

EXECUTIVE SUMMARY

Exceptional by Design

**How to Fix High-Skilled Immigration
to Maximize American Interests**

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JANUARY 2025



**ECONOMIC
INNOVATION
GROUP**



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High-skilled immigration is America's not-so-secret weapon. Done right, high-skilled immigration policy can accelerate economic growth and innovation, cement American leadership in technologies critical to national security, and even reduce the nation's fiscal deficit. Unfortunately, today's high-skilled immigration system is not set up to advance these goals.

But there is a better way. In [*Exceptional by Design: How to Fix High-Skilled Immigration to Maximize American Interests*](#), we lay out a plan to build a self-interested high-skilled immigration system that maximizes benefits to American workers and communities. Our proposals would also reduce federal deficits by more than \$1 trillion over the next decade.

Getting the Economics of High-Skilled Immigration Right

In this report, we offer a new framework for understanding the economic impact of high-skilled immigration, debunking myths perpetuated by both its critics and even some supporters.

High-skilled immigration has two types of impacts on labor markets. First, it boosts drivers of long-term economic growth, like entrepreneurship and innovation. The evidence is overwhelming: High-skilled immigrants file patents, start Fortune 500 companies, and win Nobel Prizes at far higher rates than native-born Americans. Their connections abroad help the U.S. economy expand into new industries and new markets. High-skilled immigrants also drive a disproportionate share of invention in "strategically significant" industries, or those for whom American leadership is a national security imperative. All these effects raise wages for American workers across the entire income spectrum.

The second effect of high-skilled immigration on labor markets is more subtle: it changes the relative scarcity of certain kinds of workers. This does not affect the *overall* demand for labor, as immigrants are both consumers and producers, but it may change how quickly wages grow in one occupation *relative* to another. The debate among economists over immigration's impact on wages is muddled because it is focused entirely on this second set of effects, outright ignoring high-skilled immigration's much larger benefits for American workers from increased entrepreneurship, productivity, and innovation.

High-skilled immigration doesn't just create more opportunities for American workers. It is also *free* for taxpayers. Or rather, better than free: A typical high-skilled immigrant pays roughly \$40,000 more in federal taxes than he or she uses in government benefits. Over time, increasing high-skilled immigration can substantially reduce spiraling federal deficits even *before* accounting for tax revenue from additional growth and innovation spurred by high-skilled new arrivals.

Myths and misunderstandings about high-skilled immigration's economic impact matter not just for arcane, academic debates; they also lead to bad policy. Rather than select applicants with the most sought-after skills — best reflected through market wages — our skilled immigration system uses lotteries and attempts to fill so-called “labor shortages,” an unhelpful term with an elusive definition. And rather than make it easy for the most talented people admitted under our skilled visa programs to start businesses, accept promotions, or find jobs at promising startups, our system subjects the most skilled workers and entrepreneurs to the most burdensome restrictions. This needs to change.

A Plan to Fix and Expand Our Broken High-Skilled Immigration System

Armed with a more accurate understanding of how high-skilled immigration impacts the U.S. economy and how immigration policy actually works in practice, we propose a set of reforms to both expand and improve our high-skilled immigration system. The changes we propose would set a very high bar for applicants to meet, prioritizing workers and founders with the highest earnings. But for those who do clear that bar, the process should be straightforward. Together, our recommendations would accelerate wage growth and create opportunities for American workers, spur innovation in our strategically significant industries, and rebuild trust in our high-skilled immigration system. They would also reduce the federal deficit by more than \$1 trillion over the next decade.

Among the changes we propose are the following:

- **Replace the H-1B visa with a new, high-wage Skilled Worker Visa.** The H-1B visa program is broken. It allocates visas randomly, enabling outsourcing companies to game the system. The H-1B's restrictions on visa holders' occupation drive down their pay and create unfair competition with American workers. The program should be replaced with a new Skilled Worker Visa that prioritizes higher-skilled, higher-paid applicants and enables workers to change jobs in search of higher wages. Adjusting prior peaks in the size of the H-1B program for subsequent economic and labor force growth, we think an annual size of 250,000 visas would be appropriate. This would bring the skilled share of our immigration system much more in line with those of peer nations and past precedent and still amount to merely 0.15 percent of the United States' labor force.

- **Give struggling communities the chance to opt-in to a high-wage, pro-startup Heartland Visa program.** High-skilled immigration can be a positive force for local economic development, bringing new entrepreneurship, consumer demand, tax revenue, and skilled workers that attract further investment. Yet the status quo immigration system leaves out most of the country. Just 100 out of 3,100 counties are home to 74 percent of high-skilled immigrants. The Heartland Visa would enable struggling communities to voluntarily opt-in to a visa program that puts high earners, entrepreneurs, and those with strong local ties to the community at the front of the line. Workers on a Heartland Visa who meet strict earnings criteria would have a path to permanent residency.
- **Beat China in the race for semiconductor talent with a Chipmaker's Visa.** The United States needs to win the race to dominate leading-edge semiconductor manufacturing. To scale up as quickly as possible, this sector requires the ability to attract and retain top chipmaking talent. For each of the next 10 years, 10,000 Chipmaker's Visas should be auctioned off to firms in the industry and its supply chain, using the resulting revenue to bolster training programs for American workers.
- **Retain high earners and successful founders with a self-sponsored EB-X visa.** America loses when successful workers and founders with proven track records of high earnings are forced to leave. Our proposed EB-X visa would provide a self-sponsored green card pathway for temporary visa holders with consistently high earnings, verified by tax records. This would be a radical departure from the cumbersome, uncertain, and self-defeating status quo.
- **Focus on merit, not nationality, by abolishing per-country green card caps.** The United States should attract and retain the best and brightest, regardless of where they were born. Antiquated green card caps mean some highly-skilled Indian workers will wait their entire lives for a green card. In the meantime, they face harsh restrictions on job-to-job mobility that lower their pay and cost taxpayers money. These caps should be scrapped.

Conclusion

An overwhelming 78 percent of voters support increasing high-skilled immigration. They recognize its enormous potential to boost American economic growth, scientific and technological leadership, and opportunities for workers and communities. The policies outlined in this paper would finally give us a high-skilled immigration system aligned with these interests.