

# THE **NEW** BAZAAR

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## High-skilled Immigration: The Way Ahead to Stay Ahead

*ADAM OZIMEK & CONNOR O'BRIEN ON A POLICY WITHOUT EQUAL*

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**CARDIFF GARCIA:** Hey everyone, Cardiff here. Today's guests are actually two colleagues of mine at the Economic Innovation Group. Adam Ozimek is the Chief Economist, Connor O'Brien is Research Analyst, and the two of them, along with John Lettieri, our CEO, have got this huge new report out now about the economics of high-skilled immigration and how to fix the current high-skilled immigration system.

There's a lot in the report about how to think about high-skilled immigration the right way, which is especially important now because there's so much common misunderstanding of the topic, including, frankly, from people who ought to know better. This report is really great. I'm not just saying it, guys, because I happen to be the editor of the report.

It is the product of months and months of work and before that, years of research, deep, careful analysis. So we're going to go through it all. Adam and Connor are here with me now in the studio.

Adam, you first. It's December of last year. The election is over. Donald Trump has won. We are getting ready to roll out this report pretty soon. And then suddenly, high-skilled immigration becomes this huge topic, this huge source of debate. It's been a little tough to keep track of all of it. So let's start there. What, from your perspective, happened?

**ADAM OZIMEK:** I think the Republican Party is divided on what to do about high-skilled immigration, and it's a debate that they haven't really had. It's been kept in the background, it hasn't been in the forefront, and so, especially to make it through an election, you don't really emphasize your differences. Especially if you don't have to —

**CARDIFF:** And the differences come out afterwards!

**ADAM:** Yeah, and so, this was the afterwards.

**CARDIFF:** But here, it really did seem like this was the topic where everybody had an opinion on it. And a strong opinion in some cases. Like, there was a lot of polarization around it within the Republican Party.

**ADAM:** The coalition of Republicans has changed. And in this election, you had diehard populist anti-immigration folks, and you had tech CEOs, who know firsthand the value of high-skilled immigration and even depend on it in their companies. And so, that's a new coalition. These are people that are not used to being at the same party together, let alone trying to agree on stuff.

**CARDIFF:** The tech CEOs are the new coalition, you mean, right? Like, from within the Republican Party. Connor, how do you see it?

**CONNOR O'BRIEN:** Well, the dark horse here is the man himself, President Trump, who, you know—

**CARDIFF:** He likes it, it seems!

**CONNOR:** Yeah, you have to separate the man from the movement a little bit. He's been, from the moment he came down that escalator, all about a “big, beautiful wall,” but around that same time, he started talking about how we need — a “big golden door,” was it? — being open to top talent from across the world.

And this is something where he maybe differs a little bit from his base and is more aligned, in certain ways, with the new tech, right? Silicon Valley-types, who are now joining the coalition in 2024.

**CARDIFF:** Do you think that it is precisely that confusion with the border issue, where people think of all immigration under the same category instead of being able to sort of differentiate between high-skilled immigration, for instance, versus undocumented or illegal immigration?

**CONNOR:** Yeah, you saw that in a lot of the social media reaction of people being really upset about the H-1B visa. Calling it “low-skilled.” And all these other kinds of work visas that employ lots of white-collar professionals, who make a lot of money—lumping them in with everything that's happening on the border, everything that's happening with the asylum system.

But I think, while people who are arguing about this on social media can't separate the two, it's clear from our polling, at least, that voters can separate the two perfectly fine. And even as they're mad about the border, they're pretty jazzed up still about high-skilled immigration.

**CARDIFF:** We should explain this to our listeners who aren't familiar with the big survey that we did earlier last year, way before this report came out.

Adam, almost 80 percent of people think that high-skilled immigration should actually be expanded. They support more high-skilled immigration. And it's pretty sweeping. In other words, it's not just one part of the country that thinks this.

**ADAM:** Yeah, it's sweeping. It's robust. It's true for a wide variety of groups. 71 percent of Trump voters support expanding legal immigration, or expanding high-skill immigration. 78 percent overall. The majority of conservatives — every group, no matter how you cut it. The majority support expanding high-skilled immigration.

And it's not a matter of wording the question one specific way to get that response. We asked the question as many different ways as we thought could be done. We asked a lot of conditionals. We said, “Okay, well, what if the situation on the border was fixed? Would you support high-skilled immigration then?”

And it didn't really change. Basically, the same percent of people support high-skilled immigration. So it's not — voters see these as different issues. They see illegal immigration as one issue. They see legal immigration as another. And they see high-skilled as yet another issue. And you know, if voters can hold these separate in their minds, including Trump voters, if the president himself can hold it separate in his mind, then I don't understand why policymakers and pundits want to be rolling these things.

**CARDIFF:** Yeah, I would say that that is something a lot of people sometimes get wrong when they debate this on television, social media, whatever — they don't realize just how popular it is. But there's a lot of other things that people get wrong too.

So here's where I want to start talking about the economics of high-skilled immigration. This is an economics podcast. And this topic in particular, for some reason, lends itself to a lot of flawed thinking, Adam, not just from people who oppose it, but even from people who support it. People who generally agree with us that it's a good thing, but because they don't think about it the right way, it can be a problem.

**ADAM:** Yeah, that's right. I think this includes advocates for high-skilled immigration. It includes critics of high-skilled immigration. It includes economists, pundits across the spectrum. You find people reaching for incorrect ways of thinking about it. The wrong types of oversimplifications. Myths — our report leads through a variety of myths about high-skilled immigration from both sides.

So yeah, I think it's an area where, if you don't get it right, if you don't think about it the right way, you're going to make policy mistakes.

**CARDIFF:** Let me set something up for our listeners here. Our report finds that high-skilled immigration has roughly three big economic benefits. One is that it reduces inequality. Another is that it raises the rate of economic growth and innovation and entrepreneurship. And then a third is that it saves taxpayers a ton of money.

And that's why we say in the report, it's in a class of one. What other public policy can do all three of those things simultaneously? I sort of challenge people to name one, and they usually struggle to do it.

**ADAM:** Yeah, that's right. And I think we need to focus on those real ways that immigration impacts the labor market. Otherwise, you get policy wrong. So for example, you see people who argue that, "Well, we should have high-skilled immigration focus on shortages." That's one—

**CARDIFF:** Labor market shortages?

**ADAM:** Labor market shortages.

**CARDIFF:** We can't find workers of a certain kind to do certain jobs, so we gotta get immigration to fill the gap.

**ADAM:** Yeah, this is one of those myths that immigration proponents often use that I really think is misplaced and not helpful. We should instead think about high-skilled immigrants as being extremely innovative, and entrepreneurial, and bringing lots of knowledge to the economy, and increasing productivity growth and just the overall productiveness in the economy. And those create spillovers for everybody.

So I'm not worried about whether some technocrat or bureaucrat somewhere can temporarily designate some specific occupation as being in a shortage. That's not really a very concrete economic concept. I'm more concerned about, "are they raising the level of wages for the average worker?"

And the way they're gonna do that is by being innovative, starting new companies, helping forge new industries. And so those are the kinds of economic effects we should be thinking of. Not things like shortages.

**CARDIFF:** We refer to that effect that you just described as the overall economic effect, or the overall wage effect. Essentially, that high-skilled immigration raises

wages for everybody all across the economy. Connor, how strong is the evidence in favor of that effect?

**CONNOR:** The evidence is as close to overwhelming as you can get in economics, really on any issue. Immigrants are 80 percent more likely to start a business than native-born Americans. I forget the percentage of unicorn startups, but it's like —

**CARDIFF:** 55 percent! Because I've got it right in front of me. (LAUGHS)

**CONNOR:** There you go. 55 percent of companies, startups valued at a billion dollars or more, are immigrant-founded. 44 percent of Fortune 500 companies are run by either immigrants, or —

**CARDIFF:** Founded by immigrants.

**CONNOR:** Founded, yeah, sorry —

**CARDIFF:** Or their kids.

**CONNOR:** By immigrants or their kids. These effects on business creation (and) innovation are just so enormous. And they show up in business formation. They show up in rates of innovation and patenting. Immigrants make up a very important disproportionate share of industries that we deem strategically significant. So that the evidence is really, really strong.

**CARDIFF:** These are the industries that are crucial for national security and economic security.

**CONNOR:** Yeah, exactly.

**CARDIFF:** And they're all over those industries. Yeah, there's also great lessons from economic history that also show this overall wage effect. Adam, tell me about Fairchild Semiconductor, please.

**ADAM:** Fairchild Semiconductor is one of the most important companies in the history of Silicon Valley. They invented the semiconductor, and they did it with the help of half of their founders being immigrants or the children of immigrants. This company is not only important for the technical innovations that they directly created — the semiconductor is one of the most important innovations in the last hundred years — but dozens of tech companies today can be traced back to people who spun out of Fairchild.

So they were employees there, or founders there, and they went on to start their own thing. Silicon Valley would not be what it is today without Fairchild.

**CARDIFF:** So not just spillover benefits, but generational gifts, essentially. Something that was bequeathed to future generations.

**ADAM:** Yeah. Intel, and so many others. And so, they were part of the reason why Silicon Valley exists. They were part of the founding story there.

It's not just one-off examples either. You can look at Sergey Brin, one of the founders of Google. Think about what is the economic value of him coming here instead of another country? It's just astronomical.

And when you start to think about that, and think about estimates that like 30 percent of the total value of U.S. innovation over the last few decades has come from immigrants, it really starts to make it seem silly to think about, “Well, what occupations are shortages?”

It's a different issue. It's a much less important thing and it's just —

**CARDIFF:** It's a narrower way of thinking.

**ADAM:** — it's just so swamped by these kinds of effects.

**CARDIFF:** Yeah, I will say, I think that this is a pretty straightforward effect to understand, the overall effect. It may be underappreciated. People may not know as much about it. But once you see the evidence, it's pretty clear, right?

The inequality effect, the fact that high-skilled immigration reduces inequality, I think is a little bit trickier to understand. Tell us about that. How does that work?

**ADAM:** So it's easiest to start with the incorrect version of this, which is people say, “Well, when the immigrants come over here and they do a certain job, then people who work in that job here, native-born workers, are going to be worse off.” And that's, like, true, but it's extremely narrow.

You have to zoom out from there. So the inequality effect happens because immigrants come over here and they have similar skills to U.S. workers and those workers become relatively less scarce. So if high-skilled immigrants were all doctors, then U.S. doctors would be relatively less scarce. And so the critic might stop there and say, “Well, this is bad for doctors. We can't have that. Can we?”

But what you have to do is think about how does this affect everyone else in the economy? And what it means is that people who aren't like the immigrants become more scarce. So you have a doctor that moves to the community from Pakistan or India or wherever. And now all the waiters in the community, there's more demand for their services.

The people who work in the grocery stores, the construction workers, the hospital workers. You see a relative increase in demand. So, this is a story about which kind of workers become somewhat more scarce, and which kind of workers are somewhat less scarce.

**CARDIFF:** Yeah. To spell it out even a little bit more though: let's say in your example, all of the immigrants are doctors. Those doctors come here. Those doctors are now making money and they're going to spend that money on getting their houses built, or going out to restaurants, or going to the grocery store.

So the people that make all those products, the food production people and the people who work in restaurants and so forth.

Now suddenly, the demand for their services is higher, and because there are not immigrants in their category coming over in this example, their wages can go up faster than the wages of the higher-skilled immigrants who just came here, right?

**ADAM:** That's right. And then the way to generalize this is that if we let in workers at the top of the skill distribution, the high-skilled workers, then relatively skilled workers are going to find more competition in the labor market, and everyone else in the economy is going to find that their services are in higher demand.

And so the way to think about this really simply is, what is the difference in average pay between someone who goes to college, and someone who doesn't? And what you'd expect is that gap to narrow as a result of an increase in high-skilled immigration. So that is, wage inequality should go down if we increase high-skilled immigration.

**CARDIFF:** Yeah, there's one more step to take here though, which is that somebody might hear this example and think, "Okay, but you've just given away the game, because if we're letting in high-skilled immigrants, that's going to be bad for high-skilled native workers. Aren't their wages gonna go down even if the wages of lower-skilled natives are going up?"

That's not exactly how it works. Take us through that next step.

**ADAM:** Yeah, so when we think about inequality measured this way, we're really talking about the ratio of two people's wages. How the doctor's wages compared to everybody else's wages. We're not talking about what happens to doctor's wages overall.

For that, you really need to zoom out and look at those other effects we talked about: innovation, entrepreneurship, dynamism, the formation of new industries.

A concrete example of this would be if high-skilled immigrants let in more computer programmers, then computer programmers might make relatively less compared to the average U.S. worker. They might see their pay premium decline relative to the U.S. worker.

But if you were around the clock and didn't let in any high-skilled immigrants over the last 30 years, our tech sector would be a fraction of what it was. There'd be less jobs for computer programmers. It's hard to imagine a way that cutting off that source of innovation (and) entrepreneurship would leave literally any computer programmer in the U.S. better off.

**CARDIFF:** Right. The oversimplified but still instructive way to think about this seems to be: high-skilled immigration raises everybody's wages, but it raises the wages of people at the lower end of the income distribution faster than the wages of those at the top.

**ADAM:** Yeah.

**CARDIFF:** But everybody still wins from this.

**ADAM:** That's right. And in the long run, it's just undeniable. The U.S. economy is so much richer, and more innovative, and wealthier, as a result of high-skilled immigration. You really can't make almost anybody better off in the long run by cutting that off.

**CARDIFF:** I like that point about how, if you look at today's modern jobs, a lot of them just would not exist if it weren't for the high-skilled immigrants of the past, just like in the example of Fairchild Semiconductor. So you have to consider that yes, sometimes there are short term disruptions, but those tend not to last, and especially for high-skilled native workers, they also show a remarkable ability to adapt.

**ADAM:** Yeah, that's right. High-skilled workers have the best ability to, when there's an economic shock, to bounce back from it and sometimes even end up better because they can change their skills. They can change their occupations. They're in high demand. And so there's a lot of need for them across the economy.



They're very good at finding their next best opportunity. It's very different from when a low-skilled worker loses their job.

**CARDIFF:** We know this partly because the unemployment rate of college-educated native-born workers is always super low.

**ADAM:** Yeah, I mean, the average worker with a high school-only degree would kill for the kind of unemployment rate that college workers have.

**CARDIFF:** So far we've covered the overall effects, the inequality effects. Connor, let's turn to the fiscal effects.

**CONNOR:** They're pretty good. (LAUGHS)

**CARDIFF:** (LAUGHS) How good?

**CONNOR:** So, we put together a model for this. And we used H-1B worker data as sort of a benchmark. Now we'll talk later about changes we want to make to the composition of folks we let in. But we're just using the typical H-1B worker as a proxy here.

**CARDIFF:** Tell everybody, by the way, for those who don't know, the H-1B visa right now, the way it's designed right now, does what?

**CONNOR:** Well, the H-1B right now is the primary skilled visa that folks come in on.

**CARDIFF:** So each year when high-skilled immigrants come to work here, they do it with an H-1B.

**CONNOR:** Yeah, about 85,000 a year. And among eligible people, we give away that visa at random through a lottery. Which is kind of silly, and we'll get to that.

**CARDIFF:** Alright, we'll get to that. But what we do know is that these are high-skilled workers that come in with an H-1B. So we have some sense of what they pay in taxes and what they use in services funded by taxpayers. So what do we know about that?

**CONNOR:** So the average H-1B worker makes about 130,000 a year, which is well into the top 10 percent of U.S. earners. Now, if you calculate taxes paid versus benefits used, it nets out to each H-1B contributes 40,000 more per year in taxes than they use in public services at the federal level.

So if you talk about expanding high-skilled immigration, that becomes a pay-for for other things you might want to do. The fiscal benefits add up really, really quickly.

**CARDIFF:** Yeah, and we also did this analysis a few different ways, if I recall, and we included, for example, the effects of workers' families and so on. And the sort of number that we came to was that, if we allow in another half a million high-skilled workers each year, we save how much money for taxpayers?

**CONNOR:** 1.1 trillion dollars.

**CARDIFF:** Okay. So that's amazing, right? And that's over a 10-year window, right? Okay. \$1.1 trillion. Put that into some context for us. Like what would that fund?

**CONNOR:** It's a heck of a lot of money, and we lay out some examples in the report of some stuff that this could pay for. So, the first example is the 2017 Tax Cuts and Jobs Act. This was the Trump tax cut, the big tax reform of his first term.

\$1.1 trillion could pay for a little bit more than half of that, right? So that's huge.

**CARDIFF:** I remember that lowered business taxes in particular, but it also lowered other kinds of taxes and had some other things in there.

**CONNOR:** Yeah, another thing you could do is, you could almost double the size of the child tax credit to \$3,500. So there's lots of folks right now who are concerned about child poverty or wanting to incentivize folks to have more kids. That's a huge increase in the primary incentive that we have for that.

You could also do, and I don't want to do this, but you could do full student debt forgiveness. \$1.1 trillion would pay for all of that. You could also, if you're on the right, you could cut the corporate tax rate in half from its current 21%.

Really, I think, \$1.1 trillion is a lot of money and it really —

**CARDIFF:** It's a lot of options, is kind of what you're saying.

**CONNOR:** Yeah, it expands our options, right? And whether it's Democrats or Republicans who ultimately hold power, it gives them more choices, right? More choices that could benefit American taxpayers.

**CARDIFF:** Yeah, you didn't even give the boring option, which is paying off some of the national debt.

**CONNOR:** Yeah, boring. (LAUGHS)

**CARDIFF:** Yeah, who wants to do that? Who wants to reinforce fiscal soundness?

**CONNOR:** Social Security? What's that? Never heard of it.

**CARDIFF:** (LAUGHS)

**ADAM:** It's also important to note that that's a super conservative estimate.

**CARDIFF:** You're saying it saves way more than \$1.1 trillion?

**ADAM:** It's gonna be more — in reality, it'd be way more than \$1.1 trillion. \$1.1 trillion was our direct payment estimate. It doesn't include things like, what are the tax impacts when immigrants form new businesses? When they patent new products? When they start new industries? When they hire more workers and create those spillovers?

Those aren't included at all. So those kinds of dynamic effects would — I think we could very likely pay for the entirety of the Tax Cuts and Jobs Act if you included those.

**CARDIFF:** Okay, great. Those are the three big economic benefits that high-skilled immigration offers. Now let's talk about some of the myths that people have and how they understand high-skilled immigration before we talk about how to fix the current system.

Alright, I've just chosen three. We include nine in the report, but I think these are the instructive ones. Here's the one that you hear, I think most often, if I'm not mistaken, which is that high-skilled immigrants take jobs that someone else, an American, would have gotten instead. How do you counter that accusation?

**ADAM:** One important thing to know is that the economy's not fixed. There's not a fixed number of jobs, and this myth comes from that fixed economy framework. If you look at the U.S. over the last hundred years, we've had just a massive increase in the number of people, and that increase in the population hasn't caused a loss of jobs, right?

Because the economy grows with population. And there's a huge amount of dynamism and turnover every year with something like 31 million jobs created and 30 million jobs lost. So it's not like everyone has one job. This is the job they get. And then they hold that for their whole life.

And if someone comes here, they have to steal that job from something. That's just not the way the economy works.

**CARDIFF:** Second myth. Adam, I think you already disputed this one, which is the idea that we can identify labor market shortages and then address them with tailored, high-skilled immigration policy. So if somebody says, “Well, we have a shortage of software engineers right now. We should just go out there and get specifically immigrants who are software engineers, and that's it.”

**ADAM:** Yeah, it's very rarely a useful concept.

**CARDIFF:** Too much central planning in something like that? Too much top-down?

**ADAM:** There's that, and you know, every industry thinks they have a shortage. Like all the time. Like, if you rewind the clock to the post-Great Recession period, you started to hear construction companies say that they were dealing with a shortage of workers in some parts of the country starting in 2012.

By 2015, the industry had announced, “This is a national shortage. We're dealing with a national shortage of construction workers.”

But over the next few years, they literally hired a million more workers. We didn't have a shortage of construction workers. We had an industry that just always —

**CARDIFF:** Didn't want to pay high construction wages? That's the usual response from economists: “Well, but the wages can adjust. What you're hearing from the industry is that they just don't want to pay.”

**ADAM:** They always just want more. They always want more workers at lower prices. Now I want to make sure I'm clear that there are exceptions to this rule. They're just really not the way things normally work.

So if you look at an industry like agriculture. This is an industry where we've been closely studied for a very long time and there's very credible econometric estimates. Very careful analysis that shows that those are jobs that really if immigrants don't do them, they won't get done.

There's very little substitution. And so, that is an area where if you don't have immigration, it's fair enough to characterize as a shortage.

Other examples would be doctors. Their supply is very tightly regulated by the industry. And so, it's —

**CARDIFF:** That's an artificial shortage.

**ADAM:** It's an artificial shortage. So it's not like anytime someone uses the word shortage, we can for sure dismiss it out of hand. It's just most of the time. It's more likely about an industry complaining that things aren't exactly how they like them. And as we discussed earlier, even, you know —

**CARDIFF:** World's tiniest violin, you're getting out for these guys?

**ADAM:** Yeah, I mean, what you want is spillovers, right? You want workers who are innovative, workers who are entrepreneurial, and workers who are high-income and high-skilled. The benefits of high-skilled immigration just don't map well to a shortage concept.

Again, outside of a handful of examples.

**CONNOR:** And this is where I think so many of our pro-immigration friends and allies, really take a wrong turn. One of the reasons why we wrote this report is because we felt that a lot of the arguments that people who favor high-skilled immigration were making were pretty stale, right?

And I think for the last couple of decades, you've had business groups in the business community, leading a lot of the pro-immigration advocacy. As a group that is perpetually shouting, "Labor shortage! Labor shortage!" It really, I think, does the pro-immigration side a disservice.

And I think it also contributes to a perception that our immigration system is unfair because one man's labor shortage is another worker's tight labor market.

And so, what folks who want to base our immigration system off labor shortages are effectively saying is that, as soon as some worker in this particular sector catches a break and has a tight labor market for their services, maybe for the first time in 20 years, now's the time to crank up the competition against that specific worker.

It's, in some way, a well-intentioned reaction, but I think, on the receiving end, workers who are in those industries feel like it's unfair, and I think they're probably justified in feeling that way.

**CARDIFF:** Yeah, here's why this matters too, and before we get to the third myth, which is a fun one. These two myths are also a problem because the bad thinking surrounding them has led to bad policy in practice. Right, Connor? One of our big critiques of the current system is that it's badly designed because it reflects all this flawed thinking.

**CONNOR:** Yeah, exactly, and I think one great example of this is the perm process — it's one element of getting sponsored for an employment-based green card. This was fought for decades ago from the unions when our modern immigration system was being built.

And it essentially requires that companies who want to sponsor an immigrant for a green card, who overwhelmingly they already employ, the company has to go out and try to find a replacement for that worker. Including —

**CARDIFF:** And prove that it has looked for that replacement.

**CONNOR:** And prove that — yeah, they have to, to this day, they have to take out print newspaper advertisements in English language newspapers, and in newspapers in other languages to prove that they've been trying to recruit native-born Americans for this role.

Meanwhile, they clearly want to employ the person they're already employing, right? They're spending all this money to sponsor this person. They're clearly contributing value to an American company, and now they have to go through this years-long process that costs companies thousands of dollars, leaves workers in limbo, and just doesn't—you can tell a story about how it's well-intentioned, but it just doesn't make any sense.

**CARDIFF:** It's stupid. What happens when all the newspapers go away? Not to fixate on that particular part. It gives you a sense of how archaic this stuff is, you know what I mean?

**CONNOR:** It's really outdated.

**CARDIFF:** Yeah, severely. Adam, myth number three that we're going to discuss here is the idea that we should staple green cards to international students' college diplomas.

This is an idea, by the way, that Donald Trump has said that he likes, right? It's an idea that I think is usually well-intentioned when it comes to supporting more high-skilled immigration, and it even sounds, at least superficially, quite sensible. You think, “Well, if you graduated from a good American university, like that's great, that's a high-skilled person. So let them stay. Why would we want to throw them out?”

And yet, it's a problem.

**ADAM:** It is. You almost feel hesitant to argue against when the president has this very pro-immigration take, and he has this idea for expanding, you almost want to just let him run with it. But, it is the truth that this is just not the best way to expand high-skill immigration. The problem with this is that you really create bad incentives in the long run.

So if you say that universities are going to be the gatekeepers of the high-skilled immigration system, now all of a sudden you've given universities an ability to essentially write themselves a check just by creating degrees. So as long as there's an immigrant who will come here and take this degree, they'll pay us for it and the university benefits.

And so it really —

**CARDIFF:** Specifically, the problem with that is, they might not provide a great education to get that degree. What matters to them then is just getting as many students in the door as possible. And then hand them the diploma, and then the university makes out well.

**ADAM:** Right, they don't care. They don't care if that person's employable. And the immigrant, from their perspective, they're looking for a ticket to the U.S. economy that's hugely valuable. And so, they don't mind just paying for whatever degree program they can get into.

Nobody has the incentives lines, not a great system for ensuring that the highest skilled people with the most valuable skills to the U.S. economy come here. And it tends to create, in the international experience, what we call diploma mills.

**CARDIFF:** Diploma mills.

**ADAM:** Diploma mills. It's not good for the economy in the long run, even if in the short run, you'd say, "Well, we can pick which universities are good universities, and only those will count. Only those degrees will count."

Those universities have the incentives to just continue lowering standards, expanding enrollment, and just undermining whatever quality the program had initially. And you don't have to look very far to find American universities, very good ones that are offering bad degrees — bad graduate degrees, bad master's degrees — because there's a market for it that does not map to economic value creation.

It's just not the way to do it.

**CARDIFF:** Plus, we can learn, Connor, from the experiences of other countries that have tried this, right?

**CONNOR:** Yeah. There's examples from Canada, from the U.K., from Australia, of countries tying visas to degree attainment. And now these experiences—they're not stapling green cards or permanent residency to people's diplomas. They're just adding on a two- or three-year guaranteed work visa. And what we've seen is like an explosion of take-up in those programs.

Disproportionately in the U.K., third-tier schools, new schools that pop up and it's pretty clear that they're just in it to make money.

But even Adam was talking about how prestigious universities do this too. I jokingly call this “the master's degree industrial complex,” where schools like NYU, and I hate to pick on them. Actually, I love to pick on them.

**CARDIFF:** Ow! (LAUGHS)

**CONNOR:** They'll create \$60,000 a year master's degree programs all day if they can get away with it.

People will respond to incentives. So, if you attach a green card to that degree, people are going to be willing to pay that, because the U.S. is just such a rich economy and people can make so much money moving here.

**CARDIFF:** NYU taking strays in this conversation. Who's a famous NYU grad that's going to take offense to this? Martin Scorsese do his film stuff there? Someone like that?

**CONNOR:** Barron Trump. I don't want to offend him.

**CARDIFF:** Not now! (LAUGHS)

So, we've talked about these myths. Now let's talk about how to actually address the current system, and what we should do about it, and how to make it better.

Connor, you start this part of our report with the following line: “America's current high-skilled immigration system is deeply flawed in ways that both reduce its benefits to the United States and undermine trust in the immigration system at large.” How does it do that?

**CONNOR:** In a couple of ways. One, it's a mess bureaucratically. The processes for getting a skilled visa are just oftentimes ridiculous, time-consuming, expensive. A lot



of the processes are based on this flawed thinking about shortages that we've talked about. So, it's really just a mess from the user perspective, but it's also just a very small part of our overall immigration system.

Family-based, refugee settlements and other kinds of immigration are just a way bigger part of our system than skilled employment-based visas are. And the number I like to use here is, we give about a million green cards each year. 140,000 of those are reserved for employment-based green card recipients.

So that's entrepreneurs, skilled workers, but it also includes like investors and religious workers too are included in that total. But even still, that number itself is an overestimate because half of those visas go to family members of the people sponsored for those green cards.

So in the end, you get about 60,000 green cards out of the million that we issue each year that are ultimately going to workers who are sponsored for their skills and abilities.

**CARDIFF:** So, it has a lot of design flaws. Too bureaucratic, and ultimately too small.

**CONNOR:** Yeah.

**CARDIFF:** Yeah. Three things that we'd love to address with a few policy ideas of our own. And here, let's start talking about some specifics. So, idea number one for how to fix the system is scrap the H-1B program and replace it with a skilled worker visa.

Here I actually want to pause and have like a comprehensive discussion of the H-1B itself, because we have a little bit of tension in the report where we both try to say, "Hey, listen, people on H-1B visas really do contribute a lot to the U.S. economy, but the program itself could be a hell of a lot better."

And I want to address both sides of that tension to make sure we're giving a comprehensive assessment of it. Adam, why don't you start with what I think we can characterize as a defense of the workers who come here on H-1Bs and do good work.

**ADAM:** As Connor mentioned earlier, the average H-1B worker earns \$130,000 per year. That's a high income. And by the way, that's for workers who are disproportionately younger.

**CARDIFF:** How does that compare to, I don't know, the average American income or whatever?

**ADAM:** It's more than double, it's more than double the average American income. So these are high-skilled workers and they're contributing to the U.S. economy. And you can look at an estimate from economists Giovanni Perry and Sparber; they estimate like double digit percent of a U.S. productivity growth has come from H-1Bs, right? And so these are like really big impacts on productivity and it is the primary pathway that skilled workers come to this economy.

So just look around at the skilled workers that we have here and skilled immigrants and this is most likely how they got here. And if you believe that they're having big impacts, and you should, then that is in defense of the H-1B system. But that doesn't mean there aren't huge problems.

**CARDIFF:** All right, Connor, I'm going to turn to you to tell us what those problems are and then explain what a Skilled Worker Visa Program would do to replace, as we recommend, the H-1B program.

**CONNOR:** The overwhelming problem with the H-1B program is that visas are allocated at random, which, if you take a step back and think about it, this is the primary way by which we attract talented people to the United States. And we approve people at random. It's crazy.

**CARDIFF:** No way for a company to plan to win the lottery.

**CONNOR:** No. A talented chief technical officer at a thriving tech company who's gonna make \$400,000 every year has just as much of a chance of winning the H-1B lottery as a data analyst coming right out of college. And this has a few negative effects.

One, it just lowers the average earnings of each crop of H-1B recipients each year. If we prioritize people by salary, the average H-1B holder would make a lot more money. But also, because it makes the visa less usable for that very top talent, it's prone to abuse.

And I think the main, probably the vision, that a lot of people have of H-1Bs is of outsourcing companies, staffing companies, these sort of like Infosys and Tata and these companies that are sort of like H-1B mills, because you can't express, through the system, how badly you need a particular worker then the system is designed for people who are sort of like replaceable doing more rote tasks, doing more simple tasks.

That's why you see some estimates 30, 40, 50 percent of the H-1B program are these outsourcing and staffing companies. Their business model would be destroyed

overnight if you simply ranked based on salary. In our report, we kind of throw the H-1B framework out the door entirely.

And, as you said, we propose this thing called the Skilled Worker Visa, which puts people who are making the highest salaries at the front of the line. And it says that workers on a Skilled Worker Visa who win a visa because they have a high salary, they can change jobs freely, they can go start a business. Because another one of the critiques of the H-1B is that you're effectively trapped at your employer.

Now, we can debate the extent to which that's actually true. There is a process, there has been for 20 years, for changing employers while you're on an H-1B, but it costs a few thousand dollars and that's a real friction.

**CARDIFF:** Even if it's a little true, that's not a good thing. It should be not true at all.

**CONNOR:** And it's something that Americans don't have to go through when they change jobs, but it becomes particularly difficult for workers once they've been sponsored for a green card, and they're renewing their H-1B perpetually until their number is at the front of the line for a green card.

And there they face even tougher restrictions on what kinds of jobs they can do so we say, with our Skilled Worker Visa proposal, we're going to set a really high bar, we're going to prioritize people who are earning the most money, and then we're going to kind of let them cook.

We're going to let them go from one company to the other because we've already done the filtering for top talent. And we recognize that in the context of the American labor market, the ability to change jobs is a key source of leverage, a key source of wage growth and climbing up your career ladder. So, we don't think that those constraints should be applied to the most talented people —

**CARDIFF:** Set a really high bar, but once an immigrant has cleared that bar, make it a lot easier not just on them, but also on the businesses inside the U.S. that might wanna hire them.

**CONNOR:** Exactly.

**CARDIFF:** Is the Skilled Worker Visa also part of expanding the number of high-skilled immigrants that come in? What we refer to as “right-sizing” the program to match the scale of the U.S. economy and how much high-skilled immigrants could help it.

**CONNOR:** We argue that when you prioritize people according to pay, and you do all these other fixes, you can really expand the program. You can make the program much larger than the current H-1B is.

So, we use as a benchmark what the H-1B program was in the early 2000s. I think it was 180 or 200,000 visas per year. So something along those lines I think makes sense for the kind of visa that we're talking about. I mean the H-1B right now is 85,000 workers a year.

That's been capped since 2006. That's been the limit, hasn't changed at all.

The U.S. economy has grown like 30 percent since then. The U.S. population has grown significantly. The workforce has grown significantly. So, the skilled worker pathways, we think, should expand.

**CARDIFF:** It hasn't kept up.

**CONNOR:** It hasn't kept up at all.

**CARDIFF:** All right. For the last five suggestions we have, I'm going to alternate between the two of you guys, rapid-fire style. Adam, I know that your heart flutters a little bit whenever we talk about a Heartland Visa.

So that's our idea number two: to help revive struggling places in the U.S., America needs a Heartland Visa. What is that?

**ADAM:** Heartland Visa is a skilled worker visa that allows immigrants to come here and move to parts of the country that opt into the program that are suffering from a demographic decline, lack of population growth.

Parts of the country that just are lacking in skilled workers, and we want to give communities the ability to opt in to high-skilled immigrants moving there. And give high-skilled immigrants the ability to opt into moving to those places and be part of the catalyzing growth in these places like they've done in so many communities across the country. We want to give more communities access to that. And so that's the essence of the Heartland Visa program. Communities opt in, workers opt in, and it's a different, new, skilled pathway for people to come here.

**CARDIFF:** How does it work in practice? A high-skilled immigrant agrees to move to a community, agrees to live there for a certain amount of time, and in exchange for getting the visa, working there and then possibly even being able to stay if they're really good at what they do. Right?

**ADAM:** So the idea is that they will automatically be able to apply for a green card if their earnings are relatively high, and we propose a specific earnings test. So, if they come here and they work for six years and they prove that they are high-skilled and additive to the economy, we shouldn't make them jump over a bunch of hoops and have a bunch of bureaucratic nonsense.

We shouldn't let them be forced to be tied to their employer and subject to their employer doing the sponsoring for them. Let them sponsor themselves. So, giving them a very easy, automatic merit-based pathway to a green card is what we offer them in exchange for coming and adding value in these communities.

**CARDIFF:** Connor, next one goes to you. Idea number three is a Chipmaker's Visa. What's that one?

**CONNOR:** It's been a very high-profile story the last couple years. The race between the United States and China for dominance in semiconductor manufacturing. This is a huge geopolitical issue. TSMC, the leading company in the world, is based in Taiwan, which is, well, we'll call it vulnerable to Chinese interference or worse.

And we're spending tens of billions of dollars to reshore semiconductor manufacturing here in the United States. The CHIPS Act, passed a couple years ago, was \$52 billion. That's been followed up by lots of permitting reforms to kind of accelerate the expansion of these factories, but these factories need workers.

They need all kinds of workers, engineers, technicians, et cetera. This is about saying to companies, "Look, this is a national security imperative. It's very important that we reshore leading-edge chip production in the United States as fast as we can. And we're going to strike a bargain with you."

We're going to say, "If you invest in the United States, talent is not going to be a bottleneck to your success." So this Chipmaker's Visa, it's a narrow proposal. We propose about 10,000 visas per year that firms can bid on via auction and they can use it up and down the supply chain, because every company's needs are going to be different.

Intel, for instance, has been here for decades so they're going to need different kinds of workers than TSMC, which is really building out in the United States for the first time. So we want this Chipmaker's Visa to be flexible, to be targeted at the problem.

But, we also think that this can be used to accelerate the training of American workers too, right? You have the spillover effects from working with a leading engineer that's coming over from a different country. That's one benefit, but the

beauty of the auction that we propose is that we say, “We're going to auction off these visas and then we're going to take all that revenue and use that to train American workers.”

So, it's really just about upskilling our chip-making workforce as fast as possible, taking seriously the fact that folks think that this is like a national security emergency imperative, whatever you want to call it. We can't futz around, like we gotta get it done now.

**CARDIFF:** Number four. Adam, the high-skilled immigration system should be friendlier to families.

**ADAM:** We really want to make sure that when workers come here on a skilled worker visa, that their spouses can work too. Because what we see is with the H-1B workers, their spouses are disproportionately very high-skilled. They tend to have graduate degrees, but we make it hard for them to work.

So we want to grant much easier ability for them to work when they're here, and for their children to work when they're here, and for their children to stay and find their own pathways as well. So, if you want to bring the very best people from around the world to the U.S., we have to make a system that is friendly to the —

**CARDIFF:** It's got to be attractive.

**ADAM:** We can't say you come here for six years, but your spouse, who also has a master's degree in engineering, can't work. And by the way, your adult child, if they age out of the program, they're going to get kicked out of the country. This is not a way to lure in the best and the brightest.

So we need to make changes.

**CONNOR:** It's also just a huge self-inflicted wound on Americans' part, because, as you say, 89 percent of H4 visa holders, those are the spouses of H-1Bs, 89 percent of those have bachelor's degrees compared to like a third of American workers. The rate of master's degree – half of H4s have master's degrees compared to 13 percent of native-born Americans.

We invite these folks in on visas, but then we say they can't work, even though many of them probably have six-figure earning potential. I mean, that's lost tax revenue. In the U.S. we have this, this whole ethos of being pro-work in all these different ways.

But then, we have all these talented people who are sitting on the sidelines for no real rational reason.

**CARDIFF:** Missing out on getting two for the price of one on this.

**CONNOR:** Exactly.

**CARDIFF:** Number five, Connor, modernize the OPT, which stands for Optional Practical Training program, with a new Recent Graduate Visa. This one's going to require some defining. So first of all, what is the Optional Practical Training program, and what are we aiming to do with it?

**CONNOR:** The OPT program is this thing that's attached to the F-1 visa, which is how most students who come to the United States — they mostly study on an F-1.

So the OPT allows them to work for a year after graduation, so long as that job is directly related to their field of study.

There's some clunkiness and some bureaucracy here because the school is also involved in improving the job, and then there's this STEM OPT extension. So if you come here and you study a STEM field, you can work for three years after graduation. And it's a chance to enter the H-1B lottery a couple of times.

But again, it has to be directly related to your field, which is — we're making this argument about how the immigration system should embrace dynamism and people switching jobs and being full and equal participants in the labor market. The OPT program does not get us there.

So, we propose a Recent Graduate Visa, which is a much simpler way of saying, “If you graduate from a U.S. school, you can work here for a year.” You can do whatever job, but you have a year to figure it out. A year to get sponsored for one of these other visas, which are prioritized by wage, so you could go on a Skilled Worker Visa or hop on a Chipmaker's Visa or a Heartland Visa, but you have to go out and get a job offer with a salary that's sufficient to win one of those visas.

But this is — we want to limit the duration that you can stay on this. Right now, OPT, you can stay for three years, we want this to be one year, because we want to move, again, away from degree-based immigration policy, and make our system much more based on actual earnings, which are much tougher to game than educational credentials.

**CARDIFF:** Great. And then the last one, Adam. Retain the highest achievers, regardless of where they're from with a new EBX green card.

**ADAM:** The current employer-based green card system is a bit of a disaster. As Connor mentioned earlier, we limit it to 140,000 per year, and that includes families. And that's just way too small for the amount of skilled workers that we have coming here, under temporary programs. As a result, combined with a cap on the share that each year that can come from every country, what you end up with is workers from some countries are waiting decades to get a green card.

So they're essentially stuck at their employer. It's very difficult to change jobs. It's not impossible, but it's difficult. And the wait list is just massive at this. So the green cards are not scaled to the temporary work visas. What we propose is that if someone is making a high income here for six years, and we can look at their tax returns and prove that, they should have a fairly automatic pathway to a green card.

Let's have an uncapped meritocratic green card. If you're a high earner, what are we making you wait for?

**CARDIFF:** And you've got a six-year track record at this point.

**ADAM:** After six years, we know whether you're high-skilled or not. And so, we just make sure that their pay is above a certain threshold that's genuinely high-skilled.

And if it is, we say, "Great, you can sponsor yourself." And there's no multi-decade wait.

We give workers that certainty that if you come to the U.S. economy and you prove yourself and you create a high value, you've got a pathway and you don't have to wait for decades to get to it.

**CARDIFF:** All right, done. We've just now explained the right way to think about high-skilled immigration. We've explained the economics of it. We've busted some myths and we've fixed the system. Somebody write this up into a bill and pass it. Let's get this thing done.

Let me close with this question. Last question for each of you. You've both been working on this topic for quite some time. You've thought about this more than anybody I know. You're obviously quite passionate about it. So on the other side of having published this report, what is the one thing that you want everybody who reads it or who starts engaging with this topic to really take away from it?

The one thing that you would want to leave the audience with? Adam, why don't you go first?



**ADAM:** This is the only policy that can increase innovation, increase entrepreneurship, increase dynamism, reduce wage inequality, and raise over a trillion dollars without raising anyone's taxes. It is in a class of its own. There is nothing else like this. And if at this point, where we're having a debate over what to do about high-skilled immigration, we don't decide to go big on such an obvious win-win solution.

I think we're making a huge mistake, a generational mistake. The debate around high-skilled immigration doesn't happen every year. It doesn't even happen every decade. We've got to take this opportunity and go big. And if we do, the impacts could be really huge for a long time.

**CARDIFF:** Connor?

**CONNOR:** I think it's important to remember that this is a tool that is not available to our adversaries, right?

All the most talented people in the world want to come to the United States. Compare us to all of the other developed economies, either in Europe or Canada or wherever, the ceiling on what you can earn and what you can do in the United States is just so much higher, right?

And everyone wants to come here for that reason, and so we can have the pick of the litter, right? And if we don't, it's entirely our own mistake. And think about what China is doing right now. They're also trying to attract some of the world's best and brightest people.

But nobody wants to go there because it's an authoritarian country. And in fact, they can't even get their own best and brightest to stay. And they're doling out subsidies of hundreds of thousands of dollars just to get their own scientists to stay. We have the opposite issue where everyone wants to come here and we get our pick of the very best, right?

And we should take that role very seriously and we should remember the enormous power that this has to enrich ourselves and to leap ahead of any competitors that we may have around the world.

**CARDIFF:** Connor, your debut on The New Bazaar. Thanks, man.

**CONNOR:** It's been an honor.

**CARDIFF:** Adam, repeat guest. Hope you'll come back again sometime.

**ADAM:** Hope I'll be invited back.

**CARDIFF:** Thanks guys. Really appreciate it.