

# Exceptional by Design

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

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**ECONOMIC  
INNOVATION  
GROUP**

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# Introduction

High-skilled immigration is America's not-so-secret weapon.

The United States would never have become an economic powerhouse without ambitious newcomers, and they will be vital if it is to remain one. High-skilled immigration boosts Americans' wages, makes our strategic industries more globally-competitive, and enables American leadership in science and technology. It can bring new startups and industries to regions of the country long ago left behind. As if these benefits were not enough, high-skilled immigration can even reduce our fiscal deficit.

But our status quo high-skilled immigration system is falling short. It is too small, both by global and historic standards. Current pathways like the H-1B program fail to allocate visas to the most-skilled, highest-earning applicants, while making entrepreneurship prohibitively difficult. Even processing simple immigration paperwork can take years.

Americans have taken notice. In an April 2024 nationwide poll, the majority of registered voters disagreed with the statement that “the U.S. immigration system is currently designed to benefit the U.S. economy, its workers, and its communities.” Voters are furious over the state of the Southern border, but their anger also extends to our broken legal immigration system. Two-thirds of voters say our legal immigration system needs either “major changes” or “a complete overhaul.”

We have a generational opportunity to end this dysfunction and fundamentally remake our high-skilled immigration system to advance American prosperity and power. High-skilled immigration can help us address our most pressing national challenges, from intensifying competition with China to sparking growth in lagging regions. But harnessing this tool requires a more comprehensive view of immigration's economic effects — and a more realistic understanding of the immigration bureaucracy's capabilities — than either pro-immigration advocates or restrictionists have to offer. In short, we need to reimagine policy to make high-skilled immigration the centerpiece of the U.S. immigration system, rather than an afterthought.

The paper that follows presents just such a vision.

## CHAPTER 1:

# Why high-skilled immigration reform matters

## Principles for high-skilled immigration reform

We argue for an overhaul of the high-skilled immigration system that is fundamentally grounded in America's self-interest. The United States should admit high-skilled immigrants in order to accelerate economic growth and technological progress, advance the scientific frontier, make the American economy more competitive in areas critical to national security, and create more opportunities for native-born workers. The status quo immigration system is simply not living up to these goals.

Our vision for reform is grounded in six basic principles:

- **Our high-skilled immigration system should be designed first and foremost to advance the national interest of the United States and the interests of its communities and workers.** Designed well, immigration policy can make our workers more productive, make American industry more globally competitive, spark new growth in left-behind parts of the country, and improve living standards nationwide.
- **Visa pathways for high-skilled immigrants should prioritize applicants with the highest earnings.** Proposals to allocate visas according to educational credentials or occupation-specific “shortages” are well-intentioned but misguided and easy to abuse. Instead, our immigration system should create a race to the top by selecting the workers most likely to advance the long-term prosperity of the country — which means selecting the highest-earning applicants.
- **High-skilled visa applicants should be prioritized by merit, not nationality.** The United States should seek out the world's most talented workers, inventors, and entrepreneurs regardless of where they were born.
- **The immigration system should make entrepreneurship seamless and easy.** The status quo immigration system makes founding a startup hardest for the most-skilled immigrants — the exact opposite of how the system should work. American workers benefit when immigrant founders start productive companies here.
- **High-skilled immigration reform should cut red tape and bureaucracy.** Wait times that last years to process simple immigration paperwork are unacceptable.
- **Finally, the high-skilled immigration system should be larger.** Attracting and retaining the best and brightest to work, build, and create jobs in America should be the centerpiece of our immigration system, not an afterthought.

## **Immigration can help address core American challenges from competition with China to economic inequality.**

The United States is facing an array of challenges that threaten its place in the global economic order. America is locked in a race, for example, with the Chinese Communist Party for control of supply chains for semiconductors and critical goods, and for global leadership in emerging technologies like artificial intelligence. Winning this race means assembling the world's top scientific and technological talents. As a free and open society, the United States can harness high-skilled immigration to win this competition in a way that China simply cannot.

At the same time, the American economy has been mired in a decades-long Great Stagnation defined by sluggish productivity growth and slow technological progress. While economists may debate the extent to which living standards have stalled, this macroeconomic slowdown has indisputably led to underwhelming wage growth for American workers. Ushering in a new era of American growth requires an immigration policy tailored to attracting high-potential workers and entrepreneurs.

We meet these core challenges with an American workforce that is rapidly getting older and, in many communities, outright contracting. Huge swathes of the country are in long-term demographic decline. Many former manufacturing hubs have been drained of top engineering and technical talent, making them poor sites for new investment. Coupled with necessary place-based investments, an infusion of skilled talent and ambitious founders can help revive growth in the Heartland.

The menu of policy ideas to address these national challenges is long, ranging from tax reform to additional manufacturing subsidies — but these options are expensive, which is especially problematic in a time of enormous fiscal deficits.

High-skilled immigration not only reduces the deficit — such immigrants pay far more in taxes than they use in public benefits — but can help tackle all these challenges at once. High-skilled immigration can be a tool for reviving American manufacturing prowess. High-skilled immigration can help cement American leadership in key areas of science and technology, keeping the U.S. ahead of China and other geopolitical rivals that may emerge. High-skilled immigration can be part of a broader package to jump-start growth and opportunity in left-behind parts of the country. And, just as a bonus, high-skilled immigration reduces inequality while elevating living standards for Americans all across the socioeconomic spectrum.

In other words, high-skilled immigration could be an integral part of a new American growth agenda — if we can just get the policy right.

## Our current high-skilled immigration system is broken.

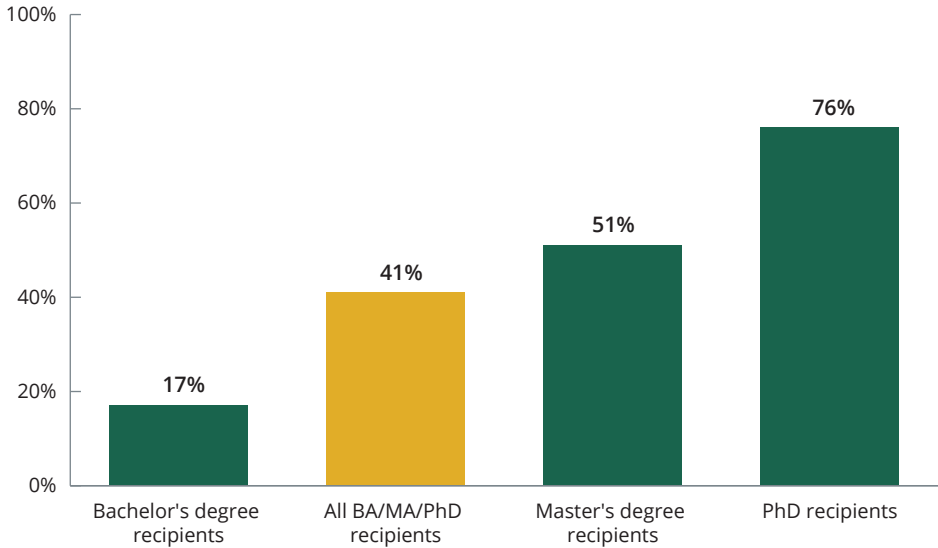
The immigration system as it stands is not up to contending with these challenges.

First, our high-skilled immigration system is too small. Only 140,000 of the one million green cards the United States issues every year are set aside for employment-based or investor applicants.<sup>1</sup> The American system stands out among peer countries for being overwhelmingly devoted to family-based and humanitarian migration. Further, the number of employment-based green cards available each year has remained fixed since 1990, when the American economy was *less than half the size* it is now.<sup>2</sup>

Our high-skilled immigration system is so undersized that we even lose most international students trained at our own universities. The United States fails to retain more than 80 percent of foreign bachelor’s graduates, half of master’s graduates, and one-quarter of PhD recipients from U.S. schools.<sup>3</sup> Although we do not believe that graduating from an American school should guarantee permanent residency, it is clearly not in the national interest to train so many bright, ambitious students only to push them away after graduation — sometimes even to unfriendly or adversarial countries.

### Most international students leave the U.S. after graduating

Retention rate (as of 2021) for international students who graduated between 2012–2020, by degree level



Source: EIG analysis of National Survey of College Graduates and Integrated Postsecondary Education Data System data.



Second, the high-skilled pathways that we have do not prioritize the highest earners or the most-skilled applicants. H-1B visas — the primary bridge for most high-skilled immigrants who ultimately gain permanent residency through employment — are allocated entirely at random. Employers have no ability to prioritize some workers they sponsor over others. A highly-coveted Chief Technical Officer with a \$500,000 salary offer stands the same chance of winning a visa as an entry-level data analyst.

Third, the immigration system makes entrepreneurship difficult. The United States is one of the few countries in the world without a startup visa. Founders who want to stay in the U.S. typically have to give up control over their company, while visa uncertainty can make it impossible for them to raise capital in the first place.

While a family-based green card recipient can start a business the day they arrive in the United States, a skilled engineer or programmer on an H-1B may have to wait years or decades for the same privilege. This is just one example of a broader pattern in our immigration system: The most-skilled immigrants face the greatest restrictions. This is not how a rational, self-interested immigration system should operate.

Finally, the benefits of high-skilled immigration overwhelmingly flow to a very small portion of the country. Just 100 counties are home to *74 percent* of immigrants with a college degree or more.<sup>4</sup> States and cities throughout the Heartland need new tools to seek out and recruit high-skilled immigrant workers or entrepreneurs themselves.

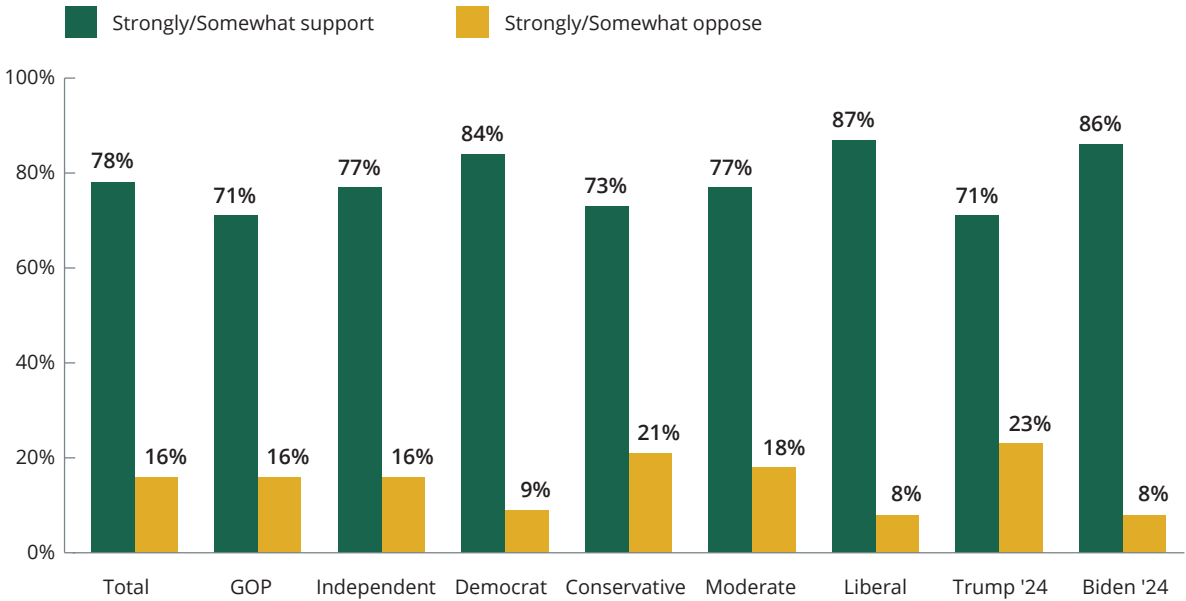
## **Despite stark division on other areas of immigration policy, there is broad agreement on high-skilled immigration.**

A rare supermajority of Democrats, Independents, and Republicans agree on the need to increase high-skilled immigration to the United States. Given the enormous economic benefits high-skilled immigration can yield, and the ways in which our existing system falls short, this widespread consensus should be no surprise.

An April 2024 poll found that 78 percent of registered voters nationwide believe the United States should welcome additional high-skilled immigration. Support is high across the entire political spectrum: 73 percent of conservatives, 77 percent of moderates, and 87 percent of liberals support more high-skilled immigration. Among Trump voters, support is 71 percent.

Reimagining our high-skilled immigration system is simply not a political risk for elected leaders. To the contrary, voters of all stripes are demanding it.

## Support for more high-skilled immigration is high across the political spectrum



Source: EIG analysis of Echelon Insights poll.



## We offer a new, ambitious vision for high-skilled immigration policy.

Our proposal offers a serious rethinking of high-skilled immigration policy. It illuminates the often misunderstood economic effects of high-skilled immigration. We discuss how high-skilled immigration boosts productivity growth and innovation — and the counterintuitive way it reduces income inequality.

We also offer a new perspective on the actual mechanics of immigration policy. We do not view filling purported labor market “shortages” as a primary justification or purpose of high-skilled immigration, for example. Efforts to isolate immigration’s economic impact through labor market tests and regulations on job switching are self-defeating. Skeptics of high-skilled immigration raise legitimate questions about tenuous, temporary work visas. But rather than double down on stifling regulation and bureaucracy, we believe the immigration system should embrace dynamism, job mobility, and entrepreneurship.

After tackling persistent myths about the economic impacts of high-skilled immigration and how policy works in practice, this report culminates in a series of specific policy recommendations that, taken together, would deliver a more rational, self-interested, high-wage, and pro-growth American immigration system.



## CHAPTER 2:

# The economics of high-skilled immigration

How many economic policies can boast *all three* of the following benefits at once?

1. The policy raises wages for workers throughout the economy, primarily by accelerating economic growth and dynamism — and by sparking the creation and development of entire new industries.
2. The policy costs the taxpayer nothing. In fact it actually *saves* the taxpayer money.
3. The policy reduces inequality. Although it raises wages for workers all across the socioeconomic spectrum, it raises them the most for low-wage workers.

In satisfying these three criteria simultaneously, high-skilled immigration is in a class of one.

The evidence for the **overall wage effect** — that high-skilled immigration raises wages and living standards for workers in practically every sector of the economy — is so compelling that it is hard to find another effect in the entire economics literature for which the evidence is more conclusive and overwhelming.

The average high-skilled immigrant pays much more in taxes than a typical American-born worker. The more such immigrants, the bigger the **fiscal effect**. This effect is also highly certain and, by our estimates, large enough to meaningfully affect the nation's fiscal trajectory.

The **wage inequality effect** of high-skilled immigration is perhaps the least understood of the three benefits, even though the mechanism by which high-skilled immigration reduces inequality is straightforward. By definition, high-skilled immigration makes highly skilled workers less scarce relative to low-wage workers. This effect does not mean that high-skilled immigration reduces the wages of the high-skilled workers already in the country. Quite the opposite — their wages climb, but low-wage workers' pay rises even faster.

These effects are all simple ideas. Yet they are frequently misunderstood, conflated, or ignored — even by economists and other scholars using sophisticated methods to study the economy. False or misleading claims in political speeches, in the media, and in academic papers frequently arise because of a failure to grasp their nuances and applications. (See [Appendix 2](#) for examples.)

A proper understanding of the ways that high-skilled immigration boosts overall wages and shrinks economic disparities is thus a powerful tool for cutting through the vast amount of nonsense that so often attends discussions of this topic. This chapter provides that tool.

## **The overall wage effect**

High-skilled immigration raises wages by accelerating economic growth through three main channels:

- Innovation
- Entrepreneurship and dynamism
- Industry growth

We look at each channel below.

### **Innovation**















Innovation is a fundamental ingredient for long-run progress and prosperity. It improves our lives as consumers (through new and better products to buy) and as workers (through clever and more-efficient ways to get our work done). The benefits of innovation also extend well beyond the strictly economic and into other domains like our health and national security.

The nature of innovation and the exact variables that reliably speed it up, however, remain mysterious. Governments have long struggled to generate more of it through deliberate policies. Some tools, like subsidies for research and development or university funding, may help — but only over longer time horizons and with uncertain overall impacts.

Just one option has consistently been shown to boost innovation, and quickly: high-skilled immigration.

## High-skilled immigration policy stands above other levers to boost innovation

From “A Toolkit of Policies to Promote Innovation” by Bloom, Van Reenen, and Williams (2018).

Policy	Quality of evidence	Conclusiveness of evidence	Net benefit	Time frame	Effect on inequality
Direct R&D grants	Medium	Medium		Medium-run	
R&D tax credits	High	High		Short-run	
Patent box	Medium	Medium	Negative	NA	
Skilled immigration	High	High		Short to medium-run	
Universities: incentives	Medium	Low		Medium-run	
Universities: STEM supply	Medium	Medium		Long-run	
Trade and competition	High	Medium		Medium-run	
Intellectual property reform	Medium	Low	Unknown	Medium-run	Unknown
Mission-oriented policies	Low	Low		Medium-run	Unknown

Source: Nicholas Bloom, John Van Reenen, and Heidi Williams (2018).

At the bleeding edge of science and technology, immigrants are consistently outsized contributors. Immigrants are only 14 percent of the total U.S. population, but they make up 19 percent of members of the National Academy of Engineers, 24 percent of the National Academy of Sciences, and 34 percent of U.S. Nobel Prize winners.<sup>5,6,7</sup>

Immigrants are also a disproportionate share of the most prestigious award winners not just in mathematics, but also in economics, literature, and even sports leagues like the NBA.<sup>8</sup>

And these innovation superstars are not the only high-skilled immigrants whose arrival has spurred a faster pace of innovation. More broadly, high-skilled immigrants tend to study and work in the parts of the economy most essential for innovation. Nearly one in five workers in the STEM fields (Science, Technology, Engineering, and Mathematics) is foreign-born. The share is even higher for advanced degree holders.<sup>9</sup> In some fields, more than half of PhDs are foreign born.

It should therefore be unsurprising that the propensity of high-skilled immigrants to innovate is so high. Immigrants are far more likely than native-born college graduates to patent an invention or publish a scientific paper.<sup>10</sup> Roughly 30 percent of U.S. inventors since 2000

have been immigrants.<sup>11</sup> And their contributions are not just about quantity but also quality: Immigrant patents have above-average citations and economic value.<sup>12</sup>

In addition to their own direct contributions, foreign-born scientists and inventors also bring with them knowledge and skills that they transmit to native-born American inventors — helping the U.S. gain and entrench footholds in new areas of technology.<sup>13</sup>

The arrival of high-skilled immigrants, in other words, does not displace American inventors. It complements and even enhances their work.

History provides clear examples. Jewish scientists expelled from Germany in the 1930s seeded eventual American dominance in their fields, growing the number of practicing American inventors within them.<sup>14</sup> Among these scientists was Carl Neuberg, the father of modern biochemistry. Winners of the Nobel Prize in chemistry included Otto Meyerhof, Otto Stern, and Otto Loewi. All immigrants.

Not to mention the astonishing *range* of innovations for which immigrants played indispensable roles. More than half the Nobelists who worked on the Manhattan Project<sup>15</sup> were immigrants — as was Ralph Baer, the inventor of video games.

Careful econometric studies provide further evidence for such spillovers. Within a given state, for every 1 percentage point increase in high-skilled immigrants' population share, the rate of patents per capita rises between 9 and 18 percent.<sup>16</sup> This result is far higher than would be expected just based on the higher patenting propensity of immigrants alone.

Altogether, taking into account their higher rate of patenting and the spillovers on their collaborators, credible estimates suggest that immigrants have accounted for 36 percent of the entire innovative output of the United States since 1990.<sup>17</sup> The inevitable impacts of this type of economic growth on native wages and broad prosperity are massive.

## **Entrepreneurship and dynamism**

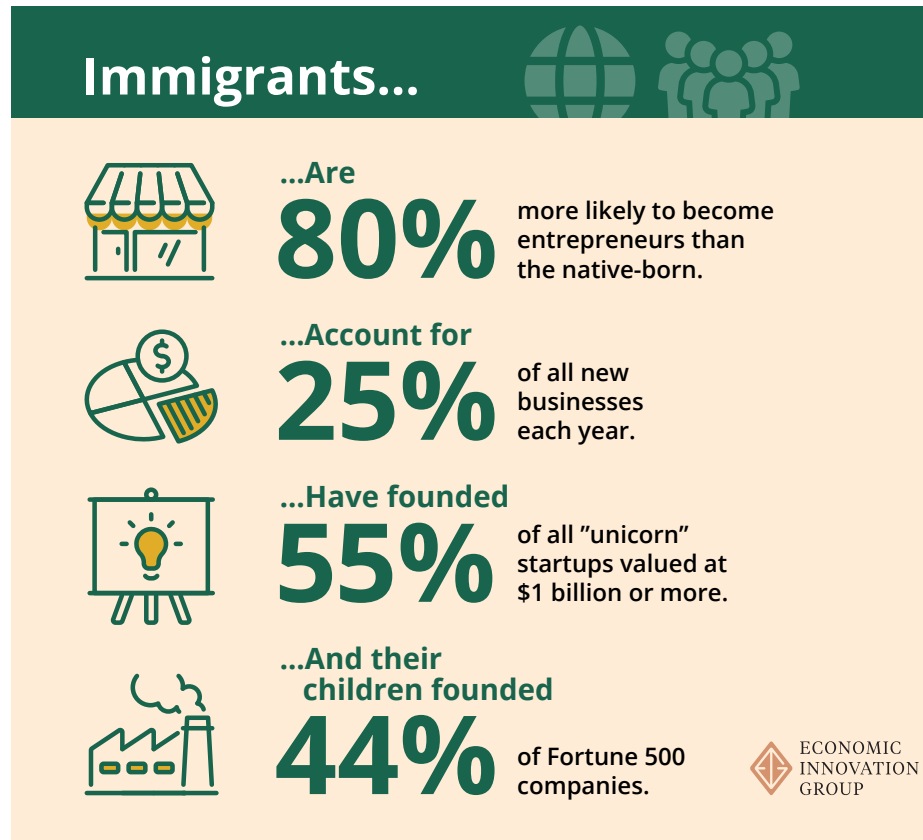
Entrepreneurship and dynamism are crucial determinants of the job prospects and wage growth of the American worker. Startups contribute 20 percent of new jobs created in a given year.<sup>18</sup> They also challenge the dominance of older firms, making markets more competitive.<sup>19</sup>

The startup rate has fallen in recent decades. Even after the post-pandemic surge in business formation, it remains well below historical levels<sup>20</sup> — and the shortfall is dragging down American living standards.<sup>21</sup> As with innovation, however, few obvious policy levers can increase the startup rate without significant tradeoffs. Tax cuts can play a role, for instance, but they have a fiscal cost and, depending on how a specific tax policy is designed, are uncertain to even have the desired effect.

Once again, high-skilled immigration offers a boost that is both more substantial and far more certain.

Immigrants are 80 percent more likely to be entrepreneurs than American-born adults.<sup>22</sup> And immigrants don't just start small businesses. They are also more likely than native-born Americans to start large firms, Fortune 500 companies, and high-tech companies.<sup>23</sup>

## Immigrants fuel U.S. innovation and economic growth



### Sources:

1. Pierre Azoulay, Benjamin F. Jones, J. Daniel Kim, and Javier Miranda, "Immigration and Entrepreneurship in the United States," *American Economic Review*, 2020.
2. "Immigrants Are Vital to the U.S. Economy," United States Congress Joint Economic Committee.
3. Stuart Anderson, "Immigrant Entrepreneurs and U.S. Billion-Dollar Companies," National Foundation for American Policy, 2022.
4. Alec Stapp and Jeremy Neufeld, "The case for high-skilled immigration reform (and how to make it happen)," Noahpinion, 2022.
5. "New American Fortune 500 Report Reveals Impact of Immigrant Entrepreneurship," American Immigration Council, 2022.

As one influential research paper concludes, "immigrants appear to 'create jobs' (expand labor demand) more than they 'take jobs' (expand labor supply) in the U.S. economy."<sup>24</sup>

Companies founded by immigrants with advanced degrees are especially likely to be innovative and invest in R&D — even when compared to founders of otherwise similar backgrounds.<sup>25</sup> The economist Jennifer Hunt has found that such highly educated immigrants "have a niche in start-ups based on technical knowledge from master's and doctoral degrees."<sup>26</sup>

American history is once again instructive. From Alexander Graham Bell and Andrew Carnegie to more recent examples like Sergey Brin and Elon Musk, immigrants have started companies that would go on to make enormous economic contributions, collectively employing millions of workers.

And high-skilled immigrants are a boon to the new firms that hire them. Their entry populates the workforce with the kinds of workers that innovative new startups look for and need. A recent study by researchers at Columbia Business School found that arrivals of high-skilled immigrants lead to substantial increases in local entrepreneurship.<sup>27</sup>

Startups that win H-1B lotteries, enabling them to hire high-skilled immigrants, are more likely to get venture capital funding, more likely to have a successful IPO or acquisition, and more likely to receive patents and patent citations than firms that apply for H-1Bs but lose the lottery.<sup>28</sup> These effects on entrepreneurship and patenting further strengthen the case that high-skilled immigrants accelerate the pace of innovation.

## Industry growth

Immigrants with rare, specialized skills and experience can catalyze the growth of entirely new industries. They have even been central to the creation of new General Purpose Technologies, which transform multiple industries all across the economy.

One such example is the birth of the semiconductor industry and the rise of Silicon Valley. Fairchild Semiconductor was one of the most important companies in the history of the American tech sector. It mattered not just because of its role in commercializing transistors and inventing the integrated circuit in the 1960s, but also because it was based in the part of California that would later become Silicon Valley — helping to lay the foundations of the most important tech cluster in the world.

Fairchild could never have existed without immigrants like Jean Hoerni, a Swiss-born engineer who invented the planar process that made integrated circuits possible. Half of the company's founders were immigrants or children of immigrants.

By 2014, seven out of every 10 publicly traded Bay Area tech companies could be traced back to Fairchild's employees and founders, including modern household names like Intel and Apple.

Immigrants were central not only to the founding of the semiconductor industry, but to the creation and growth of numerous other American industries at the cutting edge of innovation. The CEOs of innovative giants like Google, Microsoft, and NVIDIA are all immigrants. So are the leaders of newer upstarts like Instacart, Databricks, and SpaceX.

High-skilled immigrants promote greater export opportunities for U.S. companies because of their global ties. Their unique knowledge of the markets, laws, and customs of their home countries makes global trade easier by reducing the cost of gathering information. They can

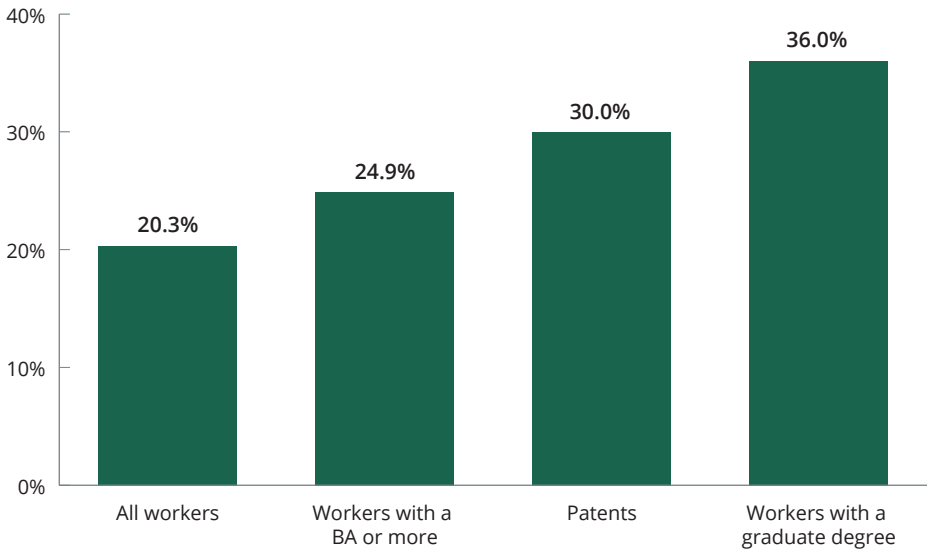
navigate the legal and bureaucratic hurdles that often get in the way of trade with developing countries in particular.<sup>29</sup> And with their newly acquired knowledge of American laws and customs, immigrants can also help attract investment into the U.S. from foreign countries.<sup>30</sup>

Finally, immigrants play a huge role in industries that are “strategically significant” — those industries vital for economic and national security.<sup>31</sup> Some of these industries produce goods like semiconductors, which are essential to the modern economy and national defense but which have highly concentrated supply chains. Others develop new technologies in which policymakers see an opportunity for the U.S. to become the global leader.

The evidence shows that high-skilled immigrants are a disproportionate share of the skilled labor force in these industries. Among those workers in strategic industries with a bachelor’s degree or higher, 25 percent are foreign born.<sup>32</sup> Their role in innovation is even greater, with 30 percent of patents in strategic industries authored or coauthored by foreign-born workers. In the semiconductor industry, this share rises to 34 percent.<sup>33</sup>

**Immigrants’ footprint in strategic industries**

Strategic industry immigrant employment (2018–2022) and patent (2000–2018) shares.



Source: EIG analysis of Integrated Public Use Microdata Series American Community Survey and Kerr data.



Whether the industry is important for national security reasons or is simply an emerging industry at the technological frontier, high-skilled immigration contributes not just to its development but to its capacity for innovation, its productivity, and the wages of all the workers it employs.

## Fiscal effects

A policy that increases innovation, entrepreneurship, and the growth of strategic industries would be a policy worth spending money on. Remarkably, the evidence is also clear that high-skilled immigration is a free lunch. It costs the government nothing.

Actually, less than nothing — high-skilled immigration *makes* money for U.S. taxpayers.

How much money? To start with a conservative estimate, we look at the near-term, direct fiscal impacts of H-1B workers. (H-1Bs are temporary work visas for skilled workers, assigned by lottery. Any well-targeted reform of high-skilled immigration, one that prioritizes higher earners and significantly expands available visas, will bring in new arrivals whose average pay is similar to that of H-1B participants, which is why this benchmark is useful.)

In 2023, the average H-1B holder earned \$130,000,<sup>34</sup> double the average personal income for all U.S. workers.<sup>35</sup> We estimate that each of these H-1B holders pays \$32,156 in taxes on average, with their employers paying \$10,785.<sup>36</sup>

Government spending on these immigrants — for transportation, healthcare, energy, and other such items — amounts to \$3,452 each.

The result: Each additional high-skilled immigrant added \$39,489 to the federal government's coffers in 2023 — and will contribute even more in subsequent years as their wages climb. (Nominal wages all throughout the economy tend to rise over time, and this trend certainly applies to high-skilled immigrants' wages as well.)

When we include the effects of their families, the gains are even bigger. Children are a net cost to the U.S. taxpayer because of education costs, but many foreign-born spouses of H-1B holders also work and pay taxes. Combining the effects of the H-1B holders, their spouses, and their children, we estimate that the average effect of H-1B holder households is a net increase of \$40,058 in federal government revenues per household. (The fiscal benefits would be even bigger if more spouses of H-1B holders were allowed to work. Many are not.)

This estimate implies that an extra 100,000 high-skilled immigrant visas per year, each held for 6 years on average, would generate a total of \$225 billion in net revenues over a 10-year budget window.<sup>37</sup>

Adding 500,000 high-skilled immigrant visas per year would yield a taxpayer benefit of roughly *\$1.1 trillion dollars*.

Consider another estimate, this one from The National Academy of Arts and Sciences, which projected the combined fiscal impact of high-skilled immigration across a much longer time horizon, 75 years — including the effects of immigrants' families. (Second generation immigrants go to college, find work, and pay taxes themselves.)



The Academy found that a typical new high-skilled immigrant with a bachelor's degree adds on net \$481,000 to local, state, and federal coffers. Immigrants with graduate degrees have an even larger impact, adding \$812,000 more in net revenue.<sup>38</sup>

These figures are impressive enough, but we believe they are nonetheless far too conservative. They measure only the direct effects of high-skilled immigrants via the taxes paid by them and their descendants.

The estimates entirely omit the fiscal effects of greater innovation, more entrepreneurship, more inventions, more startups, and more high-paying jobs created. The massive, enduring contributions of “outlier” immigrants are ignored. (How do you measure the fiscal impact of Russian immigrant Sergey Brin, the co-founder of Google, which has likely affected the productivity of practically every single U.S. worker and company?)

All of these benefits, by stimulating economic growth, raise the wages of non-immigrants as well and further increase the taxes collected on *those* wages.

There is no way to know the precise fiscal effect when accounting for all of these additional, *indirect* windfalls, which are hard to measure but nonetheless enormous.<sup>39</sup> Despite the methodological challenge, it is certain that the fiscal effect is much, much bigger even than the already impressive estimates that neglect so many of these benefits.

The fiscal boost from expanding high-skilled immigration could be used by Congress to fund other priorities — public spending, tax cuts, or simply reducing the deficit to reinforce the soundness of the U.S. Treasury market. Regardless of which political party holds sway in a given moment, the extraordinary fiscal effect of high-skilled immigration provides options. It expands the range of available possibilities for how the government can help American workers and families.

## The wage inequality effect

The most popular claim made by critics of immigration is that new arrivals of foreign workers reduce the wages for American workers.

The logic in support of this claim fails for the straightforward reason that immigration adds both more workers *and* more consumers. The claim is doubly wrong in the case of high-skilled immigration because of its clear effects on entrepreneurship, innovation, and the development of new industries.

But raising wages is the impact of high-skilled immigration throughout *the whole economy*. High-skilled immigration does have differing wage effects on different groups of workers *within the economy* — with wages for some groups climbing faster than for others.

## Supply and demand, properly understood

Immigration critics allege that by increasing the number of workers available to hire, immigration reduces the bargaining power and wages of native-born American workers. The supply of workers increases and therefore businesses need not pay them as much.

The problem with this view is that immigrants are not just workers competing for existing jobs (the supply side of the economy). They also represent consumers who buy things in the economy and thus contribute to the creation of new jobs (the demand side). Immigrants build houses, but they also buy houses. Immigrants are doctors, but they also pay doctors for their medical care.

The new competition for jobs and the new consumption of goods and services cancel each other out. Leaving aside temporary fluctuations, immigration's effect via this specific mechanism — the balance of supply and demand in the economy — should leave average wages unchanged and have no impact on the employment of native workers. Indeed, it merely represents a bigger labor force.<sup>40</sup>

But immigration *can* benefit some workers more than it benefits others. If it increases the supply of *certain kinds of workers* more than it increases the demand for the specific kind of work they do, then the power to bargain for higher wages will shift away from those workers — and towards other workers who have now become relatively more scarce.

To understand how immigration can affect wages for different parts of the workforce, consider a hypothetical new immigration policy in which every single immigrant is a doctor. Some of those doctors will themselves need to hire doctors on occasion — they catch colds and visit hospitals like anyone else. But it's clear that an immigration system consisting only of doctors will increase the total supply of doctors in the economy by much more than it will increase the demand for medical services.

Doctors as a group will therefore lose bargaining power with their employers, who can now hire from a larger pool of them. Wage growth for doctors will thus be restrained. But the story doesn't end there.

These immigrant doctors are spending money in other parts of the economy, buying cars and furniture and haircuts and restaurant meals and toys for their kids. The workers who make all these items now enjoy more demand for their products, and meanwhile they have no additional competition from other workers (remember, all the immigrants are doctors in this example). They are now in a stronger position to bargain for higher wages, which they'll get.

The doctor-only immigration policy has no influence on the balance of supply and demand in the economy, but the *balance of bargaining power* does shift — away from doctors and towards the workers in all other sectors of the economy. If we further assume that prior to the new immigration policy, the average doctor had much higher wages than the average worker in the rest of the economy, then it is logical that wage inequality will decline as a consequence of the policy.

The doctors-only hypothetical is merely an illustration of how the **wage inequality effect** of immigration operates. In reality, of course, immigrants will never be exclusively limited to a single occupation. But they certainly can be disproportionately concentrated in some parts of the economy.

Higher-skilled workers are paid much better than workers with less specialized skills, on average. An immigration policy that emphasizes high-skilled immigration will therefore, by design, concentrate immigrants in occupations that pay well. Relative to the demand for the products they make, the supply of high-skilled workers increases, restraining their wage growth. Low-wage workers meanwhile become more scarce, accelerating their wage growth.

The clear result is that wage inequality shrinks.

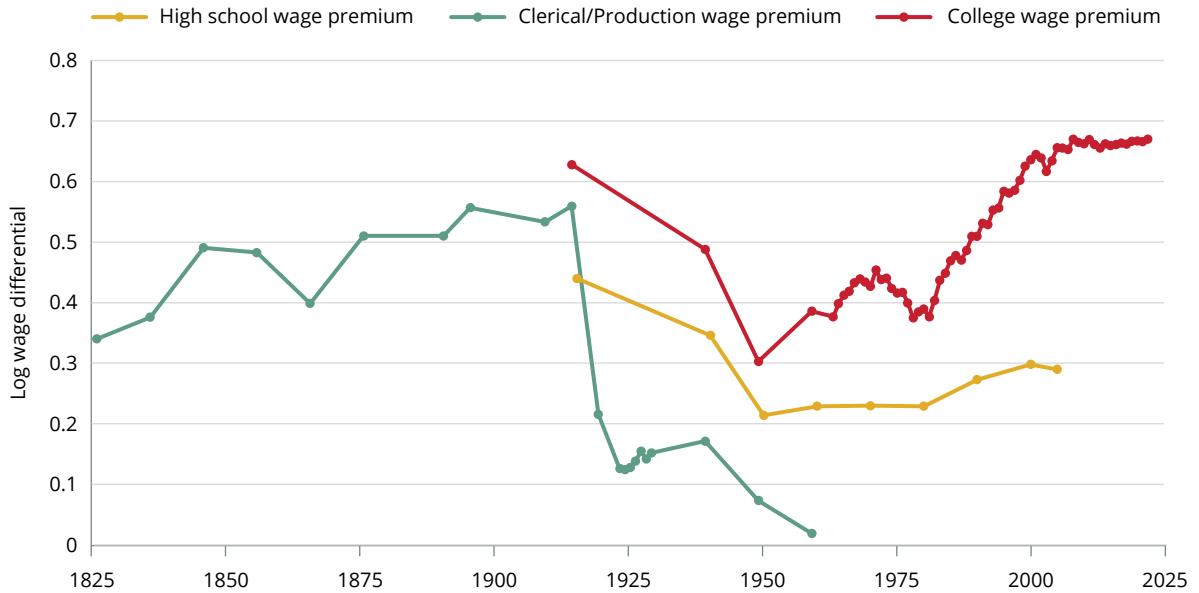
### **The importance of the wage inequality effect**

By any relevant measure, wage inequality between highly skilled workers and all other workers in the United States is now very high. The gap is perhaps most evident in the college wage premium, which compares the hourly pay of college graduates to the pay of workers with only a high school degree or less.

The college wage premium has been rising for decades and is close to its historical peak.<sup>41</sup> For roughly the past four decades, the dual pressures of technological change and globalization have benefited workers with more education. Throughout the same period, the college graduation rate plateaued, leading to a shortfall in the supply of skilled workers relative to the rising demand for them.

The post-pandemic economy, in which low-wage workers have enjoyed the fastest wage gains, has counteracted this long-term trend. But it has only reversed a third of the rise in wage inequality since 1980.<sup>42</sup>

## The college wage premium is near its historical peak



Source: David Autor, Claudia Goldin, and Lawrence F. Katz (2020); Corinne Stephenson (2024).



A policy with high-skilled immigration as the focus would help to shrink the college wage premium by granting more bargaining power to low-wage workers.

Why is this desirable? There is no exact, societally optimal level of the skilled wage premium. But a wide consensus does exist that it has climbed too high — to the point that bringing it back down is now a bipartisan priority — which can be seen in efforts to create more viable, better-paying career paths that don't require a college degree. Josh Shapiro, the Democratic governor of Pennsylvania, has reduced barriers to non-college workers in state government, for example. In 2020, President Donald Trump signed an executive order that did the same for the federal government.<sup>43</sup>

And among economists, 80 percent agree with this statement: "Rising inequality is straining the health of liberal democracy."<sup>44</sup>

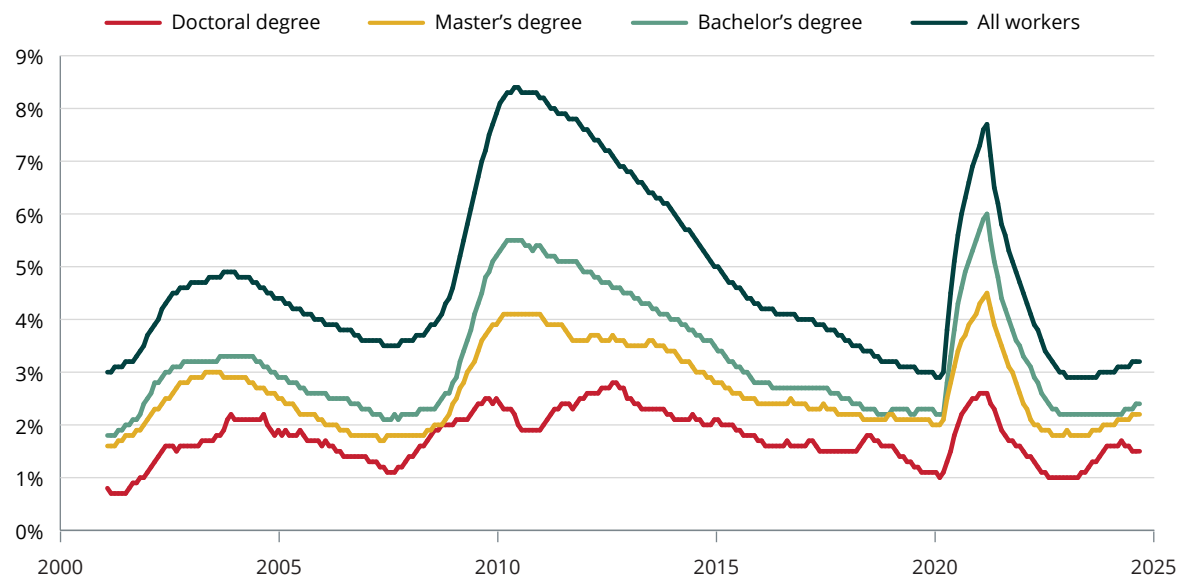
How will high-skilled native-born workers adjust to more high-skilled immigration? It is of course possible to find anecdotes of high-skilled workers that do experience economic shocks and adjustment costs because of high-skilled immigration. But such examples are always present in any large, vibrant economy — regardless of the source of the shock. The U.S. economy is constantly evolving. Its technology advances, its trade patterns with the rest of the world shift, and the makeup of its workforce changes with each new graduate or retiree. Even highly educated workers in well-paid occupations with consistently low unemployment are sometimes vulnerable to job churn.

The question is who can adjust to it best. Compared to the rest of the workforce, college educated workers in the U.S. are far better able to weather economic shocks and decreases in (again, *relative*) demand for their labor. Adapting to such shocks often involves workers having to change jobs or even industries. Skilled workers are especially adept at making these changes.<sup>45</sup>

Consider the unemployment rate for those with a bachelor's degree, which only rises above 5 percent in the worst economic crises. For those with doctorates, the unemployment rate has not exceeded even 3 percent in this century. Skilled workers' talents not only can be allocated to new and emerging sectors during periods of economic disruption, but their permanently-low rates of unemployment also mean they will serve as a consistent source of demand for the services of blue-collar workers.

## Unemployment rate for workers age 25 and older by advanced educational attainment

12-month moving average



Source: EIG analysis of Bureau of Labor Statistics data.



One prominent example: In response to the economic shock from Chinese manufacturing imports in recent decades, low-wage workers endured substantial losses in earnings. High-wage workers, by contrast, suffered “no adverse earnings effects, even as they move across firms and sectors,” according to economists David Autor, David Dorn, Gordon Hanson, and Jae Song.<sup>46</sup> This flexibility is one reason why the presence of skilled workers was a strong differentiator between those regions which have rebounded from deindustrialization from those that have not.

Finally, it's worth emphasizing that not only are highly skilled native-born workers well equipped to handle the immediate impact of high-skilled immigration, most of them also actively and quite massively gain from it. Even for those high-skilled natives who directly compete with new high-skilled immigrants — and thus might experience a momentary decline in the relative demand for their labor — the effects are easily swamped by the benefits that high-skilled immigration yields through economic growth, innovation, and entrepreneurship.

## CHAPTER 3:

# Economic myths and the policy mistakes they create

Chapter 2 offered a broad framework for understanding the many ways that the American economy benefits from high-skilled immigration. But the actual design and implementation of immigration policy requires understanding practical details — and having answers to practical questions that policymakers often ask.

How should the U.S. decide which high-skilled immigrants to let in? Where should they come from — and should that even matter? How many high-skilled immigrants should be allowed into the country each year? Should the U.S. try to attract only immigrants who do certain jobs?

Unfortunately, persistent myths about the nature of immigration have influenced the answers that pundits and policymakers commonly give to questions like these.

Some of these myths have contributed to the flawed policies that exist today. They are responsible for the baffling thicket of paperwork and bureaucracy that governs the current immigration system. One of the best examples of muddled thinking that has led to bad policy is the way employers are forced to offer “proof” that a high-skilled immigrant it wants to hire is not “taking a job” from a native-born worker.

Other myths have led to unsound proposals for future policies — and we should note that some *advocates* of high-skilled immigration are also vulnerable to flawed reasoning. Stapling a green card to every diploma of a foreign-born college graduate, for instance, sounds like a reasonable idea. It is surely well intentioned. But in practice this policy would prevent the United States from designing a system that brings in the very best candidates from around the world.

The idea that immigrants do jobs that “Americans can’t or won’t do” is as unsound as the myth that immigrants steal American jobs. Both myths are the result of narrow thinking, and both are wrong. The use of myths can be destructive even in pursuit of a worthy goal, giving ammunition to critics who can rightly point to the mistaken wisdom.

The way to avoid policy mistakes — and to design the optimal immigration policy for American workers — is by confronting these myths and replacing them with a more realistic understanding of how immigration works in the real world. This is precisely what we do in this chapter.

The nine myths we debunk are:

**Myth 1:** The U.S. cannot handle significantly higher annual rates of high-skilled immigration.

**Myth 2:** High-skilled immigrants take jobs that someone else would have taken.

**Myth 3:** The best way to maximize the benefits of high-skilled immigration for natives is to tightly regulate immigrants' pay, occupation, and job choice.

**Myth 4:** We can quickly identify labor market shortages and address them with tailored high-skilled immigration policy.

**Myth 5:** We should staple green cards to international students' college diplomas.

**Myth 6:** Merit-based immigration requires a points-based high-skilled immigration system.

**Myth 7:** High-skilled immigration policy should aim to admit skilled workers who are complements to the existing labor force.

**Myth 8:** Temporary work visas are unnecessary and exploitative. They should be replaced by green cards.

**Myth 9:** Expanding high-skilled immigration is politically risky.

### **Myth 1: The United States cannot handle significantly higher annual rates of high-skilled immigration.**

**Reality: Evidence from regional economies across the country suggests that the U.S. economy can handle substantially more immigration than it currently takes in — particularly more highly-skilled workers, researchers, and entrepreneurs.**

One simple reason to believe that the United States can absorb plenty more high-skilled immigrants: The parts of the country with the largest numbers of these immigrants as a share of their populations just happen to be the most economically successful parts of the country.

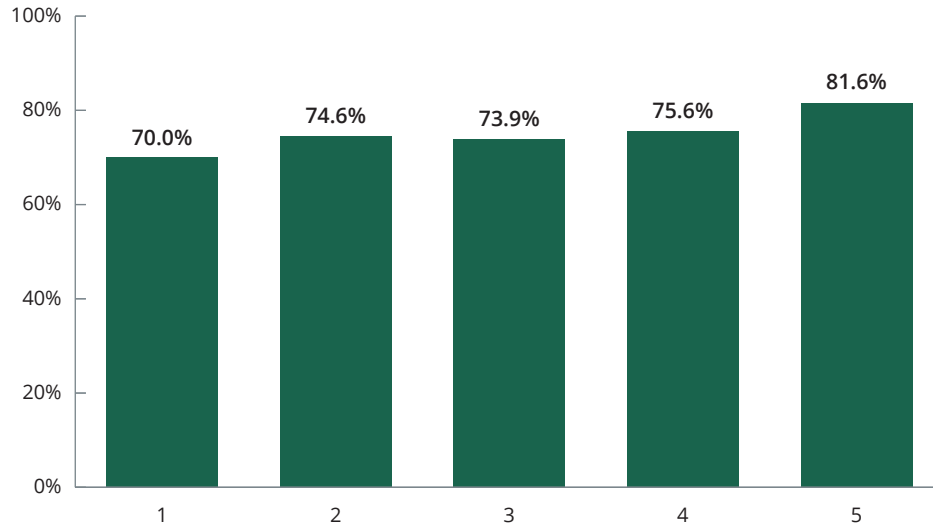
In the 25 counties with the highest shares of high-skilled immigrants (as a percentage of their total populations),<sup>47</sup> adults in their prime working years are 7.7 percentage points more likely to be employed than they would be in the average county across the whole United States. Median income in those top 25 counties is *88 percent higher* than in the average county.<sup>48</sup>

These counties not only have strong economies, but their residents also tend to be the most supportive of high-skilled immigration — suggesting that support for expanding high-skilled immigration increases with local exposure to it. In the top fifth of counties with the biggest shares of high-skilled immigrants, 82 percent of residents support increasing high-skilled immigration to the U.S. In places with the lowest level of high-skilled immigration, support is just 70 percent.



## Support for high-skilled immigration is higher in counties with more of it

Quintiles by high-skilled immigrant share (BA+) of the 25+ population.



Source: EIG analysis of Integrated Public Use Microdata Series American Community Survey and Kerr data.



If the country is nearing its limit for high-skilled immigration, the warning signs are not showing up as economic distress or as decreased support for it.

It is true that in some parts of the U.S. — especially the places that struggle to build new housing — there really are economic “speed limits” for absorbing and integrating newcomers. A number of cities, for example, have effectively banned infill housing construction (building on vacant or underused land). The arrival of new immigrants to these cities can drive up housing costs because the additional demand for places to live will not be met with additional supply. (While some share of less-skilled immigrants will contribute to additional housing production — if enough of them work in construction — the same is not true for high-skilled immigrants.)

The failure to build more housing in response to population growth, however, is a policy choice. It is not an immovable constraint. In many parts of the country, housing costs remain modest because local governments do allow more building.

Huntsville, Alabama, is one good example. From 2010 to 2023, its population climbed by 26 percent — more than three times as fast as overall U.S. population growth. Yet its housing costs are low, ranking in the top 20 percent of all metro areas by affordability (as measured by rent to income ratios). Even more impressive is Midland, Texas, where housing affordability remains in the top 5 percent despite a population that grew by fully a third during that same time period. Similar examples of metro areas with rapid population growth but

reasonably priced housing can be found all across the country, from Des Moines to Winston-Salem to Green Bay.<sup>49</sup>

Moreover, within the country there are some places with far more capacity for additional immigration than others. Aging, declining birth rates, and migration patterns have left big parts of the country with a falling population. In half of all counties, the population has fallen over the past decade, and nearly 60 percent of counties now have populations below their historical peaks.<sup>50</sup>

A falling population creates a variety of problems for an area — a smaller tax base, less dynamism, high vacancy rates, and blighted properties. Not only do such places have room to accommodate more high-skilled immigration, they would also benefit substantially from its positive economic effects. Their local tax bases in particular would receive the desperately needed boost they need to support basic public services and the pension costs of the native population.

## **Myth 2: High-skilled immigrants take jobs that someone else would have taken.**

**Reality: There is no fixed number of jobs in the economy. Instead, demand for more workers grows with population, new business formation, and capital investment — all of which are boosted by high-skilled immigration.**

The economy does not have a fixed number of jobs to be done. In a normal year, there are roughly 31 million new jobs created by growing and expanding businesses, and 30 million old jobs destroyed at shrinking or closing businesses.<sup>51</sup> Over longer periods of time, the argument that the economy has a fixed number of jobs becomes even more untenable, as entire new occupations, firms, and industries emerge and expand while others fade.

But when it comes to immigration, too many policymakers and political commentators persist in their belief that there is a static list of jobs, and that the way to maximize the benefits of immigration is to guarantee that natives get first dibs on these jobs. Without such assurances embedded in policy, the argument goes, immigrants would take jobs that would otherwise have gone to native-born Americans.

Recall from Chapter 2 that high-skilled immigration leaves the economy with more businesses, more innovation, and a stronger tax base. All of these effects expand the economy and bring new job opportunities for immigrants and native-born workers alike. A simple way to understand this point is to recognize that many of today's jobs would not have existed in the first place without the high-skilled immigrants of the past, whose arrival was vital for developing new industries and founding new companies.

Yet the blinkered view that immigrants “steal” jobs not only remains popular but is also responsible for some of the worst features of the modern immigration system. When an immigrant is applying for an employment-based green card, the employer must take a

number of steps to demonstrate that it “tested the labor market in the geographic area where the permanent job offer is located to establish that there are no able, qualified, and available U.S. workers who are willing to accept the permanent job offer.”<sup>52</sup>

Because this requirement is based on the myth that immigrants take native jobs, it tries to prevent this outcome by adding layers of bureaucracy and paperwork to the immigration system.<sup>53</sup>

And even if the preservation of today’s exact number and type of jobs in the U.S. economy were a valid goal, it is impossible to prove that a specific job opening would not have been filled by an American at some wage in the absence of immigration. Elaborate paperwork cannot prove what would happen in a hypothetical scenario. Critics of immigration are thus emboldened because they can argue (correctly!) that employers can’t *credibly* demonstrate that no American-born worker would lose a job to a high-skilled immigrant.

In other words, the practical consequence of this myth is to burden American businesses with steep economic costs in the pursuit of an unattainable and economically unjustified objective, one that furthermore empowers critics of high-skilled immigration.

Finally, this myth overlooks a key, enduring source of American economic strength: dynamism. The kinds of jobs Americans do — and the kinds of skills that are either scarce or abundant — have changed radically over time. In the 19th century, the American economy began a dramatic shift away from an overwhelmingly agricultural economy to one based on the mass production of physical goods. In the aftermath of World War II, it began another transition to a services and knowledge-based economy. American workers are far richer because of these transitions, as messy as they may have been.

Today’s high-skilled immigration system effectively tries to preserve the current labor market in amber. Prevailing wage rules, with the well-intentioned aim of protecting Americans’ pay, in reality serve to entrench the pay gap between, for instance, blue collar workers and software engineers. That is not a legitimate goal of immigration policy. But more importantly, it cuts directly against the very adaptability that makes the United States such an economic powerhouse in the first place.

### **Myth 3: The best way to maximize the benefits of high-skilled immigration for natives is to tightly regulate immigrants’ pay, occupation, and job choice.**

**Reality: Admitting the highest-skilled immigrants and forcing employers to compete for them maximizes benefits for the native-born and protects immigrants better than micro-regulation and bureaucracy.**

Immigration policy is filled with attempts to protect native-born workers from “unfair competition.” Unfairness in this case is defined as paying an immigrant less than what a native-born worker would earn for the same job. From this myth has sprung a giant bureaucratic apparatus that micromanages exactly what immigrants do and what they can be paid.

The myth begins with a true observation: Temporary visa holders are inherently not full and equal participants in the labor market due to their tenuous legal status and the restrictions on their ability to switch jobs. Because the possibility of quitting a job to find a better one is a fundamental source of leverage against employers, regulatory obstacles to temporary visa holders seamlessly switching jobs cause them to be paid less than they would be in a truly competitive labor market.

Where the myth begins to depart from reality is the idea that unfair pay can be prevented by the government carefully regulating immigrants' jobs and pay.

The absurdity of this approach can best be seen in the complicated wage rules embedded throughout the immigration system. Certain work visas require "Prevailing Wage Determinations" before an immigrant can be hired. Employers must first submit a detailed job description to the government. The Department of Labor then assigns that job one of four levels ranging from "entry-level" to "fully competent." The level is meant to capture the experience, education, and skill requirements matching the job description.

Pay for each level is set to a percentile of local wages for that occupation. For entry-level jobs, workers must be paid at least the 17th percentile of pay (meaning paid more than the lowest-earning 17 percent of workers) for that specific occupation. For "fully competent," the wages are set at the 67th percentile. This process takes many months and can cost employers thousands of dollars in administrative and legal work.

And it doesn't work. These benchmarks are supposed to protect both native and immigrant workers, but they accomplish neither.

The failure is partly a knowledge problem. Officials in the Department of Labor have no expertise in the industries whose wage rules they are writing. They cannot be expected to accurately categorize thousands of jobs, across hundreds of industries, into their correct level. And even if they could, many immigrants could still be underpaid. An immigrant in the "fully competent" level who should earn at the 99th percentile of wages would still be underpaid at the 67th, for example. Below is a brief description of the various wage levels. Full descriptions can be found in [Appendix 3](#).

## Prevailing wage levels in employment-based green cards and H-1B programs

Experience Level (Minimum wage)	Description
Entry-level (17th percentile)	Early-career employees performing basic tasks.
Qualified (34th percentile)	Workers with some experience or additional education who are performing moderately complex tasks.
Experienced (50th percentile)	Experienced workers with autonomy. Sometimes manage other staff.
Fully competent (67th percentile)	Experienced workers using "advanced skills and diversified knowledge" to "solve unusual and complex problems."

Source: [Prevailing Wage Determination Policy Guidance Nonagricultural Immigration Programs, Revised November 2009.](#)

More broadly, there is simply no way for the government to determine fair wages, one by one, for millions of immigrants. That it would be folly for the government to set wages across a vast swath of the labor force is already accepted outside the context of immigration. If it were really feasible, why not extend the benefit to all workers and simply have the government set everyone's pay?

A far better and more achievable way to maximize the odds that immigrants are paid fairly is simply to allow them to switch jobs more easily. A lack of job mobility was the main reason to worry that immigrants might be underpaid in the first place. The ability to leave an under-paying job — or even to credibly *threaten* to leave — would solve the problem directly.

Yet the existing immigration system often does exactly the opposite. Rather than breaking down barriers to job mobility, existing rules tightly restrict the occupations that workers on temporary H-1B visas can hold. These occupational limits combine with the rigid and complicated wage rules to make switching into a new job even harder.

If immigrants could switch jobs more easily, employers would be incentivized to pay them fairly according to wages set by the market — and thus would be less able to undercut wages for native-born workers as well. The immigrants would also be closer to equal and full participants in the labor market, less afraid that they will be thrown out of the country if they leave their current jobs. The reduction of that fear alone would make the labor market more dynamic.

To best capture the extraordinary benefits of high-skilled immigration, policy should aim not only to select those immigrants who will make the biggest economic contributions to the United States, but to allow a competitive labor market to determine their wages.

#### **Myth 4: We can quickly identify labor market shortages and address them with tailored high-skilled immigration policy.**

**Reality: With rare exceptions, labor market shortages are ill-defined, impossible to measure, and a poor proxy for which types of immigration would be most beneficial to American workers and the economy.**

Another common view about immigration, often held by many *proponents* of more immigration, is that the benefits for native workers are maximized when immigrants do jobs that Americans cannot do or, for whatever reason, will not do. This assumption is the starting point for the myth that policy should seek to admit immigrants into specific occupations where the country has a “shortage” of workers.

The myth is problematic. So are the policies it leads to.

The most immediate problem is that no formal, widely agreed definition of a shortage exists. The process of identifying a labor shortage — one that might require immigration or another policy measure to offset — thus becomes either subjective or methodologically arbitrary.

To use just one example, a comprehensive immigration plan from the Economic Policy Institute (EPI) argues that if foreign workers are admitted “where there are certified shortages of domestic workers and they do not compete with or displace domestic workers, they will have positive effects.”<sup>54</sup> Yet the report itself acknowledges that there is no accepted methodology for identifying shortages. It simply suggests the creation of a commission to solve the problem.

Any commission, however, would fail to adequately resolve this uncertainty. To understand why, consider one method used by the EPI report as an example of how to try to define a labor shortage. The report suggests using five criteria: average unemployment, employment growth, wage growth, projected employment growth, and projections of workers “needed to replace those who are leaving an occupation for various reasons.”

The clear inability of policymakers to engage in such fine-grained occupational micromanagement is well understood in any other context. Imagine, for example, if we asked a board of experts to determine how many degrees American universities should grant in each field using the above five criteria. But once again the obvious folly goes unnoticed when crafting immigration policy.

Even without a useful definition of shortages, there are some occasions when economists and policymakers and businesspeople will be in agreement that the economy does face a shortage of specific types of workers. But a proven mechanism already exists for addressing potential shortages of labor, commodities, iPhones, beach towels, and most other types of goods and services: markets.

If the national economy is in need of more construction workers, the wages of these workers will rise as demand outpaces supply. And if the barriers to becoming a construction worker

are sufficiently low, then workers from other professions will shift into construction without any policy intervention.

The real wages of construction workers may or may not climb in the long run. Whether they do depends on largely unpredictable trends — technological improvements, legislative changes that affect the building industry, and the evolution of the economy more generally.

But should preventing the wages of construction workers from climbing too high be a priority for policymakers? No. Just as the government cannot possibly set the wages for jobs all across the economy, it lacks the capacity to set the wage *growth* of every job. And yet, occupational wage growth is one of the five criteria used to define a shortage in the Economic Policy Institute's proposal. The implication is that actively stopping construction workers' wages from rising — by pursuing the immigration of more construction workers and thus increasing the total supply of such workers in the country, ending the alleged "shortage" — should be an explicit goal of immigration policy.

This example is not, by the way, purely hypothetical. In 2015, homebuilding companies were complaining of widespread labor shortages.<sup>55</sup> But over the next four years, the construction industry managed to add a million more workers. The process required time and higher pay — perhaps not the preferred solution of the homebuilders — but the idea that there simply did not exist people willing to do construction work proved false.

It is also important to remember that not every job opening is a policy failure. A normal labor market will have millions of job openings at any given time, and no policy could or should fill every one of them — even if employers are labeling them shortages. In a dynamic economy, opportunities are constantly arising in new or growing sectors that will prove attractive to workers, leaving some industries wishing they had more job applicants. The solution to labor shortage complaints is not to stop that process, but for firms to compete for workers by offering higher pay or by using other strategies — investing in better equipment and tools, automating certain tasks, improving management — to make their existing workers more productive.

Zooming out beyond construction workers, an approach that tethers immigration policy to alleged labor shortages is yet another way to compel the government to freeze the current distribution of wages across occupations — freezing, in other words, the current levels of wage inequality between occupations. This cannot be a legitimate priority of immigration policy, and it certainly fails to maximize the economic benefits of high-skilled immigration.

Despite the lack of any consensus method to identify a shortage, there are exceptions — rare cases for which the empirical evidence to justify the label is overwhelming.

One example is medical doctors, whose supply in the economy is tightly regulated, in practice a legally enforced shortage. And in agriculture, a large body of evidence shows that the native-born supply of workers can effectively be *zero*.<sup>56</sup>

And in industries that have strategic importance to the U.S. for national security or other reasons, a public policy rationale can exist for increasing the supply of specific kinds of workers critical to their growth. The CHIPS and Science Act, for example, codifies the U.S. interest in developing a growing share of the global semiconductor industry. It is reasonable in this case to refer to a shortage of workers (in specific occupations) relative to the levels that would be needed to grow the industry.

But these few cases are not representative of the overall labor market. There remains no valid, empirical test to determine whether one occupation is seeing a more acute shortage than another. Finally, an emphasis on filling shortages furthermore distracts from the astounding economic spillovers that high-skilled immigration can yield, and has yielded, for the American economy — innovation, entrepreneurship, a huge fiscal boost, the expansion of the economy's frontiers. The logic and mechanisms of the immigration system should be designed to maximize these benefits, in alignment with American economic interests.

### **Myth 5: We should staple green cards to international students' college diplomas.**

**Reality: Experience suggests linking degrees with long-term visas will incentivize the growth of “degree mills.”**

Leaders on both sides of the aisle have long suggested issuing green cards to international students graduating from an American university. Such proposals are well-intentioned; the U.S. retains only a fraction of the international students we train, mostly due to insufficient visas or green cards. This “brain drain” hurts the U.S. economy and American businesses.

But stapling green cards to diplomas will incentivize the creation or expansion of so-called “degree mills.” When the U.K. began allowing graduates to remain in the country for two years after finishing their degrees, international student enrollment jumped. These increases were concentrated in lower-ranked schools, rather than premier research universities.<sup>57</sup> In Australia, a review found that “recent growth in international education has been partly driven by nongenuine students and unscrupulous education providers” — including “so-called ‘ghost schools,’ where nongenuine students allegedly maintain enrollment without attending classes.” As a result, the review found that over half of graduate visa holders “are working significantly below their skill level.”<sup>58</sup>

Given both the prospect of permanent residency (as opposed to a mere two-year guarantee) and significantly higher wages in the U.S., it is likely that stapling green cards to diplomas would create an even stronger “degree mill” incentive.

Setting aside the incentive problem, the prospect of linking graduation with permanent residency raises a deeper, philosophical question: Who should be the ultimate arbiter of immigration decisions? “Stapling green cards to diplomas” would effectively outsource a key pillar of our immigration system to university admissions offices. Given the fierce political fights on college campuses, many of them over deeply polarizing issues, this is not likely to sit well with American voters.



## **Myth 6: Merit-based immigration requires a points-based high-skilled immigration system.**

**Reality: The best proxy for a visa applicant’s expected long-run economic contributions is pay, with only modest adjustments for other factors.**

Some advocates of high-skilled immigration reform propose that the U.S. shift to a points-based immigration system, which would consider applicants’ age, educational credentials, language proficiency, job offers, and other related factors. Such proposals are, again, well-intentioned. But they miss the mark in two ways.

First, points-based reform proposals tend to rely heavily on educational credentials, creating some of the same incentives that a policy of “stapling green cards to diplomas” would yield.

Second, points-based systems do a poor job of predicting applicants’ long-term economic contributions compared with alternative mechanisms. The RAISE Act, an immigration reform package introduced in 2017, grants applicants up to 12 points for English language ability and 13 for earning a U.S. STEM PhD. Such weights are completely arbitrary. It should also be a safe assumption that someone earning a doctorate in chemistry at an American university has a sufficient grasp of English to succeed in the U.S. labor market.

Labor market outcomes already give us strong indicators — wages, consistently earned over time — of which applicants are most likely to excel. And most immigrants applying for employment-based green cards are seeking to adjust their status from a temporary visa, meaning we already have information on how their skills would be applied within the U.S. labor market. Rather than use proxies for future success like educational credentials, we should directly use earnings histories and salary offers to prioritize applicants for visas and green cards.

Other economic measures may be worth including in a ranking system, but the bar should be set very high for their inclusion. For instance, some adjustments should be made to reward younger applicants over older ones. A 25 year-old applicant with a similar salary to a 40 year-old applicant has many more working years left and will almost certainly be a greater net fiscal contributor over the long run. Age weights should be calculated to maximize the collective lifetime earnings of each cohort admitted through high-skilled immigration pathways.

Using wage data rather than complicated points schemes therefore does exactly what we hope a points-based system would do: admit high-skilled immigrants best equipped to meet the needs of American firms and the economy more broadly. Rather than doing this with clunky algorithms designed by bureaucrats in Washington, relying on wage data takes advantage of the widely distributed and well-incentivized expert judgment of firms.<sup>59</sup>

Using salary offers rather than points schemes has an additional advantage: It leads to better employment outcomes. Evidence from Canada finds that those who arrived through the country’s points system are more likely to work in a job not requiring a college degree than those who arrived on employment-based pathways. They are more likely to be

overqualified for their jobs than similar U.S. immigrants, suggesting their credentials were overvalued by the point system.<sup>60</sup> Perhaps recognizing this downside of points-based visa pathways, Canada, New Zealand, and Australia have subsequently shifted towards employment-based programs.<sup>61</sup>

### **Myth 7: High-skilled immigration policy should aim to admit skilled workers who are complements to the existing labor force.**

**Reality: Identifying workers who are pure complements is impossible.**

Some economists argue explicitly against prioritizing skilled visa applicants based on pay. Economist Jennifer Hunt argues, for example, “It is not self-evident that an immigrant’s contribution to the economy rises in proportion to his or her skill and earning power. It is when the skills of immigrants and natives differ that natives in the economy benefit from workers’ increased specialization in tasks they are best at.”<sup>62</sup> In other words, she argues, our high-skilled immigration system should be primarily focused on admitting workers whose skills complement those of the existing labor force.

While this strategy may prove optimal in a theoretical model, it has proven impossible in practice. There remains little consensus on how to identify complementary workers.<sup>63</sup>

Furthermore, given the large first-order effects of high-skilled immigration on innovation and entrepreneurship, it is likely that other factors swamp any potential gains from the increased specialization spurred by admitting complementary workers rather than the highest-paid and highest-skilled.

In fact, the immigration system’s search for complements is a major reason why our skilled visa pathways have become so clunky and burdensome. Labor market tests — which have expanded in length over the last few years — exist primarily to ensure that employers are hiring complementary workers rather than someone who might theoretically be a “substitute” for a native worker. But advocates of this strategy, like those who see immigration as a tool for filling purported “labor shortages,” will likely never be satisfied, because identifying true complements is not actually possible.

Rather than continue struggling to identify complements in vain, we ought to instead prioritize those applicants with the most coveted skills and the highest salaries.

### **Myth 8: Temporary work visas are unnecessary and exploitative. They should be replaced by green cards.**

**Reality: Temporary work visas can play an important role in the high-skilled immigration system.**

*As currently implemented,* temporary visas for skilled work do have flaws. Workers who receive them have too little freedom to move between jobs and start companies. When

H-1B holders change employers, for example, the new employer must pay thousands of dollars in fees, submit paperwork outlining the job role, and receive government approval for the salary level. And the precarity of H-1B holders' legal status limits their full participation in the economy.

But these flaws are fixable. With properly designed visas, temporary foreign workers will have the opportunity to make valuable economic and fiscal contributions. Those who prove themselves over time — getting promoted, founding companies, earning higher and higher salaries and thus paying more in taxes year after year — will be confirming their lasting economic value to the country. They will have earned the right to a green card, granting them permanent legal residence.

So why not just replace temporary visas with green cards altogether? Why not offer permanent residence to high-skilled immigrants immediately after they get a job offer with a high salary to work in the United States?

First, years of earnings are a better signal of high skill than a single job offer, even an attractive one. They represent an actual track record. They are therefore likely to predict a worker's economic contributions better than other criteria that amount to guesses — like job offers or the complex points systems that some countries use.

Second, job offers are far easier to fake than years of actual earnings, resulting in a high-skilled visa used for a lower-skilled job. Companies that need lower-paying workers can simply post job offers at a high salary and then, having secured the worker, lower the salary once the visa has been granted.

Other countries have already encountered this problem. In the United Kingdom, for example, thousands of immigrants were found to have received fake offers for skilled jobs — only to work instead in sandwich shops, gas stations, and other places in roles that were not high-skilled.<sup>64</sup>

The selling of fake job offers is an issue in the Canadian immigration system as well.<sup>65</sup> According to a Canadian government officer, it is difficult to stay ahead of the fraudulent businesses because they “are making new businesses that don't even make sense, but they have documents supporting it from lawyers and chartered professional accountants.”<sup>66</sup>

These problems would be made worse by proposals to replace most temporary visa programs with permanent residency pathways. The incentives to commit fraud would be stronger, and immigration authorities would need to spend time and money to fight it.

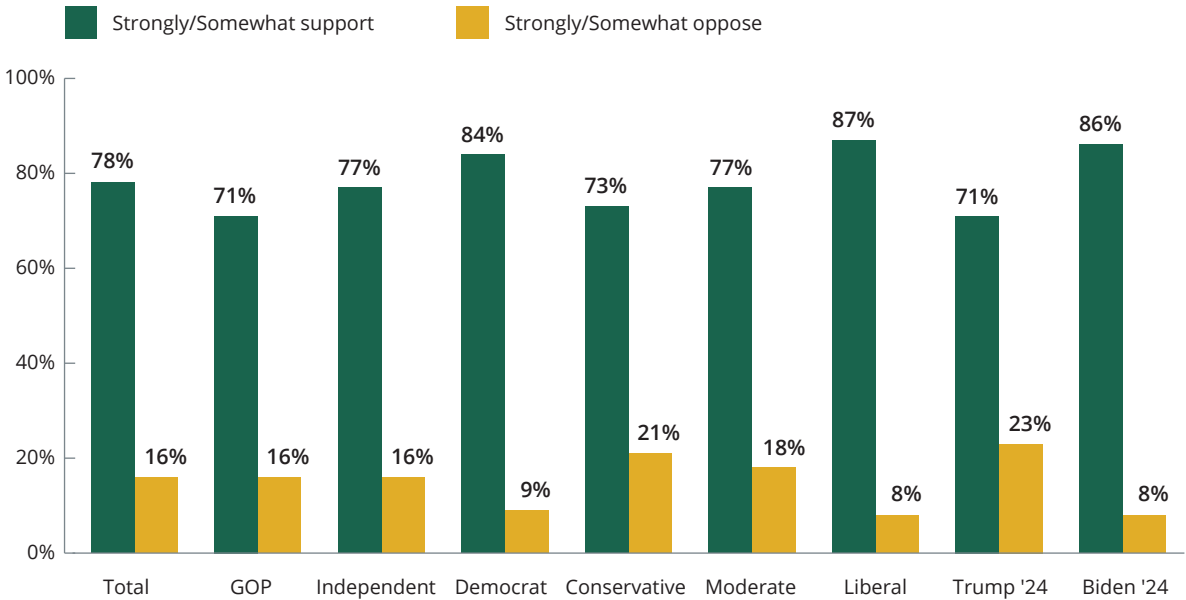
A high-skilled immigration system that prioritizes workers with proven records of high earnings in U.S. labor markets, conversely, would eliminate or sharply reduce such problems.

### Myth 9: Expanding high-skilled immigration is politically risky.

**Reality: There is strong bipartisan consensus for increasing high-skilled immigration.**

A recent survey of likely voters from the Economic Innovation Group and Echelon Insights found overwhelming support for expanding high-skilled immigration — not only from the median voter, but from large majorities in both parties.

### Support for more high-skilled immigration is high across the political spectrum



Source: EIG analysis of Echelon Insights poll.



According to the survey, voters support high-skilled immigration in such overwhelming numbers because they recognize its positive effects on entrepreneurship, innovation, reinvigorating struggling areas, and other economic trends.

In the same survey, Americans expressed deeply negative sentiments about the American economy, concerns about the border crisis, and the perception that the overall immigration system isn't working. But rather than causing Americans to turn inwards and reject foreign-born talent, none of these worries dented their support for increasing high-skilled immigration. These findings have been reinforced by another, separate survey from Pew.<sup>67</sup>

Issues like the border crisis and illegal immigration clearly matter to voters — but policy reform that expands high-skilled immigration need not be delayed until after they are resolved. There is sweeping bipartisan support for it *right now*.

**Voters see both national and local benefits of high-skilled immigration**

**Q:** “Now that you’ve read the definition of high-skilled immigration, in which ways, if any, do you believe high-skilled immigrants could have an impact on the communities around them?”

Contribution	Very/Somewhat positive	Very/Somewhat negative
Helping the U.S. stay ahead in scientific and technological innovation	74%	6%
Increasing the number of doctors and nurses in my community	74%	6%
Starting local businesses that will boost economic growth and create new jobs for American workers	72%	7%
Increasing productivity and wages at local companies by contributing specialized skills	70%	8%
Reinvigotating areas that are dealing with population loss and economic decline	66%	9%

Source: EIG analysis of Echelon Insights poll.

## CHAPTER 4:

# A plan to overhaul America's high-skilled immigration system

Armed with a more accurate understanding of how immigration affects the broader economy and how immigration policy actually works in practice, we now turn to our vision for reimagining America's high-skilled immigration system.

High-skilled immigration policy must be grounded in America's self-interest. The purpose of high-skilled immigration reform should therefore be to maximize national prosperity, make strategically significant industries more competitive, advance U.S. global leadership in science and technology, and contribute to regional revitalization.

The status quo falls short along each of these dimensions, with flaws so deep and obvious that parts of the system appear designed to restrain, rather than maximize, benefits to the United States.

Today's high-skilled immigration system is far too small. It fails to prioritize the highest-paid or most-skilled applicants. It makes entrepreneurship prohibitive. At the same time, the existing system has no dedicated pathways for strategic industries like semiconductors or help for lagging regions of the country. Finally, decades without reform have left us with a largely incoherent immigration system; while temporary work visa programs have dramatically expanded, green card pathways to help skilled workers stay permanently have not.

Many of these flaws are based on fundamental misunderstandings about the economics and policy realities of high-skilled immigration. Much of the bureaucratic red tape in the current system, for example, comes from a desire to effectively preserve today's labor market in amber, freezing the distribution of wages between and within occupations. Burdensome labor market tests and regulations have taken precedence over attracting the most talented workers and entrepreneurs. These design failures ultimately harm the U.S. economy and American workers. They must be fixed.

We propose a set of reforms that play to America's economic strengths: dynamism and entrepreneurship. For the most talented graduates whose skills prove useful to American employers, there should be a clear and certain pathway to stay in the United States. For mid-career scientists or technical talent recruited from abroad to fill key roles in American industry, the immigration process should be quick and seamless. And for founders who want to build the next great American startup, the system should be a springboard, not a daunting obstacle.

Specifically, we propose the following major reforms to the high-skilled immigration system:

1. Eliminate the H-1B program and replace it with a new Skilled Worker Visa program prioritizing higher-earning and younger applicants.
2. Enact a Heartland Visa to spread the benefits of high-skilled immigration across a wider array of willing communities and spark growth in left-behind local economies.
3. Enact a Chipmaker's Visa to ensure the U.S. succeeds in modernizing its most important strategic industry: semiconductor manufacturing.
4. Make the high-skilled immigration system friendlier to families by guaranteeing spouses of temporary visa holders can work and dependents will not age out of legal status.
5. Convert the restrictive post-graduate OPT program into a flexible, one-year Recent Graduate Visa.
6. Retain the most successful, high-earning workers by allowing them to sponsor themselves for permanent residency through a new "EB-X" green card while eliminating per-country visa caps.

Together, these reforms would transform America's high-skilled immigration system into something befitting the world's most advanced economy.

The vision we outline below is a rejection both of the failed status quo and of an approach to reform that settles for modest, incremental improvements. Instead, lawmakers should go big by significantly expanding inflows of top talent, aggressively focusing more on attracting and retaining the highest achievers, and making the immigration system less burdensome for American businesses and entrepreneurs to navigate. Such a system would finally be designed to deliver the strongest possible benefits — higher wages, faster productivity growth, rising living standards, more economic opportunities generally — for American workers and communities.

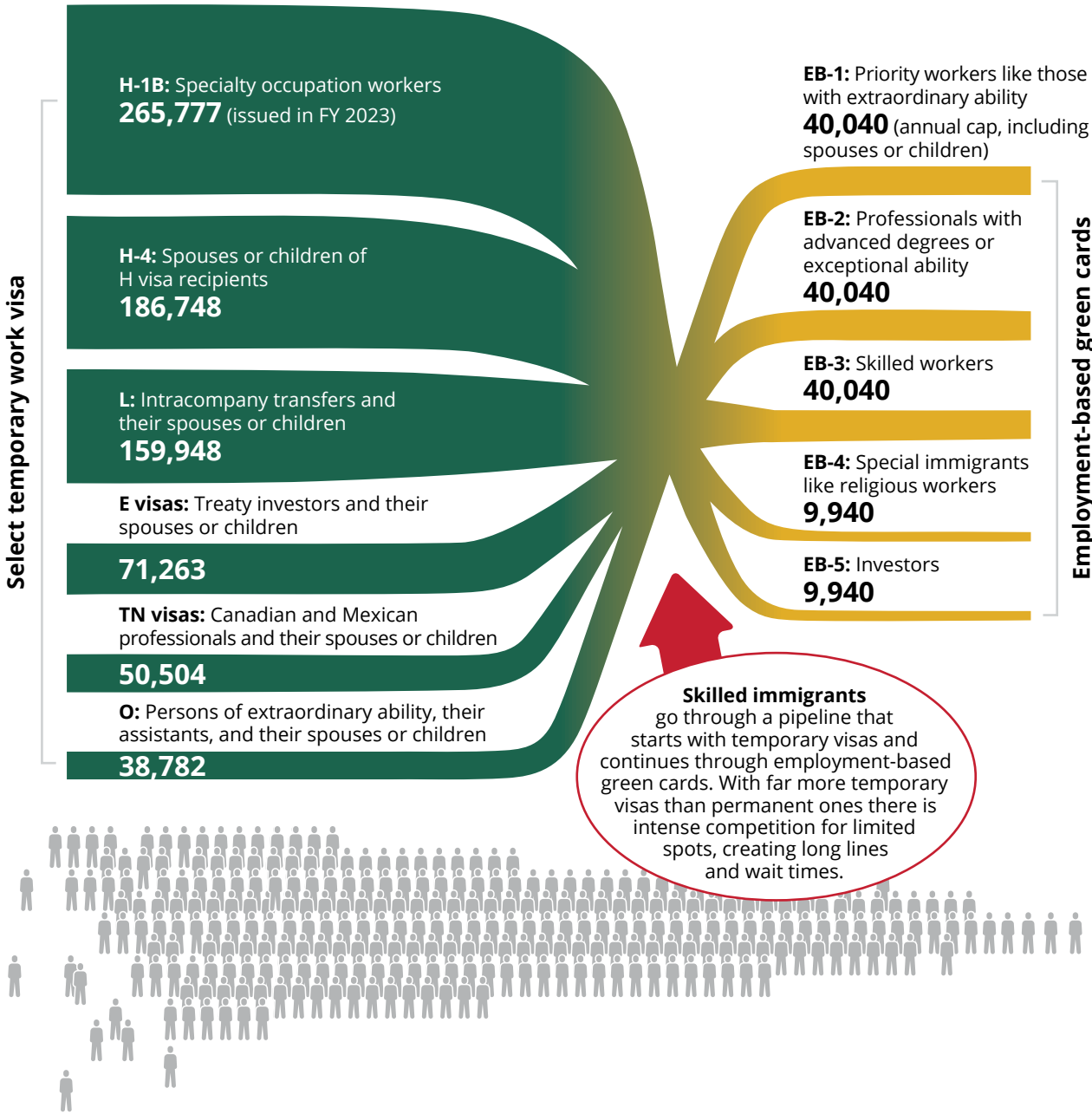
## **The status quo high-skilled immigration system is incoherent.**

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. It does not prioritize the highest achievers for admission, provide a usable path for entrepreneurs, or contribute explicitly to national competitiveness goals. In fact, the key pieces of America's high-skilled immigration system don't even work together.

Immigrants coming to the United States principally for work are provided two types of visas. The first are permanent visas, or green cards, with five pathways available (EB-1 through EB-5). Together, these pathways are capped at 140,000 per year, which has not changed since the Immigration Act of 1990. The second type, temporary visas, are time-limited and come with varying restrictions on job mobility, pay, and length of stay. Some temporary visa programs are statutorily limited in size, but the total number of temporary visas is not.

While temporary visa programs have grown dramatically in size — admitting many more skilled workers, students, and scientists — the number of permanent, employment-based green cards has not. As a result, backlogs and wait times for employment-based green cards have exploded. This mismatch has generated large, structural problems in our high-skilled immigration system. Nationals from some countries must wait in line for years, even if they have petitions all but guaranteed to be approved.

### The high-skilled immigration system’s traffic jam



Source: United States Citizenship and Immigration Services.



At the same time, temporary visa programs are riddled with arbitrary restrictions on visa holders' ability to work or seek permanent status. Hundreds of thousands of international students study in the United States each year, for instance, but the F-1 visa they typically use is not "dual intent" — which means that these students cannot show an interest in permanently residing in the country or they risk being denied entry. The U.S. therefore loses the opportunity to retain many of the brightest international graduates, a high percentage of whom actively want to remain here.

And in many temporary work visa programs, spouses and children are allowed to come live in the United States, but they are not allowed to work. Both of these flaws represent profound wastes of human capital that make Americans poorer and the United States a less attractive destination.

The vision for high-skilled immigration reform we lay out in the following pages is an attempt to make the pieces of our high-skilled immigration programs reinforce each other and function as a complete system. Those who study in the United States should get a (brief) chance to market themselves to U.S. employers after graduation. Those who prove their value to American companies should have access to flexible temporary work visa options that leave open entrepreneurship and job switching. And those who find success in the U.S. labor market should have a pathway to permanent residence. That, after all, is how a rational high-skilled immigration system should work.

We now consider each major proposed reform in turn.

## Our policy vision

### 1. Scrap the H-1B program and replace it with a Skilled Worker Visa.

The H-1B visa is the primary pathway through which foreign skilled workers join the U.S. labor force. Most workers who ultimately obtain permanent residency through employment-based pathways adjust their status from temporary work visas, usually H-1Bs. Yet the H-1B visa has a bad reputation across the political spectrum; many believe H-1B visa holders undercut American workers and reduce wages.

The H-1B's bad rap is not *entirely* justified. The median worker on an H-1B visa earns \$118,000 per year, more than nearly 90 percent of U.S. workers overall, despite H-1B workers being much earlier in their careers than typical natives.<sup>68</sup> Nevertheless, critics are right that workers on H-1Bs do not always compete fairly with American workers. Nor is the program designed to prioritize applicants who will contribute most to the U.S. economy. Therefore, we propose replacing it with a new Skilled Worker Visa.

The Skilled Worker Visa will prioritize workers with the highest salary offers and the greatest expected long-run contributions to the U.S. economy. It will also be far more flexible

and usable for entrepreneurs than the existing H-1B system. And in finally addressing long-standing, legitimate critiques of the H-1B, a new Skilled Worker Visa program will open the door for substantially expanding the number of skilled workers the U.S. annually admits.

***In contrast to H-1Bs, the Skilled Worker Visa will prioritize workers with the highest salary offers.***

The most obvious reason to repeal and replace the H-1B program is its failure to prioritize the highest-skilled workers with the most to offer American companies. Applicants for H-1B visas are not prioritized according to any criteria; instead, visas are allocated entirely at random. A new Skilled Worker Visa should put higher-earning and younger applicants at the front of the line.

Random visa allocation incentivizes companies to use H-1B visas to sponsor relatively interchangeable workers. If a firm identifies a rare, exceptional talent, the H-1B visa is not the right pathway to hire him. The random lottery provides no way for sponsoring firms to prioritize, for example, the must-have CTO over an entry-level data analyst.<sup>69</sup> This is simply not how the signature skilled visa program in a rational immigration system should function.

Wages are a clear expression of the value firms expect a worker to contribute, yet the H-1B gives no preference to workers with higher salary offers. It also fails to boost younger applicants over older ones. A 25-year-old applicant will earn much more and be a much greater net fiscal contributor over the long-run than a 40-year-old with an equivalent salary offer. Given that most skilled workers effectively use temporary work visas as a bridge to eventually obtain permanent residency, the U.S. system should select those applicants with the greatest expected long-run contribution.

A Skilled Worker Visa will address H-1B's glaring shortcomings by basing selection overwhelmingly on wages, with modest adjustments to boost younger applicants. The new visa would rank applicants based on their age-adjusted salary offers and allocate visas in descending order, subject to a minimum salary safeguard. Such a system will strengthen the incentive for firms to compete with higher wages; if firms truly covet a particular worker, they can hire that person with certainty with a sufficiently high salary offer. Thus the Skilled Worker Visa, unlike the H-1B, will be a usable pathway for firms hiring the very top global talents.

Selecting the highest earners will maximize the growth and productivity of American companies, creating more and better-paying job opportunities across the labor market. It will reduce the nation's deficit by prioritizing those who pay more in taxes than they use in government benefits. And by creating a race to the top, this approach will put to rest any concerns that firms are using foreign talent to undercut the wages of American workers.

***The Skilled Worker Visa will ensure fair labor market competition.***

While H-1B workers are among the highest-paid members of the U.S. labor force, critics are right to point out that they do not compete on a level playing field with native-born workers. H-1B workers and their prospective American employers must seek federal permission to change jobs and are limited to arbitrarily defined “specialty occupations.” H-1B workers’ choice of employer is also limited, significantly reducing their wages and potentially undercutting direct native competitors.<sup>70</sup> Once H-1B holders are successfully sponsored for a green card — direct proof they are providing useful skills to American businesses — their choices are further limited if they have to wait in a backlog.

Many critics, however, see further regulation and stricter labor market tests as the solution to this problem. This is precisely backwards. Instead, making workers on skilled visas full participants in the labor market, with the ability to move between employers at will, would raise wages for natives and visa holders alike.

In a different context, most of us recognize the strong relationship between job mobility and wages. There is widespread agreement, for instance, that the proliferation of non-compete agreements has reduced pay for U.S. workers. But many in the immigration policy space have yet to recognize the obvious parallels between the harms of non-compete agreements and those of H-1B job mobility restrictions.

A Skilled Worker Visa will be much more flexible than the H-1B, allowing workers to change jobs or get promoted without navigating occupational restrictions imposed by the federal government. Recognizing that the definitions and importance of specific occupations change over time, the Skilled Worker Visa should not be limited to specific job types or industries. Instead, the Skilled Worker Visa program will be ruthlessly focused on attracting and retaining those workers with the most to offer the U.S. economy.

Finally, the Skilled Worker Visa would come with a built-in mechanism to prevent businesses from trying to game the system. Specifically, those immigrants on a Skilled Worker Visa would need to remain employed at a salary equal to or above the minimum salary that was necessary for them to get the visa in the first place. This safeguard would thus prevent fraud and ensure that high-skilled immigrants continue to do genuinely high-skilled work.<sup>71</sup>

***The Skilled Worker Visa will be more pro-entrepreneurship than the H-1B.***

Another reason to repeal and replace the H-1B visa is that the program makes entrepreneurship prohibitively difficult. In most cases, founders who want to sponsor themselves for a capped H-1B visa must give up a controlling stake in their business. Even then, they face steep odds of winning a visa in the H-1B lottery. Raising investment for a fledgling business is difficult enough on its own; doing so with only a one-in-four chance of being able to remain in the United States is nearly impossible.

While USCIS has recently attempted to clarify that some entrepreneurs can use the H-1B in some circumstances, few do in practice.<sup>72</sup> As a result, those workers who come to the United States specifically because they have skills coveted by the American labor market face the greatest difficulty in starting a business.

In contrast, a Skilled Worker Visa should be usable for founders or skilled workers who want to transition to entrepreneurship. Applicants who can credibly commit to paying themselves a salary should be able to compete for a Skilled Worker Visa alongside traditional employees. At the same time, those on Skilled Worker Visas who want to become entrepreneurs should be free to do so.

Skilled immigrants have long faced some of the harshest limits on entrepreneurship, one of the most counterproductive elements of our entire immigration system. Rectifying this — allowing our most-skilled new arrivals to found startups — would immediately boost new high-potential business formation and make our immigration system more globally competitive.

### Contrasting our Skilled Worker Visa proposal with the H-1B

H-1B	Skilled Worker Visa (proposed)
<b>Allocation:</b> In the private sector, visas are allocated at random.	<b>Allocation:</b> Applicants who have the highest wages are put in the front of the line.
<b>Length:</b> Three years, once renewable	<b>Length:</b> Three years, once renewable
<b>Job mobility:</b> Workers can change jobs, but only subject to a Prevailing Wage Determination and Labor Condition Application.	<b>Job mobility:</b> Visa holders can change jobs or accept promotions without burdensome labor market tests.
<b>Occupational choice:</b> Visa holders can only work in arbitrarily defined “specialty occupations.”	<b>Occupational choice:</b> Workers are free to work in any occupation.
<b>Entrepreneurship:</b> Few can navigate the legal maze required to use the H-1B as an entrepreneur.	<b>Entrepreneurship:</b> Workers can easily start their own businesses.
<b>Minimum pay:</b> Local 17th percentile earnings for the visa holder’s occupation	<b>Minimum pay:</b> Minimum salary needed to win initial visa

#### ***The Skilled Worker Visa program should be much larger than the H-1B program.***

To maximize U.S. economic interests, the Skilled Worker Visa should be much larger than the flawed H-1B program. Only 85,000 H-1B visas are made available to the private sector each year, a total that has not grown in nearly 20 years. Since the private sector H-1B cap was last changed in 2006, the U.S. economy has grown more than 30 percent in inflation-adjusted terms.

The national labor market has proven it can readily absorb much larger inflows of skilled workers, even on visas as flawed as the H-1B. In the early 2000s, the annual private sector H-1B cap was 195,000. Demand from American companies for H-1B visas has soared since then. USCIS received applications for more than 420,000 workers for the FY 2025 lottery, more than double the total from just a few years before.<sup>73</sup> The continued rise of the wage premium for college graduates — even as their number has exploded — suggests that supply of such workers is still not keeping up with demand.

Adjusting prior peaks in the size of the H-1B program for subsequent economic and labor force growth, 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.

## 2. To help revive struggling places, America needs a Heartland Visa.

The Skilled Worker Visa would represent the country's flagship high-skilled immigration program, but we know from deep experience that some regions need pathways specifically designed for them. That's why we are proposing a second program to help level the playing field for struggling areas of the country, so that they too can reap the benefits of high-skilled immigration that have long been captured by the country's highest-performing metro areas.

Innovation and economic growth remain highly concentrated in particular parts of the country. Many longtime manufacturing hubs that used to provide steady middle-class jobs have hollowed out, subsequently losing the engineering and technical talent that would make them prime spots for reinvestment. Between 2000 and 2015, 69 percent of new utility patents originated from just 100 counties.<sup>74</sup>

As a result, tens of millions of Americans live in places that are stagnant or depopulating. More than half of all U.S. counties shrank between 2010 and 2020, twice the same share in the 1990s. Demographic decline pressures municipal budgets, reduces demand for locally produced goods and services, and depresses investment. This kind of spiral can be exceedingly difficult to escape.

But history need not be destiny and immigration policy can be a powerful catalyst for regional revitalization.

Our place-based Heartland Visa proposal would provide communities experiencing economic and demographic decline an opportunity to opt into additional high-skilled immigration. For eligible counties, participating in a Heartland Visa program will:

- **Catalyze growth** by making participating regions more attractive for outside investments and directly admitting new entrepreneurs and startup founders;
- **Boost natives' wages** by increasing local firms' productivity and breaking regional monopoly power in labor markets through entrepreneurship;

- **Increase local tax bases** by granting visas to workers who are overwhelmingly likely to be positive fiscal contributors;
- **Capitalize on the opportunities from remote work** by making low-cost-of-living communities attractive for foreign-born remote workers; and
- **Boost strategically significant industries** by providing communities with additional technical talent relevant to manufacturing.

### ***How Heartland Visas would work***

A Heartland Visa would be the first place-based visa in the U.S. immigration system. County (or county-equivalent) governments meeting demographic and housing cost criteria would be eligible to opt in. Workers with salary offers or sufficient earnings histories from traditional employment or entrepreneurship can apply to settle in a participating Heartland Visa region. In exchange for residing in a participating place for six years, Heartland Visa holders with sufficient earnings can then self-sponsor for permanent residency.

Like the proposed Skilled Worker Visa, the Heartland Visa would prioritize high-wage workers who will contribute most to the American economy over the long-run. Similarly, in providing flexibility to change employers seamlessly, the Heartland Visa will not risk undercutting native workers' pay.

### ***Allocating Visas***

Heartland Visas would prioritize those workers with the highest pay, maximizing economic impact and fiscal benefits to participating communities. The program would also reward local ties, such as a degree from a nearby university. Ultimately, we expect most Heartland Visa participants to stay in their original host community long after receiving permanent residency. If results from Canada's place-based visa program are any indication — and theirs is a program with much shorter residency requirements — a large majority will stay and build families and businesses locally.

Key features of a Heartland Visa
<p><b>Eligibility:</b> Eligibility would be targeted to a) counties experiencing outright population decline or very sluggish growth, or b) counties with modest growth whose populations peaked before 1980. Places with high-cost, restrictive housing markets would not be eligible.</p>
<p><b>Dual opt-in:</b> Eligible counties must opt into the program, while visa applicants could apply to the participating region of their choice.</p>
<p><b>Quarterly wage ranking:</b> Visas would be allocated quarterly to applicants with the highest wage offers or earnings histories, adjusted for age and local ties.</p>
<p><b>Residency requirements:</b> Heartland Visa holders would be required to live in a participating area for a set period of time (but may work for a firm located anywhere).</p>
<p><b>Permanent residency:</b> Participants meeting a high earnings threshold during their time on the visa would become eligible for an expedited, self-sponsored path to permanent residency free of burdensome labor market tests.</p>
<p><b>Scale:</b> The number of Heartland Visas available each year would scale in proportion to the share of eligible counties that choose to participate, with a floor of 100,000 visas.</p>
<p><b>Regional allocation:</b> Each participating Heartland Visa region would receive a quarterly quota of Heartland Visas based on its population.</p>
<p><b>Term:</b> Visas will be for an initial three-year term, and renewable once for a total of six years.</p>

Rather than tie Heartland Visa holders to particular employers, the visa will give workers the flexibility to change jobs, get a promotion, or even start a business. Workers simply need to continue residing in a participating region and earn at least the minimum salary they would have needed to win the visa in the quarter in which they applied. A Heartland Visa holder can work remotely for any company eligible to employ people living in the United States.

Visas will be allocated quarterly to those applicants with the highest age-adjusted salary offers. Remote workers bringing an existing job to a Heartland Visa community will have their “wage bid” boosted, as their services would now effectively be a tradeable export for the participating region. Those who went to a nearby school will also get a bump in their bids, putting them closer to the front of the line for a visa. Colleges and universities in Heartland Visa regions produce thousands of talented international students each year; many would stay after graduation if given an opportunity like a Heartland Visa.

**Selection criteria for participating communities and overall program size**

Heartland Visa participation should be limited to communities experiencing demographic stagnation and those that have housing markets capable of absorbing new workers and families. We propose two pathways for qualifying.

Heartland Visa eligibility criteria	
<p><b>Standard criteria</b></p> <ul style="list-style-type: none"> <li>• Overall population and prime age (25–54) population growth less than 0.5 percent between 2010 and 2020.</li> <li>• The county's median home value is less than the national median.</li> </ul>	<p><b>“Recent Momentum” criteria</b></p> <ul style="list-style-type: none"> <li>• Prime age population growth less than 0.5 percent between 2010 and 2020 and overall population growth less than 5 percent.</li> <li>• The county's median home value is less than the national median.</li> <li>• The county's population peaked before 1980.</li> </ul>

Using 2010 Census and 2020 ACS data, these criteria would make eligible more than 1,700 counties across the country. Combined, more than 58 million Americans live in such places, which include urban centers like Cleveland, Milwaukee, Buffalo, and St. Louis, along with hundreds of suburban, exurban, and rural counties in nearly every state.

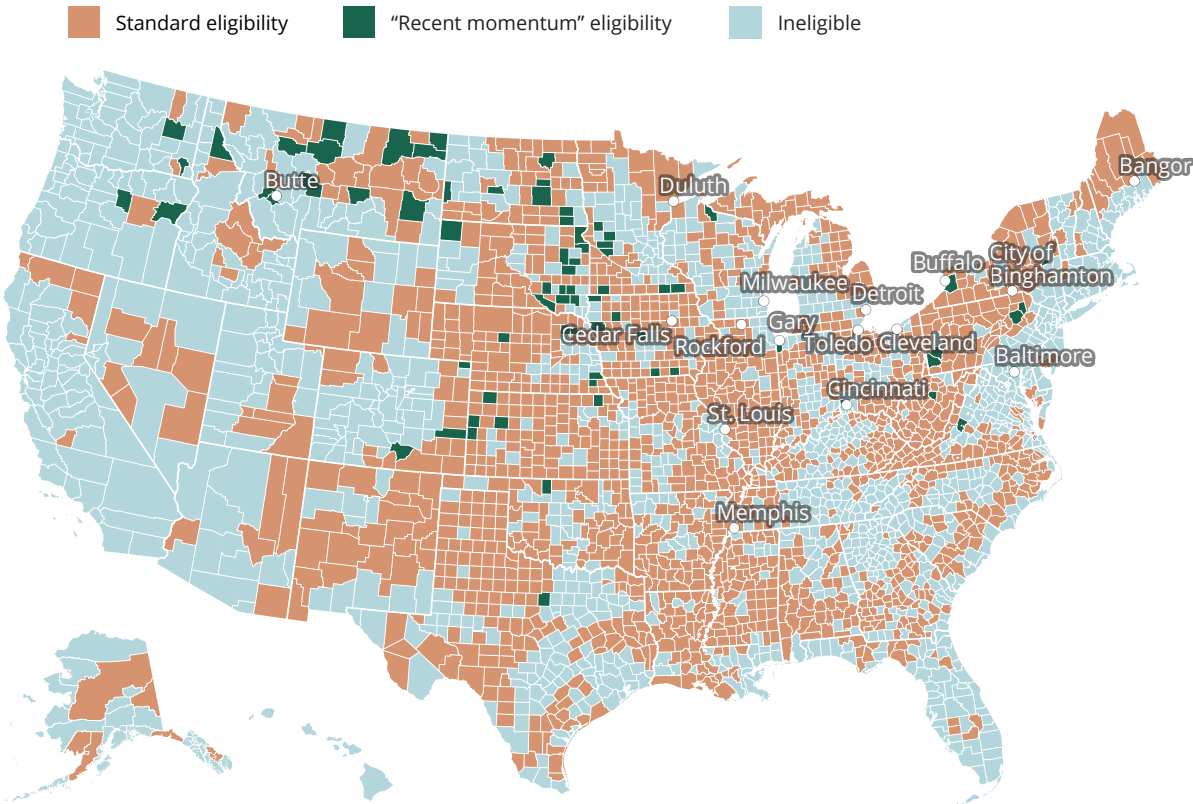


### Heartland Visa-eligible counties

**Criteria**

**Standard:** No greater than 0.5% population and prime-age (25–54) population growth between 2010–2020; Median home value no greater than the national median (\$229,800)

**Alternative:** No greater than 0.5% prime-age (25–54) population growth between 2010–2020; Overall 2010–2020 population growth no greater than 5%; Median home value no greater than the national median (\$229,800); Population peaked pre-1980



Standard eligibility    "Recent momentum" eligibility    Ineligible

Source: Economic Innovation Group.



In many places that would be eligible to participate, population levels today are significantly lower than in the recent past. Together, Heartland Visa counties have a population more than nine million people (or 15 percent) below their prior peaks. Steep population decline has imposed significant costs on those communities, but it also means that existing infrastructure, school systems, and other local programs representing fixed costs for local governments may be well-positioned to accommodate newcomers. For instance, while the population of St. Louis has declined roughly two-thirds since the 1950s, its road and sewer systems have not scaled down accordingly, nor would they need to scale up if the city began to grow again.

To start, we propose a minimum of 100,000 annual Heartland Visas, scaling up to 500,000 depending on how many counties choose to participate in the program. An ambitious program size is appropriate given the steep population declines that Heartland Visa-eligible

counties have experienced over the last few decades. The maladies of these localized population declines have included job losses, bankrupt businesses, decaying infrastructure, and unreliable public services because of dwindling tax revenues — all of which incentivize even more people to flee their shrinking communities. To have a chance of reversing this tragic spiral, the Heartland Visa program should be large enough to get participating places back on a trajectory of self-sustaining growth.

### ***Pathway to permanent residency***

Heartland Visa holders who find labor market success should be able to sponsor themselves for an uncapped, dedicated green card. We propose two criteria to qualify for such a pathway:

- **Standard criteria:** The HV holder earned, on average, at or above the 75th income percentile for their relevant age cohort in each of their six years on the Heartland Visa.
- **Highest earner criteria:** The HV holder earned, on average, at or above the 90th percentile for their relevant age cohort in the last two of their six years on the Heartland Visa.

Together, these criteria would allow those who are either consistently earning high incomes at traditional jobs or recent, successful startup founders to remain in their communities permanently. Ultimately, the economic trajectories of host communities are changed for the better if top talent is allowed to stay to build families, careers, or businesses.

### ***Why a Heartland Visa would work***

Our Heartland Visa proposal would set up participating communities and workers for success. For visa applicants, prioritizing those workers with the best salary offers or earnings histories will select for workers whose skills will be most consistently in demand. Selecting workers largely according to wages also gives firms some certainty that they will be able to hire workers in a Heartland Visa region if they offer a sufficient salary. This offers far better terms for employers and workers alike than the H-1B, which applicants only have a one-in-four chance of winning regardless of their salary offer.

The flexibility of the Heartland Visa over other high-skilled immigration pathways also means it is better primed to take advantage of newcomers' flexibility and entrepreneurial spirit. We know that immigrants are significantly more likely to start a business than native-born Americans, despite a high-skilled immigration system that is extremely hostile to entrepreneurship. The Heartland Visa will unleash the potential of new entrepreneurs in communities where business formation has been in long-running decline.

Heartland Visas would be a game-changing policy for local economic development. Participation would immediately make communities more attractive spots for new investment, directly bring in new entrepreneurs, and improve local governments' fiscal outlook. And while existing economic development policies often foster "race to the bottom" dynamics through incentive wars, Heartland Visas will instead spur a "race to the top."

### 3. The Chipmaker's Visa: Industrial strategy requires a bold talent strategy.

Immigration reform should be used not just as a catalyst for regional economic revitalization, but also in setting up strategic industrial policy investments for success.

The most strategically significant industry of the 21st century is semiconductors, upon which U.S. technological and military supremacy are dependent. For that reason, we propose a new Chipmaker's Visa to guarantee that semiconductor firms making critical investments in the United States do not face talent bottlenecks. A 10-year, 10,000 visa per-year program will enable leading chipmaking firms to scale up production and innovation within the United States, attracting top talent from across the world.

Fueled by more than \$50 billion in federal subsidies from the CHIPS and Science Act, chip manufacturers are rapidly building out capacity in the United States. A broad bipartisan coalition has come to the conclusion that quickly scaling up leading-edge logic, legacy, and memory chip manufacturing in the United States is a national and economic security imperative. Taking this challenge seriously should mean all options to quickly improve productivity and innovation in this sector should be on the table, including immigration policy.

The Chipmaker's Visa would be made available to firms up and down the chipmaking supply chain and allocated quarterly to firms via auction. Firms would acquire the right to use a visa in a particular timeline and are free to sponsor whomever they please, so long as they have salaries at least as high as the national median for full-time workers. Ownership of the visa would immediately transfer to the worker, who can use it to move between any firm in the chip supply chain.

The Chipmaker's Visa would be flexible, enabling firms to use it to fill their own unique needs. One firm may need a talented electrical engineer, another a rare factory floor manager with decades of chip manufacturing experience. And rather than effectively tying employees to particular firms for the duration of their visa — a longtime sin of many skilled worker visas — sponsored employees would be able to freely change jobs or earn promotions while on a Chipmaker's Visa.

#### Key features of a Chipmaker's Visa

- 10,000 visas are made available each year in quarterly auctions to firms in the chipmaking supply chain.
- Firms bid for visas, ownership of which transfers immediately to workers upon hiring. Auction fees are set aside for training American workers.
- Workers can move freely between firms in the semiconductor supply chain, fostering knowledge spillovers.
- The visa will have a duration of five years and be renewable once.
- Successful workers with high earnings are put on a fast track for permanent residency.

Workers who prove successful on a Chipmaker's Visa (earning at the 75th personal income percentile or higher) should have access to a dedicated, uncapped green card so the U.S. can retain chipmaking talent long-term. Permanent visas for chip workers should be free from bureaucratic labor market tests or prevailing wage determinations and instead be self-sponsored based on earnings histories.

Finally, the Chipmaker's Visa can accelerate the training of native-born workers. Skilled newcomers on the visa with chipmaking experience will inevitably generate knowledge spillovers that make American colleagues immediately more productive.

Auction revenues from firms purchasing Chipmaker's Visas should be earmarked for domestic training programs. Given the legal fees that applicants for skilled visas are willing to pay, we estimate that 10,000 visas per year could conservatively fetch \$5,000 each or more in federal revenues. Over a decade, this would generate \$500 million to train U.S. workers for semiconductor roles, more than twice as much as the total funding appropriated for the CHIPS for America Workforce and Education Fund.

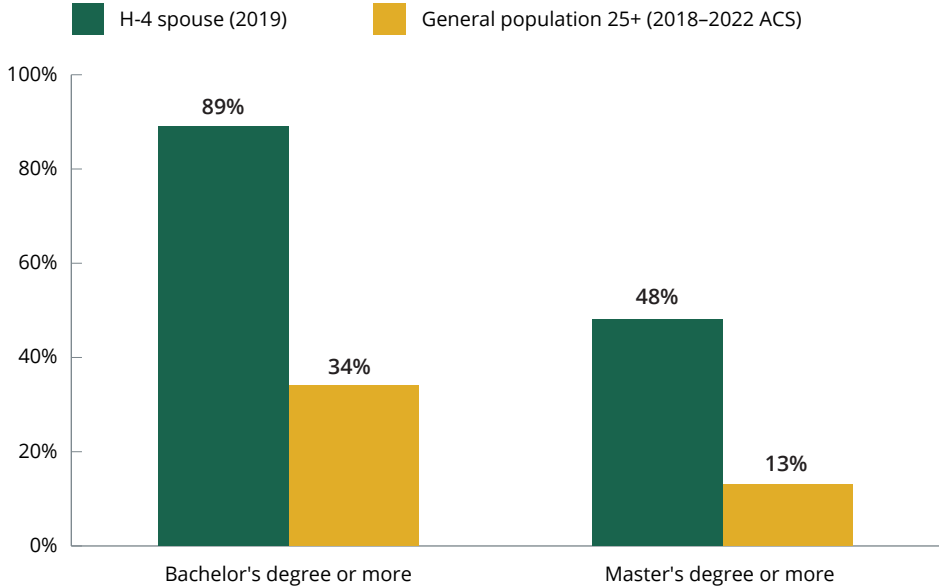
#### **4. The high-skilled immigration system should be friendlier to families.**

It is not in the national interest to force the world's most talented people to choose between remaining with their spouses and children or bringing their talents to the United States. We propose two reforms to the high-skilled immigration system to make the United States a more attractive destination.

First, the spouses of those on temporary work visas like the Skilled Worker Visa, Heartland Visa, or Chipmaker's Visa should be allowed to work in the United States, and on an even playing field with American workers.

Today, tens of thousands of spouses of H-1B workers, typically those on H-4 visas, are not permitted to work in the United States, despite this population having far greater levels of education than the typical American. According to an analysis from FWD of the roughly 175,000 H-4 visa holders living in the United States in 2019, 89 percent of such visa holders had earned a bachelor's degree or more, while 48 percent have earned a graduate degree.<sup>75</sup>

### H-4 spouses have very high rates of educational attainment



Source: FWD analysis and 2018-22 American Community Survey.



Preventing the spouses of skilled workers from employment effectively cuts in half the potential household income of a migrant family. That not only makes the United States a much less attractive destination compared to peer countries that allow spouses to work but also means the U.S. deprives itself of the revenue they would pay in taxes. It is an enormous waste of talent and resources that we should swiftly rectify.

Second, we should guarantee that the children of skilled workers who grow up in the United States do not age out of legal status at 21. As wait times for employment-based green cards for Indian and Chinese nationals spiral out of control, a growing number of young adults are forced to leave the country after turning 21 or scramble to find another visa status. There are over 250,000 such “Documented Dreamers” in the United States, 10,000 of whom age out of legal status every year.<sup>76</sup> They should be allowed to remain on their parents’ applications for permanent residency, as well as apply for other visas like the Heartland Visa, Chipmaker’s Visa, or the Skilled Worker Visa.

The Documented Dreamer issue makes the United States a less attractive destination, particularly for Indian families. An Indian worker sponsored for an EB-2 green card will wait decades before he or she actually receives it. In the meantime, any children the sponsored worker brings to the U.S. are almost certain to turn 21 before their parents’ green cards are approved, resulting in them being removed from their parents’ application.

Unsurprisingly, Canada has taken advantage of these two flaws in our existing immigration system by poaching thousands of Indian workers from the United States in recent years with more attractive pathways to permanent residence.<sup>77</sup> As the populations of Documented Dreamers and spouses of work visa holders continue to grow, the United States will continue to lose talent to competitors and adversaries. Addressing these two problems should be a no-brainer.

## **5. Modernize the OPT program with a new Recent Graduate Visa.**

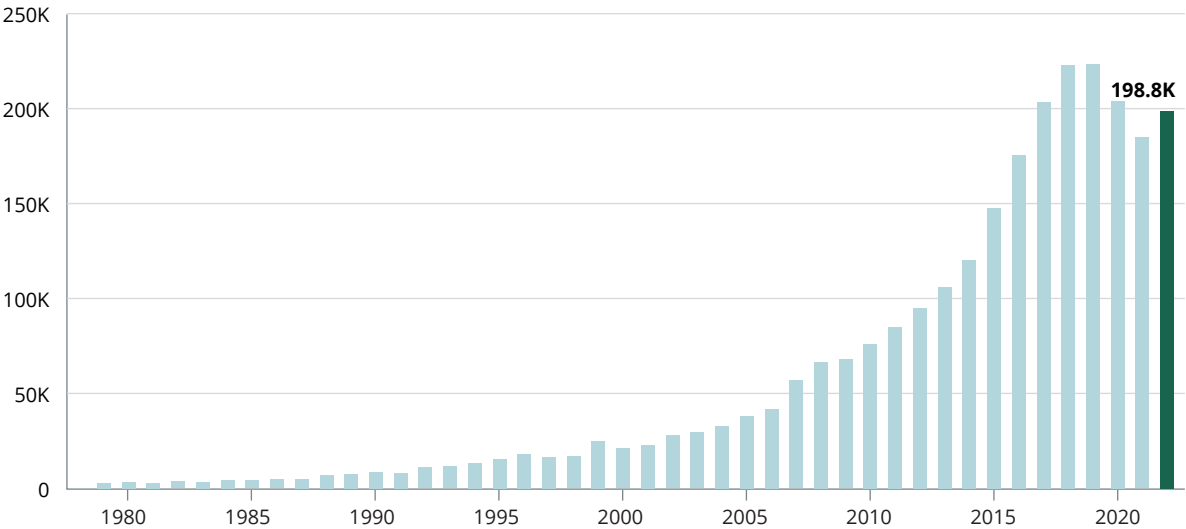
While the United States should not “staple green cards to diplomas,” as we have argued, we should enable graduates of American universities to test the labor market after earning their degrees. Degree fields, school quality, and grade point averages do provide useful information to employers, but none match on-the-job experience. We therefore propose graduates of U.S. universities receive automatic employment authorization for one year after completion through a Recent Graduate Visa.

The Optional Practical Training program, part of the F-1 student visa, already allows many students to work after graduation. However, graduates’ jobs must be directly related to their degree field, an unnecessary restriction that limits job choice and potentially depresses pay. In principle, we see little reason why this should be the case. While most graduates will get jobs directly related to their degree field, not all will. A biology major getting a highly lucrative job at a venture capital fund, for example, is not a policy failure, but a success. A Recent Graduate Visa would come with no such restriction, allowing both graduates and U.S. firms to explore mutually beneficial matches.

OPT has also become a kind of “waiting room” for those ultimately seeking H-1B visas. This has become more true since the adoption of the two-year OPT extension for graduates in STEM fields. As a result, enrollment in OPT has exploded over the last few years.

## Optional Practical Training participation

Since 1979/1980 school year



Source: EIG analysis of Open Doors international student data.



To maintain our relentless focus on wages and demonstrable labor market success, the Recent Graduate Visa should be limited to a one-year term. This would further reduce the incentive for lower-quality, so-called “cash cow” graduate programs sometimes offered by American colleges.<sup>78</sup> And given the expansions of other temporary and permanent visa programs we propose in this report, we suggest that a Recent Graduate Visa should not come with the option of a two-year STEM extension. Such an extension would veer too far in the direction of degree-based selection in our immigration system, creating perverse incentives for universities and applicants.

Instead, a Recent Graduate Visa will provide a short but flexible pathway through which graduates can prove their value to American firms or venture out on their own with a startup. After one year in the labor market, Recent Graduate Visa holders will be free to apply for a Skilled Worker Visa, Heartland Visa, Chipmaker’s Visa, or other visa categories with longer durations. Those who fail to find a job with high enough earnings to acquire one of these visas will have to depart the country.

## 6. Retain the highest achievers regardless of where they are from with a new EB-X green card.

### *Introducing the “EB-X” green card for high-income workers.*

Maximizing the benefits of high-skilled immigration for American workers and communities hinges on retaining top talent — those immigrants who have proven they can consistently contribute at a high level to the U.S. economy.

To that end, we propose a new, innovative “EB-X” green card to guarantee that high-achieving workers and entrepreneurs can remain in the United States permanently.

The philosophy behind the EB-X is straightforward: set an exceptionally high bar based on proven earnings in the U.S. labor market, then make it exceptionally simple for the workers who clear it to stay. This would be a radical departure from the cumbersome, uncertain, and self-defeating status quo, which undermines U.S. interests at every turn. Uncapped, the EB-X would help retain successful workers and entrepreneurs who first entered the country on a Skilled Worker Visa, Chipmaker’s Visa, or Heartland Visa.

Workers and entrepreneurs would be able to self-sponsor for an EB-X green card using their recent earnings histories. If workers have already found success in the U.S. labor market, they should not be tied to any particular employer as they go through the process of obtaining permanent residency. Not only is employer sponsorship burdensome for firms, but it can make accepting a promotion, moving to a new company, or starting a business too risky. The EB-X would instead lean into a core American strength: dynamism.

Workers and entrepreneurs meeting one of two earnings thresholds would be eligible. The criteria are as follows:

- **Standard criteria:** The applicant earned, on average, at or above the 85th income percentile for their relevant age cohort in each of their last six years working in the U.S.
- **Highest earner criteria:** The applicant earned, on average, at or above the 95th percentile for their relevant age cohort in the last two of their last six years working in the U.S.

These two criteria are designed to be open both to workers with consistently high earnings and those who have recently seen more recent success. The latter criteria would allow a startup founder whose earnings have recently taken off to obtain a green card. While setting a higher earnings threshold in more recent years, the “Highest earner criteria” enables smart founders to take the risk of starting a new firm, knowing that success will enable them to stay in the U.S. long-term.

These criteria would substantially increase the number of employment-based green cards issued each year. Between 2014 and 2023, 70 percent of all applicants for EB-2 and EB-3 green cards who were subject to the PERM labor certification process had salary offers at least as high as the national 85th earnings percentile (\$102,000 in 2023).<sup>79</sup> If you apply this



ratio to the 140,000 employment-based green cards issued each year between five categories, it suggests the EB-X would expand annual employment-based green cards by about 100,000. In other words, this policy alone would grant green cards to 100,000 additional six-figure earners every year.

***Select based on merit, not nationality, by eliminating per-country employment-based green card caps.***

America's high-skilled immigration system should seek out the world's top entrepreneurs and workers regardless of their birthplace. The existing system deeply discriminates against Indian and Chinese-born workers through outdated per-country green card caps. We propose eliminating these caps entirely, both for our new green card pathways and the rest of the employment-based system.

The Immigration and Nationality Act of 1965 limits nationals of any one country from obtaining more than 7 percent of all employment-based green cards each year. As the number of Indian and Chinese applicants has skyrocketed over the last two decades, this has created long wait times of otherwise approved green card applicants. An Indian worker applying for an EB-2 green card today may literally wait a lifetime before receiving it.<sup>80</sup>

Workers waiting on a green card backlog with an approved application face even harsher labor market restrictions than those working on H-1Bs. Sponsored workers are not prohibited altogether from switching jobs, but their new jobs must be sufficiently similar to the one on their original petition. A data scientist seeking to work as a statistician risks having his green card approval revoked, for example, since USCIS classifies these as distinct occupations. Such a scenario again represents one of the great ironies of our immigration system: those workers offering the most highly-sought skills to American firms face the strictest labor market rules. Just as the sponsored employee has proven herself so valuable that a business is willing to spend time and resources to sponsor her green card petition, our system dramatically narrows her options.

Over the long run, discrimination against Indian and Chinese-born workers will make the United States an unattractive destination. India and China account for one-third of the world's population and are two of the fastest-growing large economies in the world. Locking our firms out from such talent pools is simply not in America's self-interest.

More concretely, per-country caps on employment-based green cards reduce the average earnings of green card recipients substantially. On average, Indian and Chinese-born applicants have higher salaries than those from the rest of the world. Throttling these workers' access to green cards drags down the average salaries of new green card recipients by more than \$10,000 per year, or \$800 million in total income across EB-2 and EB-3 pathways.<sup>81</sup>

If per-country green card caps made sense when first created 60 years ago, they certainly do not today. Today's high-skilled immigration system should be based on merit and national interests alone, not workers' birthplaces.

## **Putting it all together: Our vision for a pro-growth, pro-dynamism high-skilled immigration system.**

Together, our slate of proposals would dramatically improve how our high-skilled immigration selects applicants, retains talent, and contributes to national goals like regional revitalization and competitiveness in key industries. Our approach meticulously selects for the most talented workers from across the world, but then makes it very simple to proceed to the next step — free from the messy, stifling bureaucracy that characterizes the current system.

Our platform would dramatically expand high-skilled immigration to the United States. Between an additional proposed 165,000 Skilled Worker Visas over the existing H-1B program's size, 100,000 to 500,000 Heartland Visas, and 10,000 Chipmaker's Visas every year, we propose expanding the annual admission of skilled workers and entrepreneurs by between 275,000 and 675,000. With dedicated, uncapped green card pathways for high earners and graduates of both the Heartland Visa and Chipmaker's Visa program, we also propose pathways through which the U.S. can retain this talent long-term.

While ambitious, our proposed reforms would merely bring our high-skilled immigration system's size in line with that of our family-based permanent immigration system. Further, it would bring America's annual, legal immigration rate much closer to competitor economies across the world.

This large increase in high-skilled immigration would yield faster economic growth, but it would also substantially reduce our federal deficit over time. We estimate that admitting an additional skilled worker (with the option of bringing a working spouse and other dependents) contributes more than \$40,000 in net fiscal benefits before adding in effects from faster economic growth. Over time, this adds up. If the U.S. were to admit 500,000 more of such workers each year, we would reduce future deficits over the next decade by \$1.1 trillion. This could fund most of the 10-year cost of:

- The 2017 Tax Cuts and Jobs Act;
- Nearly doubling the size of the Child Tax Credit to \$3,500;
- Full student debt forgiveness;
- Free public college and universal Pre-K; or
- Cutting the U.S. corporate tax rate in half from its current 21 percent.

Our vision for reform would provide such benefits by fundamentally reorienting our high-skilled immigration system towards attracting and retaining the very highest achievers, highest earners, and top talents regardless of their birthplace. Rather than hyper-regulate job choice, occupation, or entrepreneurship of our most-skilled newcomers, it would instead unleash their talents with more flexible, pro-work, and pro-startup visa pathways. Rather than force our most talented visa applicants to wait years for the immigration bureaucracy to process simple paperwork or sit decades on green card backlogs, our proposal creates quick, easy-to-use visa pathways.

As we have argued throughout this report, the United States is capable of attracting the world's best and brightest and integrating them into our economy and society like no other country. But that requires a rational, functional high-skilled immigration system. The proposals in this chapter would finally give us one.

## Summary: Our roadmap for high-skilled immigration reform

Temporary visa reforms	Green card reforms
<p><b>Skilled Worker Visa</b> Wage-based skilled worker visa replacing the broken H-1B system</p> <ul style="list-style-type: none"> <li>• Allows workers to change jobs or start a business without restrictions on occupational choice or job title</li> <li>• Triple the size of the H-1B program</li> </ul>	<p><b>EB-X Green Card</b> Uncapped, self-sponsored green card</p> <ul style="list-style-type: none"> <li>• Reserved for workers or entrepreneurs consistently earning above the (age-specific) 85th earnings percentile or recently earning above the 95th percentile</li> </ul>
<p><b>Heartland Visa</b> Place-based visa for which communities and visa applicants opt in</p> <ul style="list-style-type: none"> <li>• Allocated quarterly through a largely wage-based ranking system</li> <li>• Rewards applicants with local ties</li> <li>• 100,000 to 500,000 visas per year, depending on community participation</li> </ul>	<p><b>Heartland Visa Green Card</b> Uncapped-self-sponsored green cards</p> <ul style="list-style-type: none"> <li>• Reserved for Heartland Visa holders consistently earning above the (age-specific) 75th earnings percentile or recent earnings above the 90th percentile</li> <li>• Requires Heartland Visa holders to abide by program rules</li> </ul>
<p><b>Chipmaker's Visa</b> 10-year, 10,000 visas per-year program for workers and firms within the semiconductor supply chain</p> <ul style="list-style-type: none"> <li>• Allows workers to move freely between eligible firms</li> <li>• Visas get allocated to firms via auction, proceeds of which go towards training programs for American workers</li> </ul>	<p><b>Chipmaker's Visa Green Card</b> Uncapped, self-sponsored green card for Chipmaker's Visa holders who consistently earn above the 75th earnings percentile</p>
<p><b>Recent Graduate Visa</b> Flexible, one-year post-grad visa for students to find a job or start a business</p>	<p><b>Eliminating per-country caps</b></p> <ul style="list-style-type: none"> <li>• Reduces green card wait times by decades for Indian and Chinese applicants</li> <li>• Eliminates discrimination by nationality for employment-based visas</li> </ul>
<p><b>Automatic work authorization for H-4 visa holders</b></p> <ul style="list-style-type: none"> <li>• Immediately enables tens of thousands of highly educated spouses of H-1Bs to work</li> <li>• Doubles the household income potential of H-1B families, boosting wages and tax revenues</li> </ul>	<p><b>Preventing children from aging out of employment-based green card applications</b></p> <ul style="list-style-type: none"> <li>• Makes the United States a much more attractive destination by guaranteeing children of skilled immigrants are not sent away as they enter prime earning years</li> </ul>

## APPENDIX 1:

# The national security imperative of high-skilled immigration reform

Expanding and reforming our high-skilled immigration system will boost economic growth and Americans' wages. But it will also advance an array of national security goals.

Critics argue that openness to high-skilled immigration creates national security risks too great to bear. Immigrants from adversarial countries will steal intellectual property and undermine American companies, these critics say. The U.S. should therefore limit, rather than expand, high-skilled immigration.

We take such concerns seriously. But any reasonable weighing of the evidence indicates that high-skilled immigration, even from countries whose governments are hostile to the United States, yields far more benefits than costs.

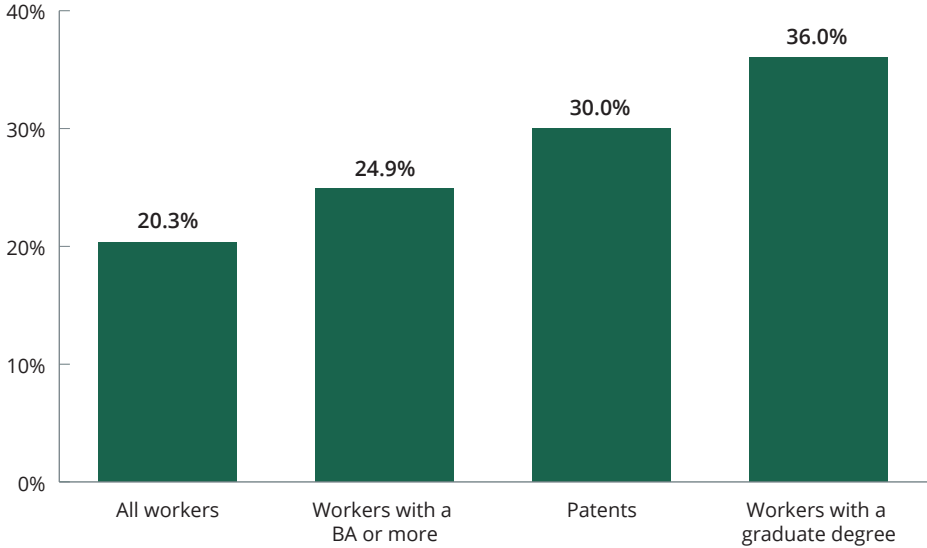
### **The enormous benefits to strategically significant industries**

Foreign-born workers make outsized contributions to industries important to economic and national security. Across a broad array of strategic industries that range from semiconductor manufacturing to scientific R&D, immigrants account for 36 percent of workers with a graduate degree. Earnings data finds that high-skilled immigrants working in strategic industries make more than \$106,000 per year on average, including those with a BA or less — another sign that such workers occupy particularly valuable positions.<sup>82</sup>

Skilled immigrants also make disproportionate contributions to innovation within strategic industries. While accounting for 20 percent of the strategic industry workforce, immigrants author 30 percent of patents in these industries. In semiconductor and telecommunications equipment manufacturing — two particular flashpoints in the economic competition with China — immigrants' patent share exceeds one-third.<sup>83</sup>

### Immigrants' footprint in strategic industries

Strategic industry immigrant employment (2018–2022) and patent (2000–2018) shares.



Source: EIG analysis of Integrated Public Use Microdata Series American Community Survey and Kerr data.



Maintaining our lead in strategic industries, or recapturing leadership in critical technologies from China, will require an immigration system that enables companies investing in the United States to hire the best and brightest regardless of where they were born.

### Why the benefits outweigh the risks

Critics will respond that high-skilled immigration enables certain kinds of espionage, with nationals of adversarial countries like China a particular concern. Theft of intellectual property and trade secrets by foreign nationals is indeed an ongoing issue, and one worth addressing. Nevertheless, realistic cost-benefit analyses suggest that even under our existing, imperfect system, the economic benefits of high-skilled immigration are far bigger than the costs it imposes through commercial espionage.

A 2021 report from the Institute for Defense Analyses' Science and Technology Policy Institute carefully analyzes the costs and benefits of Chinese STEM (Science, Technology, Engineering, and Mathematics) immigration to the United States.<sup>84</sup> The researchers use average STEM salaries as a proxy for such immigrants' economic benefits. The researchers also use data from court cases involving commercial espionage by Chinese nationals to calculate the costs of stolen intellectual property. They combine this cost with estimates of the value of intangible technology transfer to Chinese firms.

Even using high-end estimates of the cost of each instance of IP theft in addition to high-end estimates of intangible technology transfer, the expected economic contributions of Chinese STEM visitors, undergraduate and master's students, PhD students, post-docs, visiting researchers, and full-time workers far exceed the expected costs. For nationals of less adversarial countries without state-backed efforts to steal American IP, it is safe to assume the cost-benefit calculus is even more positive.

### **Attracting and retaining immigrant talent — America can, adversaries can't**

Skilled immigration is a tool for enhancing American economic and political power that is not available to any of our adversaries at scale. The United States has the most dynamic economy of any major country in the world. The earnings potential of top talent, whether workers or startup founders, is almost always higher in the United States than anywhere else. And because the United States is a low-tax country, successful workers or founders can keep more of what they earn than they could in other developed countries.

The United States has had a deeply broken high-skilled immigration system for a long time. Our system places costly burdens on newcomers and the companies who hire them. It provides no easy path for startup founders. Its visa pathways are nearly always oversubscribed. Yet despite its flaws, our system is still able to attract so many of the world's best and brightest minds, a testament to the enormous economic and cultural advantages the United States has over our adversaries.

Brilliant startup founders do not aspire to immigrate to Russia, nor do the world's top engineers dream of moving to China. In fact, China must spend hundreds of thousands of dollars to compete with the United States for the services of top researchers *from China*. The ability to attract, retain, and integrate top entrepreneurs, engineers, thinkers, investors, and researchers is an advantage that the countries we compete against simply do not have.

## APPENDIX 2:

# The economics of high-skilled immigration, use and misuse

Chapter 2 outlined a framework for thinking about three distinct effects of high-skilled immigration on the American economy and its workers: the fiscal effect, the overall wage effect, and the wage inequality effect. In this appendix we demonstrate how to use this framework and, just as crucially, the ways it is often misused. Several examples then follow.

The fiscal effect is easy to grasp. High-skilled immigrants, because they both increase the country's economic growth rate and pay more in taxes than they cost other taxpayers, represent a huge benefit to the nation's finances.

The other two effects *appear* just as easy to understand. And yet they are frequently confused — by opponents and advocates of immigration alike.

The overall wage effect refers to the way that high-skilled immigrants raise wages for workers all throughout the economy — by creating or developing new companies and entire new industries, leading existing companies, sparking innovation, boosting productivity growth, and generally elevating the economy's potential and output.

The wage inequality effect, as the name implies, refers to how high-skilled immigration reduces the wage gap between the highest and lowest earners in the economy. With more high-skilled immigration, native-born highly skilled workers (who make a lot of money) become less scarce *relative to less-skilled workers* (who make less money) — and the wages of highly skilled workers therefore grow more slowly.

Seems easy enough.

And yet not only do pundits and policymakers confuse the two effects, but so do many academics in their research.

**One common mistake is to focus only on the “losers” of the wage inequality effect and ignore the “winners.”**

If a big share of high-skilled immigrants, for example, make semiconductors, then the wages of native-born workers who also make semiconductors may not rise as quickly — in the short term — as in a hypothetical scenario in which there is no high-skilled immigration.

This result may appear in an economic study (or news article, or political speech). But that study is incomplete if it does not mention that the wage inequality effect includes a large group of winners: less-skilled native-born workers, who are now more *relatively* scarce than high-skilled workers and who produce the houses and cars and furniture and haircuts that the high-skilled immigrants will buy.

**Another frequent mistake is to ignore the overall wage effect when discussing the wage inequality effect** — for example by claiming that the wages of certain native-born, high-skilled workers have fallen outright because of immigrants who are also highly skilled, when in fact their wages have simply climbed less quickly than the wages of less-skilled workers.

What is crucial to remember is that even though high-skilled immigration reduces the wage gap between highly skilled workers and less-skilled workers, that does not mean that the wages of high-skilled workers decline. Again, more high-skilled immigration means that the wages of most workers rise, all throughout the economy (the overall wage effect). It's just that the wages of less-skilled workers rise even faster than those of high-skilled workers (the wage inequality effect).

In the case of a high-skilled immigration policy that brings in more semiconductor specialists, just think of the astonishing consequences for faster economic growth. Those new immigrants will share their knowledge of semiconductor manufacturing with native-born workers. Some of the immigrants will found their own semiconductor (or offshoot technology) companies and hire complementary American workers. Or their ingenuity and skillsets will make it possible for American entrepreneurs to start new companies. The innovation and productivity effects of the inventions made possible by high-skilled immigrants will spread to the rest of the American economy.

The dominance of the overall wage effect becomes especially clear over the long term. In Chapter 2 we discussed at length the overwhelming evidence that high-skilled immigrants contribute to the creation of new companies and new industries. The result is that there are now many high-skilled, high paying jobs in the modern economy *that would never have existed in the first place* were it not for high-skilled immigration.

The creation of these jobs, part of the overall wage effect, must be considered alongside the wage inequality effect, by which the wages of these very same jobs will rise more slowly because of the arrival of new high-skilled immigrants — who will themselves go on to contribute to the creation of millions of new high-paying jobs in the future that never would have otherwise been created. And so on...



We now look at three examples of these common mistakes:

**1) Negative Claim: “H-1B visas are bad for native-born skilled workers because they are forced to compete with the new immigrants.”**

One example of this claim comes from Ron Hira, a public policy professor, author, and frequently cited commentator on topics like outsourcing and high-skilled immigration. Hira has argued that “the H-1B program is most definitely harming American workers, harming them badly, and on a large scale.”<sup>85</sup>

This criticism commits both kinds of mistakes.

First, it completely ignores the overall wage effect. As we show in Chapter 2, H-1Bs specifically have been shown to help firms, industries, and cities grow, increasing both productivity and innovation. (Hira’s claim also ignores the massive fiscal boost from H-1B workers, also discussed in Chapter 2, which is in the hundreds of billions of dollars.) No reasonable analysis of H-1B visas would focus solely on those native-born workers who directly compete with the skilled foreigners who receive them.

Second, by focusing only on the workers who compete with H-1B holders, the claim ignores the *beneficiaries* of inequality effects. It is true that workers who compete most directly with H-1B holders become less scarce, which decreases their relative bargaining power. But the framework we introduced in Chapter 2 is a reminder that inequality effects can only decrease one group’s bargaining power by increasing another group’s bargaining power. H-1B holders on average are college educated workers with incomes well over six figures, which means that the biggest beneficiaries will be those without college degrees.

This claim thus ignores the overall wage effect and also the winners of the inequality effect — presenting an inaccurate, blinkered picture of the impact of H-1B visas.

**2) Negative Study: George Borjas. “The labor demand curve is downward sloping: Reexamining the impact of immigration on the labor market.” *The Quarterly Journal of Economics*, 2003.**

This paper from George Borjas is a favorite of critics who argue that immigration lowers the wages of native-born workers. (The paper is not specifically about high-skilled immigration, but about immigration generally.)

Borjas writes that immigration “lowers the wage of competing workers: a 10 percent increase in supply reduces wages by 3 to 4 percent.” To be precise, he found that immigration between 1980 and 2000 lowered average male wages in the short-run by 3.2 percent.

But the study only estimates *relative* wage changes between groups, and thus exclusively estimates the inequality effects and entirely ignores the overall wage effect.

His method did not and could not determine whether any specific group's wages actually went down or if they simply didn't go up as fast as the wages of other groups.<sup>86</sup> This is obviously a major difference, and reflects the exclusion of overall effects that could have shown every group's wages going up.

To be clear, this assumption is not hidden. Borjas actually writes that his analysis “ignored... the possibility that high-skill immigration (e.g., scientists and high-tech workers) is an important engine for endogenous technological change.”

But this effect is not a mere “possibility.” In Chapter 2 we laid out the astonishing variety of evidence that confirms it! So in its very construction, the Borjas paper ignores what are certainly the most important effects of high-skilled immigration on the U.S. labor market.

Yet the paper is often interpreted as having shown the wage effects of immigration rather than what it actually shows — just a small part of the picture, not the comprehensive whole.

**3) Positive Study: Alessandro Caiumi and Giovanni Peri. *Immigration's Effect on US Wages and Employment Redux*. No. w32389. National Bureau of Economic Research, 2024.**

It is not just studies that paint immigration in a negative light that commit these errors. Economists Alessandro Caiumi and Giovanni Peri found in a recent study that immigration from 2000 through 2019 actually increased average wages (though by less than 1 percent). Yet even this study ignores the overall wage effect and is estimated exclusively by looking at the wage inequality effect.

Like Borjas, Caiumi and Peri are clear that they are ignoring the overall effect, writing that they “omit potential effects of immigration on productivity in the analysis, which could be an important consequence, especially in the presence of high-skilled immigration.”

The problem is not that these studies focusing on the relative wage effect exist, but that they can be misinterpreted. They answer a narrow question about immigration's impact, and the risk is that both critics and advocates of immigration might seize on their findings and believe them to be more sweeping and definitive than they really are.

Our own framework, presented in Chapter 2, focuses on the entire range of effects and how these effects overlap and interact with each other — the ignorance of which is the cause of so much misunderstanding in immigration economics.



## APPENDIX 3:

# Office of Foreign Labor Certification Prevailing Wage Levels

The Department of Labor’s Office of Foreign Labor Certification is tasked with assessing whether applicants for certain work visas would negatively impact American workers. It attempts to do this by assigning Prevailing Wage Determinations to jobs for which foreign workers apply. Below are the four levels, which set within-occupation minimum wages for the H-1B, EB-2, and EB-3 employment-based green cards, along with certain other work visas. While well-intentioned, these levels fail to create fair labor markets in practice. Rather than prescribing hyper-specific wage rules, allowing visa holders to fully participate in labor markets — allowing them to switch employers in search of higher pay or better conditions — would be a more effective way to protect American workers.

## Prevailing wage levels in employment-based green cards and H-1B programs

Experience Level (Minimum wage)	Department of Labor Description
Entry-level (17th percentile)	<p><b>Level I (entry)</b> wage rates are assigned to job offers for beginning level employees who have only a basic understanding of the occupation. These employees perform routine tasks that require limited, if any, exercise of judgment. The tasks provide experience and familiarization with the employer's methods, practices, and programs. The employees may perform higher level work for training and developmental purposes. These employees work under close supervision and receive specific instructions on required tasks and results expected. Their work is closely monitored and reviewed for accuracy. Statements that the job offer is for a research fellow, a worker in training, or an internship are indicators that a Level I wage should be considered.</p>
Qualified (34th percentile)	<p><b>Level II (qualified)</b> wage rates are assigned to job offers for qualified employees who have attained, either through education or experience, a good understanding of the occupation. They perform moderately complex tasks that require limited judgment. An indicator that the job request warrants a wage determination at Level II would be a requirement for years of education and/or experience that are generally required as described in the O*NET Job Zones.</p>
Experienced (50th percentile)	<p><b>Level III (experienced)</b> wage rates are assigned to job offers for experienced employees who have a sound understanding of the occupation and have attained, either through education or experience, special skills or knowledge. They perform tasks that require exercising judgment and may coordinate the activities of other staff. They may have supervisory authority over those staff. A requirement for years of experience or educational degrees that are at the higher ranges indicated in the O*NET Job Zones would be indicators that a Level III wage should be considered. Frequently, key words in the job title can be used as indicators that an employer's job offer is for an experienced worker. Words such as 'lead' (lead analyst), 'senior' (senior programmer), 'head' (head nurse), 'chief' (crew chief), or 'journeyman' (journeyman plumber) would be indicators that a Level III wage should be considered.</p>
Fully competent (67th percentile)	<p><b>Level IV (fully competent)</b> wage rates are assigned to job offers for competent employees who have sufficient experience in the occupation to plan and conduct work requiring judgment and the independent evaluation, selection, modification, and application of standard procedures and techniques. Such employees use advanced skills and diversified knowledge to solve unusual and complex problems. These employees receive only technical guidance and their work is reviewed only for application of sound judgment and effectiveness in meeting the establishment's procedures and expectations. They generally have management and/or supervisory responsibilities.</p>

Source: [Prevailing Wage Determination Policy Guidance Nonagricultural Immigration Programs, Revised November 2009.](#)

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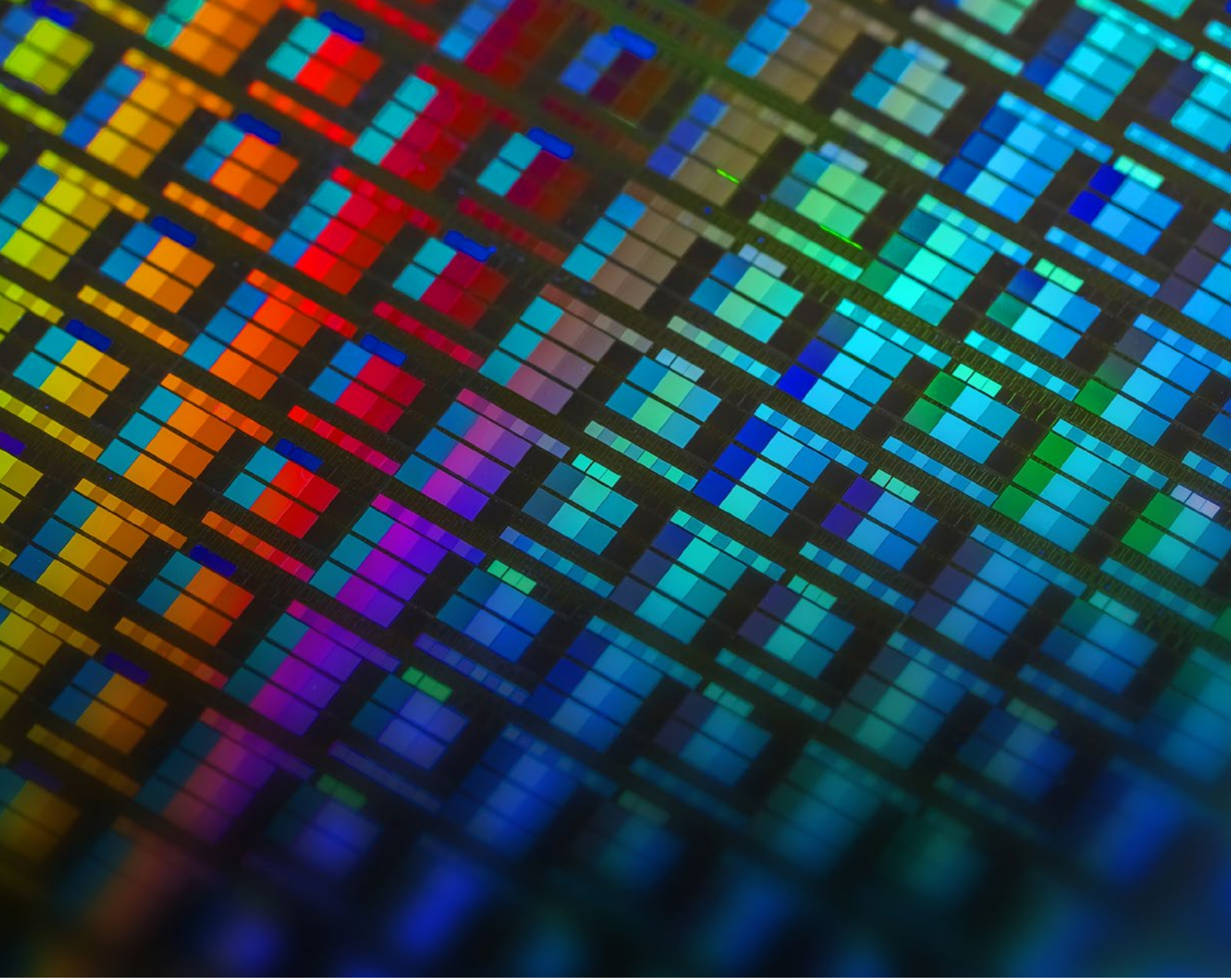
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The Economic Innovation Group (EIG) is a bipartisan public policy organization dedicated to forging a more dynamic and inclusive American economy. Headquartered in Washington, DC, EIG produces nationally-recognized research and works with policymakers to develop ideas that empower workers, entrepreneurs, and communities.

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