hong Kong, Italy and Spain, represented Miami's fifth, sixth and seventh largest trading partners by volume, respectively.

The global economy is also reflected in the presence of foreign owned banks (see Table 3). Only New York, Los Angeles and Chicago have a greater presence. Foreign banks hold nearly \$22 billion in domestic assets. The two countries with the largest banking presence in Miami are the United Kingdom and Spain. This is likely because of the large number of British tourists with interests in the local economy. Spain is prominent because of its ties with the Latin American economy. Most Latin American countries have a sizable banking presence in Miami because of the volume of trade they facilitate, and possibly to manage the accounts of the growing number of immigrants from that region.

Table 3.
Foreign Banks in Miami

Country	# Banks	Domestic Assets (millions \$)
France	2	401
Germany	4	1,511
Italy	2	780
Luxemburg	1	426
Netherlands	2	646
Portugal	1	97
Spain	8	6,380
Switzerland	7	437
United Kingdom	5	6,707
Canada	4	1,580
Argentina	1	92
Brazil	2	341
Israel	4	563
Bahrain	1	462
Venezuela	3	255
Peru	1	24
Ecuador	2	248
Costa Rica	1	194
Colombia	3	300
Chile	2	381
Total	59	21,825

Source: Federal Reserve Bank Board, "Call Reports."

MIAMI'S CUBAN CULTURE

Cuban immigration, so important to understanding economic development, has two components: waves of exodus from Cuba and a distinctive Cuban exile culture.

Cuban Immigration

Cuban presence in America occurred in three waves. The first mass emigration resulted from the aftermath of Fidel Castro's successful Communist Revolution against the right wing dictatorial government of Batista in 1959.

Cubans not in favor with the new regime fled the country to Miami en mass as political exiles. From mid-1959 through October 1960, 37,000 refugees came to Miami. After the unsuccessful American-backed Bay of Pigs invasion in 1961 through 1962, 200,000 more refugees arrived in Miami.

A few Cuban exiles secreted away their wealth, some already held investments in the United States, but most brought only skills, experience and connections to their new home. Exiles were primarily families of wealthier entrepreneurs, business managers, and educated families (Portes & Bach, 1985).

Unlike other Hispanic migrants who located across the United States, Cubans journeyed nearly exclusively to Miami. Why Miami? Miami had only a modest Hispanic presence before the exodus, so it was not especially a magnet for Cubans. But many Cubans had visited Miami before the revolution and liked its climate and ambiance, while others had business ties or owned homes there. Most wanted to be close to their homeland: Miami is only 90 miles from Cuba. No other city would do as a destination.

This initial wave of Cuban exiles established a beachhead from which they were able to eventually capture Miami's economic, cultural and political life.

The second emigration occurred in 1980. Castro—principally to annoy the Carter Administration and to solve some social problems at home—emptied his prisons, asylums and hospitals of 125,000 people in a massive, private boat regatta headed for Miami—the *Mariel* boatlift. Not surprisingly, these exiles were very different from their counterparts of 20 years earlier, very much dominated by low or unskilled laborers, many with problems. (We discuss the impact of this below.) Boat people came to Miami because they had no where else to go and no way to get there even had they wanted to.

The third emigration is underway in the 1990's. Cuban immigration is now decided by lottery. These immigrants come primarily for economic reasons: they believe they might do better in Miami. These exiles represent low and unskilled laborers, Castro having already wrung most of the entrepreneurial talent from the Island.

More recent Cuban immigrants seem very different from their predecessors. They do not appear to have prospered as have those coming before.

Cuban Exile Culture

As noted, waves of Cubans arriving since 1959, remained mostly in Miami, at first living in ethnic neighborhoods, then gradually relocating to more

diverse communities. As might be expected, these neighborhoods tend to promote Cuban cultural traditions, probably in ways similar to Chinatowns in San Francisco or New York. Numerous public and private schools acculturate young people in Cuban ways and traditions. Newspapers and radio and television stations, all in Spanish, cater to the Cuban community, but recently, to other Hispanics as well. The major newspaper, *The Miami Herald*, also is published in an all-Spanish edition, *el Nuevo Herald*, with \$95,000 subscribers. Business associations, community groups, and social clubs concentrate on Cuban exile interests. A religious sect, *Santeria*, prevalent in Cuba and the Caribbean, has tens of thousands of members in Miami. The language of daily discourse is Spanish in many places, especially Hialeah.

Miami's Cuban exile culture centers around two perceptions, detractors would say myths: an **idealized view of life** in the pre-Castro era—the “Cuba of Yesteryear,” or *La Cuba de Ayer*—that no longer exists and of the **successful struggle** of exiles to prosper in Miami (Franco, 2001). These perceptions are continually inculcated in political, social and, for our purposes, the economic life of the city.

Many Cuban exiles view pre-Castro Cuba as a land of prosperity, a kind of paradise, where capitalism flourished and families were well-functioning and happy, and life was good and tranquil. In coming to America, exiles found a poorly functioning economy, a welfare state, a land devoid of values, especially in the family, and a place of crime and deviance. Many Cuban exiles reject American life and culture in favor of the more idealized *La Cuba de Ayer*.

The Cuban exile “success story” goes something like this. Castro's regime drove out Cuba's most productive citizens—business managers, educators, political elites, skilled labor, and entrepreneurs—once dominant under the Batista dictatorship. Cuban exiles fled with the clothes on their backs. Upon arrival, they faced a hostile American culture, but by drawing on experience, a strong work ethic, their entrepreneurial experience, and cultural solidarity, they transformed Miami's backwater economy into a global capitol. Successive waves of Cubans fleeing Castro's government from 1960 to 1961, to cite one example, were offered *character loans*—no collateral required—by wealthy Cuban immigrant bankers, willing to invest in recently-arrived refugees. The success story has been touted periodically in nationally known publications. George Gilder in *The Entrepreneurial Spirit*, a work that ignited an interest in entrepreneurship under the Reagan Administration in the 1980s, discusses the Cuban contribution to capitalism.

The U.S. government aid program for exiles illustrates the strength of these cultural bonds. In 1959, the Kennedy Administration established the Cuban

Refugee Program (CRP) to manage about 300,000 exiles descending on Miami. Miami's Cuban Refugee Emergency Center could not find enough homes, jobs and services for Cubans locally, so it, by law dispersed them nationwide. By 1967, CRP had relocated 53,000 outside Florida. By 1973, one-fourth of Cubans in Miami were actually returnees, indicating that exiles had made their way back when benefits ran out (Wilson & Portes, 1980).

Not surprisingly, Cubans in exile, longing for a bygone era yet feeling successful, do not intend, on the whole, to want to return to Cuba under a Communist regime, or a democratic one for that matter. Cuban exiles seem to realize that they cannot rebuild in a future Cuba what they have in a present Miami. Additionally, some having not fully assimilated into mainstream American culture, are wont to migrate out of Miami where their way of life may not be accepted and or even valued.

In many ways, Cuban exile culture became exclusive: them and us. This helped immensely when they banded together to pursue common economic development goals. But, as will be seen below, the price was cultural disharmony and a dual economy of rich and poor.

IMMIGRATION & ECONOMIC DEVELOPMENT

Immigration and economic development theories tell us what we might expect to find in an economy dominated by ethnic forces. Indeed, two decades ago, Miami's economy served as the inspiration for a theory of immigrant entrepreneurship—the *ethnic enclave* (Portes & Bach, 1985) and more recently the revisionist *ethnic economy*. The theory holds that some immigrant groups tend to concentrate in geographically-bounded areas within cities where entrepreneurship—self-employment really—among them begins to prosper. For many, self-employment is the only means to thrive because of discrimination by majority populations and disadvantages associated with poor language skills, little education, or low skill levels. Start-up entrepreneurs rely on families and friends to get started in business (as is the case in most entrepreneurial endeavors). They hire fellow immigrants, form vertical and horizontal and forward and backward linkages to other immigrant enterprise, keep competition out and serve local markets exploiting cultural bonds and language. In other words, they turn discrimination and disadvantages into economic advantages. Eventually, ethnic groups may gain sufficient economic and political power, often through the sheer force of numbers, to break out of ethnic enclaves and control cities.

On the downside, ethnic business concentrations exploit the immigrant workforce. Workers who do not speak English and have lower skill levels, many perhaps illegal aliens, must work for lower wages and few benefits. This in turn

perpetuates poverty and may even spread it. To complicate matters, immigrants—employers and workers alike—tied to their homeland through relatives, further retard economic activity by sending money home to support others, while lessening their own resources. Poor economic circumstances in turn force employers and workers into the underground economy. Poverty breeds crime. Because economics is culturally-based, rather than economic, racial and ethnic tensions are high as some feel threatened by cultural change and others perceive themselves to be worse off.

In the case of Miami, we must add two additional factors: the impact of illegal drug money and Latin American foreign direct investment, both of which swell the region with excess capital, but not necessarily in productive ways.

All taken together, we expect to find an economy loaded with apparent contradictions and conflicts.

MIAMI'S ETHNIC ECONOMY

A Dual Economy

Miami may be a global city, but its overall economy is poor, and has been for decades. It is not an economic miracle. Or if it is, such a miracle was necessary just to keep it viable. Miami is an extreme case of a dual economy, separating the rich and poor—Paradise gained and lost. In 2001, according to the U.S. Census Bureau, Miami now ranks **first**—32%—as the most impoverished city in America among places of 250,000 or more people. In the 1990 census, Miami ranked fourth in poverty; in the 1980 census, third. Because of large concentrations of poverty, Miami-Dade County now ranks sixteenth in the nation among urban counties at 20% below poverty. Miami's per capita income in 2001 at \$25,320 was substantially below the U.S. average at \$29,469.

Large numbers of poor immigrants certainly explain much of Miami's overall poverty rate. But other factors are at work in the economy. Miami is home to large numbers of elderly, retired people whose incomes have not kept up (although this trend is rapidly abating as Miami becomes too expensive for pensioners). The tourist industry, a high-growth sector over the 1990s, is a low paying employer with many part-time, unskilled workers. The annual wage for tourist industry workers in 1997 was \$11,559. As discussed above, wealthy Hispanics and non-Hispanics alike have left Miami for Broward County to the north, apparently to escape problems associated with immigrant culture. Finally, Miami is heavily populated with tourists and foreign visitors who are not residents, and therefore, do not contribute to per capita income figures. Miami leads the nation with the most "second homes."

The dual economy is likely to worsen. September 11, 2001's terrorist attacks on America, the downturn in the business cycle and economic distress in Latin America devastated Miami's economy. Airline passengers and hotel occupancy has fallen by 22%. Trade has declined 3.6%, displacing 9,500 jobs in the tourist industry. The unemployment rate is high in 2002 at over 7%, although Miami's rate has always been one or two percentage points higher than the Nation.

Economic hard times are not visible in much of Miami. Construction, especially high-rise condos, hotels and housing developments, is everywhere. But much of this was financed long before the economic downturn. The real estate bubble may burst in Miami's future.

Ethnic Economy

Miami is by any measure an ethnic economy. Miami-Dade County ranks second among all U.S. counties in number of Hispanic-owned businesses; Los Angeles ranks first. Miami City ranks fourth in the country just behind New York, Los Angeles and San Antonio. Cubans own 72,369 businesses or 60% of Hispanic-owned businesses in Miami, only slightly more than their share of the population at 50%.

Sole proprietorships, likely with unpaid family members, dominate Miami's ethnic economy. According to the Economic Census of Minority-Owned Businesses for 1997, about one-fourth of businesses in Miami-Dade and Miami City have employees, about 20% have employees in Hialeah. When looking at Hispanic businesses only in these areas, roughly the same percentages apply: Miami-Dade, 22%, Miami City, 21%, and Hialeah, 20%. Micro-businesses do, however, dominate the Black community to a much greater extent: Miami-Dade, 11%, Miami City, 6%, and Hialeah, 2%.

Hispanic businesses, even though they have employees, are much smaller than non-minority firms. Hispanic businesses in Miami-Dade, Miami City and Hialeah all average about 5 employees, while businesses overall average about 13 employees. Cuban firms average 5.3 employees, while other Hispanic-owned firms average 3.8 employees. Black-owned businesses average slightly higher than 5 employees in Miami-Dade, Miami City and Hialeah.

Miami's immigrant business owners concentrate in traditional ethnic businesses. The 1997 Census of Minority Owned Businesses showed that only 2,404 firms—1,064 with employees—or 2% of businesses were engaged in manufacturing. Services, by contrast, accounted for the lion's share of business

ownership—40%—and employment—31%—in Miami. Construction is a sector that draws immigrants: there were 12,892 construction firms, 2,228 with employees, in Miami in 1997. They employed 8,911 workers. Likewise, retail trades also attract immigrants: there were 11,427 retail establishments—4,304 with employees. Transportation was well represented: there were 11,062 firms—2,257 with employees.

Cuban-owned firms specialize in manufacturing (textiles, leather, furniture, cigar making), construction and finance, restaurants, supermarkets, health clinics, law firms (Logan, Alba & McNutty, 1994). These firms tend to be horizontally and vertically linked which is not so much the case for other ethnic businesses.

Hispanic-owned firms in Miami pay workers less (\$22,414) annually than firms generally (\$26,832). Black-owned firms pay even less at \$17,192 annually on average. Yet Hispanic-owned firms are much more productive on average (\$191,532/worker in sales and receipts annually) compared to firms generally (\$170,624/worker in sales and receipts annually). Black-owned businesses are much less productive at \$68,647/worker annually.

Ghettos Seen and Unseen

As is the case in many American cities, Miami is dotted with poor neighborhoods, some resulting from immigrant concentrations, others from poor African Americans. More often than not, poor immigrants, especially illegals, are forced either into distressed neighborhoods where housing is inexpensive or into more prosperous neighborhoods where multiple families share single-family dwellings. “Little Haiti” in Miami is a poor neighborhood abutting the airport, dominated by Haitians and Dominicans. Poor African Americans have tended to concentrate in Liberty City, Overtown, Opa Locka and Coconut Grove. These poor neighborhoods have persisted for decades. Developers originally recruited African Americans from the Carolinas and Bahamas in the 1930s to build the beach resorts especially in South Beach’s famed Art Deco district, but were not permitted to enjoy them.

But much of Miami’s poverty, even when concentrated remains unseen. The City of Miami Beach, playground of the idle rich, also houses poor families in single rooms who survive by pooling resources. Recently, groups of poor Argentines have begun to occupy more upscale apartments along the Beach. They then work in restaurants and small businesses owned by other Argentines. When the City of Miami faced a fiscal crisis in 1996, officials set out to identify illegal residences and collect taxes (Franco, 2001). About 4,500 illegal residences were

found and \$2.1 million in property taxes collected. This phenomenon gives the impression of economic well being on the surface, but poverty lurks just beneath.

Poor areas, unlike many cities, abut richer communities. In North Miami on the west side of the Intercoastal Waterway a mall serving poor Black neighborhoods has all but failed, while on the east side in Aventura one of the more lavish malls in America thrives. Some poor neighborhoods, occupying prime real estate, Coconut Grove and parts of South Beach, for example, are rapidly disappearing as gentrification overtakes them.

Remittances

Remittances are transfer payments made by immigrants living in the United States to relatives living in their country of origin. Some critics worry over money being sent overseas, not only because it drains local economies and often helps dictatorial governments, but also because it depletes money that could be used to improve the circumstances of recently-arrived poor immigrants. According to the World Bank, immigrants earning less than \$20,000 annually send as much as \$3,000 home each year. The current poverty level in the United States for a family of four is around \$17,000.

A report on President Bush's visit to Miami in May 2002 by National Public Radio estimated that Cuban exiles in South Florida send about \$500 million to Cuba annually. Castro's government receives more money from remittances than from exports of sugar and nickel, and net payments for tourism. The Inter-American Development Bank estimates that immigrants in America will send about \$300 billion home over the next ten years. The World Bank estimates that Latin America and the Caribbean receive about \$15 billion in remittances annually from America.

But, the longer immigrants remain in the United States, the less likely they are to continue sending money home.

Underground Economy

Many people believe that some immigrant groups are prone to illegal activity either because they come from a culture that condones such behavior or because they adopt this activity out of necessity. Immigrants, especially illegals, from poor countries may be forced into the *hidden* or *underground* or "*lo informal*" economy just to get a start in America. Miami is awash with "handymen" from Latin America who operate home repair businesses, some quite large, all outside the view of the tax collector and business regulators. Many of these businesses produce low quality work. When the supply of cheap labor dried

up after the *Mariel* Boatlift, Cuban entrepreneurs in the garment industry “contracted” with Cuban immigrants to do “homework” for low wages, no benefits and employment instability (Franco, 2001). Tourists are likely unaware that when they eat in high-class restaurants in Miami Beach, they are being served by illegals.

The hidden economy is large, but there are no accurate, reliable estimates. And, it is impossible to parcel out underground activity among natives, foreigners and immigrants. One study of the informal economy in Hialeah, Florida, a city with a high concentration of Cuban immigrants, estimated that there was a \$300 million off-the-books economy in operation (Franco, 2001).

It goes without saying that large underground economies reduce tax revenues for services and amenities, but not the number of people needing them. It also is the case that underground workers are exploited: they have few rights and likely earn little money and no benefits.

Assimilation and Racial/Ethnic Conflict

Cuban and Hispanic ascendancy in Miami’s economy has probably contributed to racial and ethnic tension between Hispanics and Blacks and between Hispanics and Anglos.

Hispanics & blacks

The *Mariel* boatlift in 1980 set the stage for Cuban-Black, and subsequent Hispanic-Black tensions that have lasted two decades. Miami experienced four race riots in recent years, 1980, 1982, 1984 and 1989, largely attributable to conflict among Black natives and Cuban and Hispanic populations. The 1980 riots killed 18 and wounded 400 people. The 1989 riots in the Liberty City killed 1 person. Twenty-two others were wounded and 385 were arrested.

Card summed up the situation. “The experiences of the Miami labor market in the aftermath of the *Mariel* Boatlift form [a] natural experiment. From May to September 1980, some 125,000 Cuban immigrants arrived in Miami on a flotilla of privately-owned boats. Their arrival was the consequence of an unlikely sequence of events, culminating in Castro’s declaration on April 20, 1980 that Cubans wishing to emigrate to the U.S. were free to leave from the port of *Mariel*. The available data suggest that 50-60% of the *Mariel* immigrants settled permanently in Miami. The result of this influx was a 7% increase in the overall population and labor force of Miami, and a 20% increase in the Cuban population and labor force of Miami” (Card, 1990: 2).

“Homicide rate in Miami increased 50% between 1979 and 1980. On the weekend of May 17, 1980 a three day riot occurred in mostly black neighborhoods of Liberty City, Coconut Grove and Opa Locka that killed 18. A Governor’s Task force appointed to investigate the riots found that labor market competition between blacks and Cuban boat people was a contributing factor.”

Ironically, Card found no short- or long-term impacts of the *Marial* immigration on the wages or unemployment rates of non-Cubans, in spite of strong perceptions to the contrary. Even so, Blacks likely have been excluded from many sectors of Miami’s economy because of discrimination—racial and cultural—many do not speak Spanish and cannot identify with Spanish culture.

Studies have also found that Blacks in Miami lacked a tradition of entrepreneurship and had limited access to capital. Blacks tend to work for whites who pay more. Blacks, therefore, cannot hire blacks and entrepreneurship is retarded (Wilson & Martin, 1982).

Some degree of geographic concentration is beneficial for entrepreneurship, but higher levels of residential segregation may retard entrepreneurial activity and foster poverty. “Although blacks are concentrated regionally, they are simultaneously segregated residentially, yielding a high geographic concentration of poverty that discourages business formation and yields low rates of black self-employment. In contrast, Cubans are concentrated regionally, but not residentially, yielding the benefits of propinquity without the costs of concentrated poverty” (Fischer & Massey, 2000).

Interestingly, there are racial tensions within groups. “The social hierarchy among black groups in Miami: those whose ancestors came from the Anglophone Caribbean are socially superior, those from southern U.S. next, those from Haiti at bottom” (Grenier & Stepick, 1992). This affects the local economy. Evidence of this in the Haitian population is easy to find: the Haitian economy is nearly all informal: less than 1% of Haitians report having a job (Light & Karageorgis, 1994). Haitians have had difficulty breaking into either the African American or Hispanic cultures, remaining isolated. The fact that they speak Creole, and poor Spanish or English, has been a problem for some.

Hispanics & anglos

As Cubans came to increasingly out number Anglos in Miami, Cubans began to take over the economics, culture, and politics of the region, displacing other cultures. Expectedly, Cubans began to incorporate Spanish language and Cuban culture into economic and public life. Nearly all businesses and public

offices have either bilingual or Spanish-only speakers. Major boulevards—Jose Canseco, famous major league baseball player—are named after Cubans. Cuban cultural days—birthday of Jose Marti, a Cuban freedom fighter against the Spanish and Cuban independence day, are celebrated. The *Santeria*, a cult-like religion, is estimated to have nearly 100,000 members in the region. Cubans dominate important political offices in local government.

Not surprisingly, Cubans have used their economic and political power to celebrate their success through the development of symbols of exile culture. Cuban heritage reclamation efforts in Miami center on the Freedom Tower and Tower Theater in Little Havana. The tower, modeled after the Giralda Tower in Seville, Spain, was built in 1925. For 32 years it housed the Miami Herald. Later it processed 150,000 Cuban refugees airlifted to Miami on more than 3,000 “Freedom Flights” from 1965 to 1973. Freedom Tower is just as much a symbol of exile freedom as New York’s Ellis Island and the Statue of Liberty. “Tower Theater” first began screening American films dubbed in Spanish.

Recent immigrants, though, are following suit. Colombian, Salvadorans, and Haitian immigrants, and numerous others, all have national celebrations, festivals, and cultural days.

Ascendancy of Hispanic culture has led to conflict. Anglos successfully launched an English First movement that compelled the public business to be conducted in English. But this only deepened existing divisions. Now Anglos are migrating to Broward County just north of Miami to escape the area. Ironically, prosperous Hispanics are following in their wake also to escape. Flight has further contributed to the dual economy of rich and poor.

Immigration in Miami, unfortunately, has always had a discriminatory component. Anglo merchants tried to keep Jewish merchants out of their commercial districts, were unsuccessful, then they moved away. Earlier Cuban arrivals found many trades closed to them because of ethnicity. White-dominated trade unions erected barriers to Cuban participation when they could (Portes & Stepick, 1993: 133). These efforts also failed, and white dominated firms began to decline. Tensions are occurring between recent and long-established Hispanic groups, although not to the extent as with other groups.

Assimilation

Racial and ethnic competition and conflict naturally raises questions of assimilation. If immigrant groups assimilate, then perhaps tensions would abate.

As observed above, many Cubans actually eschew American culture. Even though many Cubans may perpetuate the Cuba of Yesteryear mythology, the reality may be less drastic than detractors suggest. Numerous studies bear this out. Some 52.2% of Hispanic children reported that they spoke only English in the home. Some 80% preferred to speak English with friends rather than Spanish. Some 66% considered their ability to speak English as “well” or “very well” (Boswell, et al, 2001). Many who speak Spanish read and write it poorly. Large numbers of Hispanic speak “Spanglese,” a mixture of Spanish and English. Assimilation seems not to be so problematic for the children of Hispanics.

Even the case of Elian Gonzales points positively to assimilation. Elian is a youngster who fled to America by raft from Cuba, losing his mother to drowning in the process. Elian’s Cuban father, or the Castro government, tried to get Elian back. Janet Reno, then Clinton’s attorney general, forced the return of the boy, who was living with his Cuban relatives in Little Havana. Even though the circumstances were an affront to many Cubans, only sporadic, relatively small protests against Castro and the Clinton Administration occurred. Cuban exile culture was not sufficiently robust enough to mobilize armies of Cubans in the cause.

Indeed, studies show that younger Cubans are now less intense about their cultural heritage than were their parents and grandparents. Inter-racial marriages and partnerships seem to be reducing some conflicts.

But the army of new immigrants arriving annually in Miami ensures, to some extent, that race and ethnicity will remain a problem at least for awhile. The numbers are staggering: one-half—1,124,100 people—of Miamians are foreign born, of these, only 44.4% are citizens.

TRANSITIONS

As successive waves of immigrants arrived in Miami, one ethnic group began to replace or displace another in residential and commercial sectors of the city. Take Flagler Street as an example. Before the 1930s, this district was dominated by Anglo merchants and residents. From the 1930s through the 1950s, the district became heavily Jewish. In the 1960s, Cubans began to take over, so much so that the district became known as “Little Havana.” Later, beginning in the 1980s, Cubans began to leave. Now city economic development professionals refer to the district the “Latin Quarter.” Cubans also located in Hialeah to take advantage of jobs in industry. Other Hispanics are now replacing them. Not too far away in Sweetwater, Nicaraguans have concentrated to such an extent that the area is referred to as “Little Managua.” Although it has yet to be studied, it appears that Argentines, fleeing their economically devastated nation, are now replacing other

Hispanic populations. The legions of new Argentine steakhouses along the beach offer poignant evidence of this. When ethnic groups displace one another, they tend to do so because they become economically better off and move to more prosperous suburbs, as reflected in the population growth patterns already discussed.

Relatively recent immigrants from Haiti have taken over portions of North Miami and the areas adjacent to Miami's airport, establishing "Little Haiti." For now, they too seem to remain in ethnic enclaves, unlike their Hispanic counterparts.

DRUG MONEY

What effect does drug money have on Miami's economy? Many consider Miami the drug capital of the world, taking in \$50 billion annually, according to Drug Enforcement Administration estimates. In 1979, the Federal Reserve Bank in South Florida had a cash surplus of \$3.2 billion, an amount representing 77% of the Federal Reserve System's cash surplus nationally. In FY2001, the U.S. Customs Service reported seizing 69,044 lbs. of marijuana, 27,460 lbs. of cocaine, and 1,089 lbs. of heroin. Miami accounted for one-third of the heroin seized in the United States. To fight money laundering in the drug trade, Florida passed a tough statute to catch thieves. Miami set up the Money Laundering Strike Force that in the first year made 14 arrests and seized \$3 million.

Miami's status as a collection point for Latin American and Caribbean trade, according to the Drug Enforcement Administration (DEA), makes it a prime location for drug trafficking. In testimony before Congress, the DEA administrator reported that Cuban immigrants working on the docks and in airport facilities in Miami were under contract from drug cartels, particularly in Colombia, moving drugs into the United States and cash out.

Drug money deeply affects economic development primarily by distorting the market and perhaps driving away those adverse to crime—organized and street. Drug lords have billions they need to launder in the United States either through the banking system or through legitimate or illegal business transactions. Huge amounts of cash flowing into the economy give the impression that Miami is a good place to invest, when in reality, all economic deals are distorted. Housing prices, for example, are artificially high because the market is not well-functioning—money launderers are willing to pay high prices in cash to get rid of excess cash. After laundering in the United States, drug money often finds its way to offshore banks further distorting economics.

Immigrants pay a large share of the cost of drug trafficking. Many are forced into the illegal economy where they are subject to arrest or deportation. They earn little and have no benefits to show for it. With prices distorted in the area, their quality of life is not as good as it might be. Because a lot of money is exchanged illegally, cities cannot marshal the resources to provide effective services to many immigrants. Because a lot are illegals, they may not be able to consume them even when offered.

Government is losing the war on drugs. The “bad guys” are winning if they take in \$50 billion annually and loose only \$10 million to law enforcement. As such, drug trafficking will continue to retard economic development in Miami.

LATIN AMERICAN FLIGHT CAPITAL

Much of the globalization of Miami is attributable to Cuban entrepreneurs who had the business knowledge, capital, language, and cultural background to take advantage of the Latin American economic opportunity. Miami’s power brokers deliberately set out to attract flight capital from Latin America to the region, as this anecdote reflects: “In Miami, a Downtown Action Committee began a publicity project in 1975 for a “new World Center,” which envisioned Miami as center of the hemispheric past and future. Omni International Complex—containing a luxury hotel, shopping mall, theatres, and restaurants—helped Biscayne Boulevard emerge as the “Fifth Avenue” of the South. Biscayne Bay became not only an exclusive resort for the idle rich but also a vital hub for the transshipment of tourists and commodities in the Latin American and Caribbean rim. The Port of Miami became the largest cruise ship port in the world. A free trade zone was created near Miami International Airport. *Fortune 500* companies began making Coral Gables the site of their Latin American headquarters (Lin, 1998).”

Flight capital is a two-edged sword for Miami. Money flows from Latin America when returns on investment are higher and when investment is safer. But these monies fluctuate, making Miami tied to the fortunes of Latin America. As an example, foreign banks, so prominent in Miami lost hundreds of millions in the past two years. So, ironically, globalization for Miami means a lack of diversification in some ways.

CONCLUSION

From our analysis, its clear that Miami’s economic development is schizophrenic—both Paradise gained and Paradise lost. Economic development experts know that in order for entrepreneurs to succeed they not only require knowledge, skills and abilities (KSAs), they also need opportunities that match up

with their KSAs. Cuban ethnic entrepreneurs not only were in the right place at the right time, but were also able to develop and exploit the economy. Cubans set the stage, others followed suit. Miami became a true world class global city. Paradise gained.

But the very things that lead to Miami's economic success also contribute to its weakness. Miami attracted immigrant entrepreneurs, but also others who are much less competitive. Miami immigrants succeeded, but left some native minorities behind. Miami's location allowed it to become a trade center for Latin America, but locational factors attracted drug money and crime, and made the economy subject to boom and bust cycles in another hemisphere. Miami attracted the super rich, but their presence has contributed little to the legions of poor people in the area. Paradise lost.

Perhaps the real lesson Miami offers practitioners and experts is that culture, ethnicity, and race matter in economic development to a greater extent than is now recognized, not only in America but globally. The trick of it will be to figure out how to encourage the best immigration has to offer without thwarting it, but at the same time ameliorating its negative effects so that more people will survive and thrive.

REFERENCES

Boswell, Thomas D., et al. (2001) "Facts about Immigration." Gainesville, FL: University of Florida [www.aifl.org/polrep/2002/]

Card, David. (1990) "The Impact of the *Marief* Boatlift on the Miami Labor Market." *Industrial and Labor Relations Review*, 43 (January) 245-57.

Fischer, Mary J. and Douglas S. Massey. (2000) "Residential Segregation and Ethnic Enterprise in U.S. Metropolitan Areas." *Social Problems*, 47, 408-424.

Franco, Alexander. (2001) *The Impact of the Miami Cuban Exile's Political Culture*. Miami: Dissertation, Florida International University.

Grenier, Guillermo and Alex Stepick (eds.) (1992) *Miami Now: Immigration, Ethnicity and Social Change*. Gainesville, FL: University of Florida Press.

Light, Ivan and Stavros Karageorgis (1994) "The Ethnic Economy." In Neil Smelser and Richard Swedberg (eds.) *The Handbook of Economic Sociology*. New York: Russell Sage Foundation.

Lin, Jan. (1998) "Globalization and the Revalorizing of Ethnic Places in Immigration Gateway Cities." *Urban Affairs Review*, 34 (November) 313-339.

Logan, John R., Richard Alba, and Thomas McNulty. (1994) "Ethnic Economies in Metropolitan Regions: Miami and Beyond." *Social Forces*, 72 (March) 691-724.

Portes, Alejandro and A. Stepick. (1995) *City on the Edge*. Berkeley, CA: University of California Press.

Portes, Alejandro and Robert Bach. (1985) *Latin Journey*. Berkeley: University of California Press.

Suro, Roberto & Audrey Singer (2002). *Latino Growth in Metropolitan America*. Washington, DC: Brookings Institution.

Wilson, Kenneth L. and Alejandro Portes. (1980) "Immigrant Enclaves." *American Journal of Sociology*, 86, 295-319.

Wilson, Kenneth L and W. Allen Martin. (1982) "Ethnic Enclaves: A Comparison of the Cuban and Black Economies in Miami." *American Journal of Sociology*, 88, 135-160.