

# Civil Rights Project

## *Proyecto Derechos Civiles*

### **The Vast, Rich, Profoundly Unequal, Megalopolis called LASANTI** ***Can Leaders Take the Southern California-Baja region to its Next Stage?***

A Policy Paper by Gary Orfield

The more than 24 million people who live in urbanized Southern California and metropolitan Tijuana share one of the largest and most productive spaces on earth. The Civil Rights Project calls this region LASANTI,<sup>1</sup> more than 200 miles of continuous urbanization in what has become a great coastal megalopolis, a place of powerful contact between two large and important countries which share a great deal but are divided by walls, politics and language. The endless streams of cars and trucks crossing the border in both directions reflect the needs and complementary economies of the two nations. LASANTI by itself is now the 11<sup>th</sup> largest economy in the world and critically important to the economies of California, the U.S. and Mexico. We are each other's most important trading partner and we are interdependent in many ways. We are at a cusp of large changes that could be transformative if there were strong leadership.

In 1900 no one knew that a thin strip of land between the Pacific coast and the mountains and deserts stretching more than 200 miles, from Los Angeles to the Mexican village of Tijuana, would become a great megalopolis. Los Angeles had 102,000 people and San Diego less than 18,000. Tijuana was a dusty village of 234. Most of the space in between was agriculture, ranching or small towns. In Los Angeles there were real estate promoters and derricks in the recently discovered oil fields. Autos were still rare in L.A., which was to become the first great metro of the auto age. There were lots of problems: no significant rivers, no deep and protected harbors, no reliable water supplies, flooding, no major industries, and it was far from major markets. A half century later Los Angeles was America's second largest city and the county had 4.2 million residents. San Diego County was up to 557,000. Tijuana had 60,000 people. There would soon be great freeways constructed down the coast, creating intense connections throughout what was becoming LASANTI.

LASANTI happened and continued to grow because leadership was able to solve its seemingly intractable physical problems, brilliantly market its sunshine and coastline, and take great advantage of historical developments, like World War II in the Pacific, the rise of the aviation and defense industries, mushrooming of financial resources and enormous expansion of educational opportunity in California. The most important harbors on the Pacific coast of North

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<sup>1</sup> Los Angeles, San Diego, & Tijuana

America had been created, and a vast system of highway-based communications had emerged. In the postwar baby boom, the undeveloped land south of Los Angeles and to the east began to produce vast suburbs and a new lifestyle, that swept the U.S. Millions of people's lives were changed on both sides of the border by the economic boom that extended from the post-War period through the 1960s. On the Mexican side, the decision of both countries to create a tax-free zone for low-wage export industries on the Northern frontier produced a flood of factories and jobs, mostly low wage assembly work. Southern California then became the most important entry and distribution point for the vast U.S.-China business that changed the world economy after 1970 and put much of the U.S. into a post-industrial economy. Inventions in California changed offices and communications systems, created an entire world of computerized search engines and on-line friendships transformed lives around the planet. These changes were produced by leaders recognizing new possibilities.

Our very successful urban complex is now facing on-going challenges of inequality and failure to develop much of its potential talent. Southern California is aging and losing some of its dynamism. Both sides of the border have large numbers of poor people shut out of the region's opportunities. The U.S. and Mexico have two of the world's most unequal income distributions, as measured by the gini coefficient.<sup>2</sup> Southern California faces an end to population growth and its future depends on a Latino majority it has never adequately educated. A declining proportion of young workers must support a rising share of the aged. A big economic wave is coming, a wave that could greatly speed the development of the region and improve the prospects of excluded communities and young people. Although the region now contends with both serious challenges and an enormous opportunity, strong leadership, both private and public, could have very large and positive impacts.

Tijuana continues to receive people from many communities in Mexico and other nations, and has to deal with tides of people hoping to enter the U.S. illegally. It has many young people, though Mexico now has a low birth rate and will begin significant aging in the next generation. In Baja California, Mexico there is relatively weak education and lack of economic security and mobility for many. The gap in educational achievement between California and Baja students is very large on the international PISA test, the only common measure, which Mexico has now ended. The weakness of the education system is related to the very slow productivity growth in Mexico, one of the worst in the industrial world according to World Bank statistics.<sup>3</sup>

Both Southern California and Baja have operated as if labor will just appear when needed. Low income and nonwhite people have often been called to fill in where there is a shortage of

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<sup>2</sup> California is the fifth most unequal state in the U.S. (Samuel Stebbins, "How Income Inequality in California Compares to Other States," *24/7 Wall Street*, Oct. 17, 2021.); Among 164 nations, Mexico ranked 122 in terms of equity of income distribution. See: [bbvaresearch.com/en/tag/poverty/](http://bbvaresearch.com/en/tag/poverty/)

<sup>3</sup> Miriam Bello, "Mexican Productivity has been Stagnant for 32 Years," *Mexico Business News*, Increases in productivity largely reflect growth in population, education levels, and investment per worker.

workers but treated as if they are expendable and replaceable and not worth much investment to develop their talent. Young people have been left to find their own jobs and employers. Often, their wages are low and they have few opportunities to upgrade skills and income. When labor becomes more scarce and the birthrate plummets, a different basic assumption is needed, one supporting special efforts to offset the weaker education that is almost always provided to low income communities. In a tight labor market, like California has now, firms need to keep and invest in people who can contribute more with the right preparation. From a civil rights perspective, this means there is a solid economic reason to create more access for students of color to better schools and give them better support for preparing for and succeeding in college. California faces this now, Mexico may well within a generation.

On the California side of the border, there is a growing need for high-skilled workers: by 2030, 38% of jobs are projected to be filled by college graduates and only 33% are expected to be prepared to meet this demand.<sup>4</sup> There is also a declining pool of young people. California no longer receives significant net migration from other U.S. states. The need for a highly educated workforce is clear and promises attractive earnings potential and economic mobility for those who finish college. The state's employers need more young workers and students. Silicon Valley, Los Angeles and San Diego have large tech sectors but must bring in many workers from other countries on special visas. The largest racial/ethnic group in Southern California, Latinos, have educational attainment far behind whites and Asians. In California, Latinos are far behind in college completion in an economy where college completion has large financial rewards and is an essential entry point into many crucial opportunities. A central question for the future is how well are we meeting the needs of a growing economy and providing for a future with security and mobility? On the Tijuana side, there is rapid expansion of secondary and college education, but higher education access is still too limited. In Baja the question is whether we can expand the share of young people with the level of skills needed at the next stage of development.

In both countries there have been real gains in high school completion, but the large economic rewards and opportunities are linked to college completion, which produces mobility and different life experiences for those who graduate. We investigated the economic returns of education over time, where the ratio of income at different levels of education shows a widening gap between educational attainment levels in the LASANTI region. Employees with a bachelor's degree or higher earn far more than those with lower education; the gap has widened considerably since 1980. In California, for example, college grads earn about twice the average income of high school graduates. There is a serious shortage of college graduates in California where a dearth of around a million college grads is projected.<sup>5</sup> The Organization for

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<sup>5</sup> Public Policy Institute of California, "Will California Run out of College Graduates?" <https://www.ppic.org/publication/will-california-run-out-of-college-graduates/>

Economic Co-operation and Development (OECD) reports that the relative gain in income from completing college is the second highest among the 38 OECD nations.<sup>6</sup>

There are, of course, very different levels of preparation for college related to class and race in the U.S., and examinations in Mexico show strong class effects. All of these relate to family privilege or disadvantage. Latino students in California are highly segregated from white, Asian, and middle-class students, attending schools with less qualified teachers and more limited curricula. In Mexico there is a huge gap between the excellent federal schools, university schools, which are the best private schools, and an array of much less demanding half-day instruction in impacted public or weak private schools. In both countries there are very different college options. Southern California has a massive set of public colleges that range from top global research institutions to open enrollment in community colleges, but the latter's enrollments have declined, particularly in the open access level. Too many students enroll in community college but do not obtain any credentials. Higher income white and Asian students go to better schools, get higher scores, enroll in far stronger colleges, and graduate at high levels. In effect most Latino and Black students enroll in a residual system of weak community colleges.

Southern California has world class research and research training institutions in UCLA, UC San Diego, UC Irvine, UC Riverside, University of Southern California and Caltech, as well as research centers and private tech companies producing major discoveries and preparing students for graduate and professional education. Baja has yet to reach this level though college enrollment has surged. Mexico is behind in the sectors of higher education most related to development. Doctoral education is far more limited than in peer nations, with special weaknesses in the basic sciences and mathematics and in research centers and research funding. Mexico has little public research funding and a very limited philanthropic sector. Many of the firms with plants in Mexico do their research and training elsewhere. Baja is missing key elements that would allow it to connect in serious ways with the massive tech industry on the other side of the wall. On one side of the border there is a booming tech industry involved in surging AI research and development and needing talented workers. The other side needs to move to a higher level. There are people connected to the industries and universities in Tijuana who know what needs to be done, and people on the other side who could help them do it. This is an area in which universities and businesses could truly lead the way if leaders could put the pieces together.

A basic challenge for the region is to create more powerful synergies across the border. The region now has powerful trade and many connections, but it is very far from realizing the gains that could come from bringing the strengths of both sides together in a creative way, developing possibilities that neither could do on its own. If a world class tech society could develop on the Korean peninsula after a terrible war, why couldn't it be triggered in Mexico, in areas just minutes away from existing U.S. scientific centers?

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<sup>6</sup> OECD (2019), *Higher Education in Mexico: Labor Market Relevance and Outcomes*, Paris: OECD, p. 32.

Nearshoring is a huge opportunity. Often it takes a big change in external forces to open the door for big changes in a society. The U.S. faces the crises of both a serious break with the dominant supplier of goods and a growing shortage of young people in an aging population. The most massive international trade in the history of the world between the U.S. and China has been disrupted by economic and political conflict. The leaders of the U.S. have decided to sharply reduce national vulnerability, in terms of both supply chains and the threat of a hostile China, by increasing development elsewhere. Vast profits and huge businesses had been built around the U.S.-China trade, but when it became apparent that China was not playing fair, U.S. policy changed. Mexico was the logical alternative and LASANTI is a logical location for some of the larger investments. The basic idea was to lower costs and risks by transferring major enterprises to Mexico, and to create more of the needed production capacity in Mexico where there are no serious political or military conflicts. The question is whether Mexico, or firms operating in Mexico, can take advantage of the opportunity before international business decides to go elsewhere (places like the low wage areas of Eastern Europe or other Asian countries). Mexico has problems of security, corruption, low education levels and lack of government support and funding that offset some of its great locational advantages. These need to be addressed.

The question is: how will Mexico ride a large golden wave that may not last? China used its gains to create many jobs and to invest in education, infrastructure, technology and research, making a poor country an enormous economic success. This was the strategy used by a number of Asian nations. Mexico, with development of border industrialization started at low added-value factories, relied on international investors not Mexican firms or government, and did not create great domestic firms with capital for further investment. It did not invest in world-class higher education or create either major research centers or public financial support for big projects. Mexico gained jobs but not the productivity and wealth that went to Asia's developing countries. Baja's potential advantage in this respect is that organizations and leaders who have the knowledge and experience to help with those things are very close by in Southern California. The economic potential of putting these pieces together more effectively could be enormous.

How much money will actually stay in the region? Will there be a serious strategy to raise development on both sides to the next stage? Can chips factories help create a Latin American tech culture, potentially connecting the creativity of California tech, marketing, communications and research to the Spanish-speaking world, which has been sadly lagging in tech. The right answer could create good jobs for the largely excluded populations who are working but stuck in near poverty. Mexico could develop a far more advanced economy. California could have a more powerful neighbor. Huge international businesses are focusing now on massive investments in Mexico but mostly not on the border. Is there a plan to leverage this boom to foster big social change? If government does not lead, are there other institutions that could?

China was able to move the whole country to a higher economic and scientific level, with very large investments in education. If Mexico does not make similarly large investments in the supply and quality of education, the economy will grow but Mexico will be just a more convenient supplier of goods produced and designed elsewhere. While Mexican workers and investors will profit some, most of the gains will go back to international firms, not to enriching Mexican companies and financial institutions or lifting the country up.

Countries that raise their educational level are more productive and richer and their population has more economic mobility. Both Southern California and Mexico invest substantially in education. Mexico has a major effort to expand secondary education and California has greatly increased secondary education completion. Both have made progress. Research has shown the quality of the secondary school matters a good deal for college and future success.<sup>7</sup> Most Latino students in California do not attend superior quality high schools with strong experienced staff, demanding curriculums, and strong preparation for college success. In Mexico the emphasis has been on expanding the number of secondary spaces in schools that often offer only half-day instruction. The government has stopped evaluating teacher quality and academic outcomes so there is no strategy or accountability for quality. There is a huge test score gap between Baja California and San Diego on the only exam that has been given in both and in many other countries as well. In international comparisons Mexico has an extremely low level of achievement in mathematics, a key entry point into science, technology and other fields including business. California's high poverty, heavily nonwhite high schools typically do not prepare many of their students for college success. In Mexico there has been a massive increase in secondary enrollment, but completion and quality remain major problems. In Mexico and the U.S., the large economic rewards come with college completion, especially in fields with abundant job opportunities.

Our analysis finds evidence of racial and ethnic gaps in college attainment and the college payoff in Southern California. Latino workers in California comprise the lowest shares of attainment of bachelor degrees or higher in CA. Those that do achieve higher education degrees experience a lower return on their education than white and Asian workers. Southern California schools are highly stratified. Almost two-thirds (62%) of Latino students attend intensely segregated schools, with zero to 10% white students and concentrated poverty linked to many forms of diminished opportunity. Latino students have substantially lower test scores in math and English than white and Asian students, who are more than 5 times as likely to be in top tiers. Just under 50% of California graduates in 2019 were eligible to enter the University of

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<sup>7</sup> C.K. Jackson, "Do Students Benefit from Attending Better Schools? Evidence from Rule-Based Student Assignments in Trinidad and Tobago," *The Economic Journal*, vol. 120, pp. 1399-1429, 2010; Rucker C. Johnson, "Long-run Impacts of School Desegregation & School Quality on Adult Attainments," NERB Working Paper 16664, revd., 2015.

California system (UC system). The rates are much lower for Latino students. Unequal preparation relates to a substantial gap in graduation rates.

Mexico seriously lags peer nations in graduate education, especially in the sciences and research, which is strongly related to the tech sector. Doctoral-level instruction and research centers are lacking. Tijuana does not have a major research university of its own as Mexico's second largest city should have. It has a collection of branch campuses. There is very little public or private funding for serious original research. California is a world center of such work so this is an area where there could be very important cross border collaboration as Baja's academic sector develops.

The California Public Policy Institute projects that the highest demand for workers is for those with a bachelor's degree or higher. Among high-skilled jobs, the need is predominantly for graduates in mathematical science and computer science, and as our research indicates, there is a strong racial/ethnic divide in K-12 mathematical achievement in California. This has profound consequences for the racial/ethnic wage inequality gap.

The question is: where is the leadership to take the region to the next stage and solve some of the basic needs on both sides? How can it start? Key prerequisites include a recognition of the possibilities, leadership from business and higher education and, if possible, from government on both sides. The nearshoring opportunity that exists now offers a chance for resources to extend world class development across the border, for cross-border collaboration to meet very serious needs on both sides and make the region an even greater power in the North American and world economies. It would, of course, require visionary and bold strategic leadership and investments beyond immediate economic needs by business, institutions and governments to make this happen. There must be a priority in raising educational preparedness in California, especially for poor and minority youth, ending segregation in weak schools. The expansion of education in Baja must be accompanied by higher standards of quality. Perhaps, since the Mexican government has ended required testing, there could be voluntary standards of high achievement that could be formulated by a commission of public school and university leaders from both sides, which could award seals of high achievement to schools and students meeting the voluntary standards. Information of this sort would have great interest to parents and employers.

How could there be major cross-border collaboration in getting high quality development and preparation for disadvantaged students to take advantage of better jobs? Why couldn't research and teaching institutions identify young students of talent in Baja, for example, and connect them, first by zoom and then in person, with U.S. learning and research experiences that would develop their talents and interests and eventually enroll them in collaborative M.A. and Ph.D. programs as well as experiences with major firms and research centers. Perhaps the California community colleges could play an important role, particularly in English language development and initial science courses. Perhaps we could link many of the students in

California working to earn the Seal of Bilingualism on their high school diplomas with educational programs in Baja that could accelerate their Spanish competence.

Leadership training programs could include systematic instruction, perhaps including paid leave from their firms, campuses or agencies to enable leaders and experts to function more effectively on the other side of the border. Learning about the law and business practices on the other side would foster much deeper and productive contacts.

Business has a large role to play now. LASANTI was not planned, but it initially emerged from the actions and leadership of private investors and businesses, which were able to gain the support of key actors, like local governments, railroad companies, the U.S. Navy, movie and TV businesses, major investors, and critical federal funding obtained by the state's increasingly powerful congressional delegations. California business and governments' relentless publicity fostered a myth about the Golden State that became embedded in the American imagination for generations and, in many ways, came true. Advertising and public relations can create value and self-fulfilling prophecies. Major international collaborations would attract attention and could yield strong impacts.

The "nearshoring" movement could bring a big surge in the greater Tijuana and Baja areas with more powerful connections to California technology. Tech supports millions of jobs in California but few across the border. Could Baja see the kind of development of advanced education and research, that emerged in California during World War II and its aftermath, with the mass development of increasingly powerful universities and research centers? Bringing Mexico to a higher stage of economic development could be the classic win-win opportunity, giving the U.S. a much less costly and risky source for meeting essential needs, and the possibility of a far more capable partner in a much broader arena. For the Tijuana metro there is the possibility of transforming many lives through stronger education and better jobs.

Improved jobs, higher incomes and transformative investment require serious enhancement in education and technology in Baja, and real college preparation and expansion of college completion in California, especially for Latinos and Blacks. California had a massive transformative investment in education more than a half century ago, creating some world-class institutions that helped transform the state. But it is still working under a master plan designed to solve the problems of a different society from more than 60 years ago. Colleges and public schools must expand and improve as institutions that can offer challenging education to those who have been neglected. In California that would mean giving more low-income students of color access to the strong schools that already exist, or creating more college prep schools, often magnet schools and dual enrollment high school-college programs and recruiting low-income students of color into those programs. California could also offer more schooling opportunities to students living in Tijuana. Tijuana has effective schools for the elite, but they need to expand and welcome students who have had fewer opportunities. Education leaders would need to put together a plan to increase the numbers of schools that



can provide challenging curriculum to prepare more Baja students for higher education, including science and technology. This might mean schools created by the state and/or federal government, and by existing colleges and universities as well as the resources to develop true research universities. Baja needs to create research centers that can connect the Tijuana area to the powerful tech centers nearby in California.

Higher education was central to California's enormous development in the twentieth century. Research and development activity, so strongly powered by California's universities, is extremely limited in Baja. The weaknesses are especially great in science and technology and in Ph.D.-level studies in general. LASANTI includes a number of the world's most highly ranked universities and research centers. Educational leaders and the universities need to switch into a truly cross-national mode with a systematic effort to transfer educational capital and capacity to Mexico and to cross the border in a much more profound way. People who have created worldwide networks should apply their energy to creating transformative cross-border connections. Real resources are needed, a strongly communicated vision, and a tangible sense of the enormous gains to be had. California's start-up society – where a vision about a modest but attractive gadget can trigger a flood of investment dollars that first began with some strategic first moves – could generate major resources. Investments in computer chip manufacturing and production of key component minerals could be a major force in building connections. Tech investors should visualize the LASANTI complex, not just the current conditions in Baja, in making their plans. Major California Universities could be funded to intervene effectively in the development of real connections.

Examples of possible leadership are:

- 1) Business support for doctoral education in science or technology for 2-3 Baja students in one or more of Southern California's great research universities, in exchange for the students' internship and commitment to return to a job with the firm later.
- 2) Individual faculty members in Southern California could emulate the project of Olivia Graeve at UCSD where promising students from Baja are recruited to study with California students for a summer (or another period of time) in a faculty member's lab.
- 3) A California university could collaborate with a Baja university and corporate or state sponsor in helping faculty or research directors create stronger curriculum or labs for students in the Tijuana area.
- 4) A California and a Baja campus could provide tuition-free exchanges that include opportunities for U.S. students, many with Mexican heritage, to study language and culture. The 2023 law authorizing up to 1200 Baja students to enroll in eight community

colleges near the border, paying the low tuition normally available only for California resident students is a start.<sup>8</sup>

- 5) A regional leadership program could sponsor an effort to train interested U.S. and Mexican business and government leaders to learn each other's business, scientific terms or legal terms, provide seminars and support their language development.
- 6) Some Tijuana schools could organize an effort to connect U.S.-based undocumented students with degrees, to work as teachers, researchers or in business in Baja. Some might be recruited for doctoral or professional studies in Mexico. Many could help teach courses, especially in science, math, and international business.
- 7) A major international firm or group of firms could commit to establishing a state-of-the-art research lab in Baja, perhaps with an emphasis on selecting people from its own workforce for training and inclusion. Large firms that support higher education for their employees in their home country, or in other parts of the world, could bring same policies to Tijuana.
- 8) A California tech executive could help create opportunities for Baja students or young professionals to join a team conceptualizing and developing a new product with advice on international marketing of new apps and products.

Large changes come from leaders deciding to act, take risks, and play for big gains. There are existing cross-border programs showing the possibilities and potentials in some sectors. If leaders and institutions begin to operate in bolder ways, state and local governments, universities, and businesses could be stimulated to create a better, more equal, future.

There are many more possibilities. If positive trends are publicized, it could trigger broad impacts. Millions of people have seen the differences in resources and opportunities across this frontier. If we can begin to create an understanding, that bringing together the resources of both sides and using our human resources more effectively could create enormous gains, leaders of business and higher education could turn an opportunity into lasting success.

Leadership on Immigration Policy. The region needs a sensible immigration policy. American politics has blocked it. California needs immigrants. It has been shaped by vast rivers of immigrants from other parts of the USA and the world, and those migrations (both legal and undocumented) have transformed the state. Tijuana and its surrounding communities suffer from the chaos of U.S. immigration policy, which badly distorts the labor market. The U.S. needs immigrant workers and young people, but some U.S. leaders have, for almost four decades, exploited the fear of immigrant competition and racial change to block changes in immigration law. The policy vacuum and the continuing attacks on immigrants means that many who come without documents cannot work in formal jobs and are vulnerable to

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<sup>8</sup> Anabel Sosa, "New law will allow some Mexican residents to pay in-state tuition at California community colleges," *Los Angeles Times*, October 14, 2023.

exploitation by employers. Many cannot use their qualifications in Mexico to obtain related work in the U.S. or study in universities, costing them and the U.S.

A collaboration between U.S. and Mexican scholars could create an analysis of the loss of human capital, income and wealth that comes from an immigration system that often makes it impossible for businesses to hire across the boundaries or bring qualified workers to their workplaces. A strong, data-based recommendation for immigration policy changes, supported by experts and political leaders on both sides of the border, would be an excellent contribution to correcting the erratic U.S. policy changes, which produce chaos along the Mexican *frontera* and block changes that increase workers needed for U.S. businesses. California initiatives often influence federal policy. The U.S. soon may have an administration that gives priority to pushing long delayed changes across the finish line, perhaps adopting some policies like those that have worked so well in Canada, creating a path to citizenship and formal employment for long-term undocumented residents.

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## Appendix

Though this policy brief focuses on higher education and technology, there are many other areas that would benefit from better collaborations. Security, to cite one – Tijuana residents see security as their greatest problem. There is a great concentration of U.S. state, local and private security experts nearby, many with Mexican heritage and some fluently bilingual. At the same time there are many U.S. Anglo officers in Southern California, whose work could be improved by a deeper understanding of Mexico and its culture. There could be powerful synergy with a great deal of cross-border learning and collaboration on cross-border crime. As long as the criminals have effective international operations and the police often do not, the game is systematically unfair. Gains in security would, of course, make cross-border investments more attractive.