

Immigration: President Bush's Proposal

In October 2002, Dan Griswold, associate director of Cato's Center for Trade Policy Studies, published *Willing Workers: Fixing the Problem of Illegal Mexican Migration to the United States, a Policy Analysis advocating the creation of a temporary worker visa that would give foreign workers the opportunity to work legally in the United States*. Rep. Jeff Flake (R-AZ) wrote guest worker legislation that drew heavily on Griswold's paper, and President Bush unveiled a proposal based on the Flake bill in early 2004. Cato held two events on the subject. At the first, a January 16 Policy Forum entitled "President Bush's Immigration Proposal: Too Much, Too Little, or About Right?" Margaret Spellings, assistant to the president for domestic policy, described and defended the president's plan. Frank Sharry of the National Immigration Forum and Steven Camarota of the Center for Immigration Studies provided commentary on the proposal. The second event was a January 28 Cato Hill Briefing featuring Griswold and Representative Flake. Excerpts from their remarks follow.

Margaret Spellings: I think it's important to lay out a few facts about the state of the world. First, we in the administration believe there are about 8 million people here illegally. Millions of them are working. Roughly 70 percent of them are Mexican. Second, there is currently no legal way for people to come to this country and work in many low-skill sectors. Third, U.S. employers want and need workers to grow their businesses. Fourteen percent of our workforce is foreign born. Fourth, in our day of heightened homeland security concerns, it's critically important that we know who is here, why they're here, and how long they're going to be here. We are a nation of laws, and we need to know who is here if we're going to be effective at securing our borders.

The president has called for the enactment of a temporary worker program that would be non-sector specific and would match a willing worker with a willing employer when no American is available to fill a job. It could include nurses, teachers, hotel workers, agriculture workers, and even students. The program would be open to new foreign workers who currently reside abroad and who wish to come to the

United States, provided that an American cannot be found to fill those jobs, and to the millions of undocumented men and women who are here working today.

We believe this program will serve the economy by matching willing workers and willing employers. We believe that it will promote compassion by affording to these undocumented workers who would join the temporary worker program the same protections that American workers enjoy, such as minimum wage, workplace safety, and the like. We believe it will protect the right of legal entrants, those people who are currently in the green card queue, by not giving these temporary workers the advantage over them as previous amnesty programs have done.



Margaret Spellings: "The president has called for the enactment of a temporary worker program that would match a willing worker with a willing employer when no American is available to fill a job."

Frank Sharry: The president's analysis of what immigration means to America and how the current system needs to be fixed was right on point. However, the diagnosis of the problem was better than his prescription. Let me point out a few of our differences. The president emphasized circularity—the idea of people coming and then going back. And certainly for a number of immigrants, particularly migrants from Mexico and Central America, that is the desire. But as we have seen throughout our history, there is also a strong desire for

some to settle here and become citizens and full Americans.

If this is going to be a realistic approach that's going to draw people into the legal channels, you have to promote not only circularity but citizenship. The American immigration success story is built on people coming, settling, pledging allegiance, and becoming full Americans. The path to citizenship and permanence in the president's plan needs to be fleshed out. The president's plan for those undocumented workers here is likely to draw into the program those who have been here just a few years, who aren't particularly stable here and have their families back home. The folks who have been here 10 years, whose kids are going to school, who are paying off credit card debt, are unlikely to sign up for a three-year work permit with an uncertain prospect of renewal.

We think there needs to be a better approach to make sure that U.S. workers are given first shot at jobs. In particular, we are going to need to have at least prevailing wage protections. You cannot have a \$10-an-hour worker suddenly replaced by a \$6-an-hour worker under a legal temporary worker program. It's not going to be politically sustainable and it is not economically smart. And I don't think that is what the responsible employer community wants. They want to make sure they can fill jobs as our demographics create more and more opportunities and there are fewer and fewer Americans to fill them.

I also think it needs to be a bit more narrowly tailored to the objective of replacing the current illegal flow with a legal flow. If we swing the door too far open, we might end up having an illegal flow plus a new legal flow. And that's not the objective. The objective is to bring this under the rule of law.

Finally, the president talked about the need for enforcement, and this is going to be critical. If we are going to legalize more of the flow and make legality the prevailing norm and we set limits that are more realistic and more market sensitive, as we should, then we are going to have to make sure that the public has confidence that those limits are being enforced.

Now, it will be a lot easier when more people have incentives to come here legally. But there is going to be a need not for

“Unfortunately, there is no administrative system to force people who are denied residence to leave the country.”

the disappearance of the Border Patrol but for a Border Patrol that can really target the smuggling rings that have popped up in the last decade and become so lucrative. It is going to require that the United States demand more of the sending countries with respect to cooperation on enforcement.

Steven Camarota: This proposal fundamentally mocks the law abiding. By giving legal status to illegal aliens, we say to those who wait their turn that they are dupes for taking our own laws seriously and playing by the rules. That is a horrible message to send to people here or to those thinking about coming.

I also don't believe the president's proposal addresses the administrative capacity question at all. A recent GAO report showed that the backlog of unresolved applications for citizenship and green cards and change of status has grown from 3.9 million to 6.2 million in two years, a 59 percent increase. There is no way for them to handle millions more applications that would result from this proposal unless we are prepared to spend a lot of money and wait the several years it would take to train personnel and set up new computer systems so that each applicant can be carefully vetted. The only way to process millions of applicants under the current system would be to rubber stamp them as quickly as possible. In that environment, we are guaranteed to give one of these guest worker amnesties to a terrorist.

We've done it before. In 1986, we gave out 2.7 million green cards to illegal aliens as part of the last big amnesty. One of the people who got amnesty was Mahmud Abouhalima, a leader of the 1993 attack on the World Trade Center. He was legalized as a seasonal agricultural worker—even though he drove a cab in New York City—because the system was so overwhelmed that no attempt was made to verify his story. As a result, once he got his legal status, he traveled abroad to Afghanistan, where he received the terrorist training that he then came back and used in the 1993 attack.

Let me touch on another issue about administrative capacity. Consider the case of Mohammad Salameh, who rented the

truck in that attack. He applied for the same amnesty as his friend Mahmud, but he didn't get it. That's good news, right? Unfortunately, there is no administrative system to force people who are denied residence to leave the country. So he simply stayed in the United States, living and working illegally, until the day he helped blow up the Trade Center. Hundreds of thousands of other people have had their day in court and been ordered to leave, but we don't know if they've gone.

Another concern deals with the fiscal costs. Large numbers of unskilled workers necessarily impose huge costs on taxpayers, because the modern American economy offers very limited opportunities to



Jeff Flake: “Right now we have a law that is divorced from reality. And so we need to enforce the law. But first we need a law that we can enforce.”

workers with little education. There is an absolute consensus on the effect of unskilled immigrants on public coffers. The National Academy of Sciences estimated that immigrants without a high school education imposed a net fiscal drain of \$89,000 on taxpayers during the course of their lifetime. For those with only a high school education, the net fiscal drain was \$31,000. Put simply, there is a very high cost to cheap labor. But, of course, employers don't see these costs. They hire someone at a low wage and the costs are borne by everyone.

Now, how would we enforce the law?

I think we could do it very easily. We police the border. We go after the employers. We deny the documents to the illegal aliens. We don't give them drivers licenses. We don't give them in-state college tuition. And we make sure that everyone knows that the immigration law is back in business.

Once we did that, then we could come back and talk about an amnesty. Until then we're putting the cart miles before the horse.

Rep. Jeff Flake: I grew up on a farm in northern Arizona, where we employed a lot of illegal aliens to work on the farm and on the ranch. At that point, it wasn't illegal to hire them. There was a circular migration of people, who would come up and work on the farm and then return home for the year, or return home after a couple of months. The border was easy to cross at that point, so you had a circular pattern of migration.

We don't have a circular pattern anymore. The border still leaks like a sieve, but it only leaks one way. People are coming, they just aren't going home. And migrants are far more likely to bring their families along now than they used to be. The *Wall Street Journal* a few months ago interviewed illegals in Stockton, California. They all said basically the same thing: “If we could go home, we would. If we could come here just to work and return home to our families, we would. But we can't. And so we bring our families once.”

It's simply not feasible to seal the border. If you go into Yuma, Arizona, early in the morning, you'll see thousands of migrants come through the legal entry points from San Luis into Yuma to work in the lettuce fields and other areas and then return home that night. They're either U.S. citizens or have green cards to work here, but it's cheaper to live there. In addition, even if we could seal the border, at least 40 percent of those who are here illegally first entered the country legally. So we have to deal with those who are here illegally at present.

Our bill is based on the notion that you match willing employers with willing workers. The president has taken that same position. He has said consistently during his

Continued on page 10

“Our dysfunctional immigration system is colliding with a couple of very powerful economic and demographic trends.”

POLICY FORUM *Continued from page 9*

campaign and since then that he wants a plan that matches willing employers with willing workers. And I think our bill matches what he wants most closely.

Now some will say, “Hey, we have more than 10 million unemployed in the U.S. and 10 million illegals. Just switch them.” That suggests that it is the role of the federal government to take an unemployed schoolteacher in Maine and say, “Hey, you’re going to go roof houses in Arizona, whether you like it or not.” That’s a much greater role for the federal government than I’m comfortable with. The Soviet Union tried that for years. Cuba is still trying it, and it hasn’t worked very well. Neither is an example that we want to emulate.

A lot of people are asking: “How can we enforce a new law when we can’t enforce the laws that we already have? Let’s enforce the law that we already have before we have a guest worker program.” I would suggest that those who are saying that should come along with me and the INS and the Department of Justice to any resort in Phoenix or to any roofing contractor, drywall hanger, or landscaping company, and arrest the employer and put the employer in jail or assess a fine of \$10,000 per occurrence, as the law requires.

If anybody actually wants to do that, and would feel good about it, then I would agree and say, “Hey, let’s enforce the law as it is.” The truth is we have a law today that simply isn’t going to be enforced. We don’t have the political will. Right now we have a law that is divorced from reality. And so we need to enforce the law. But first, we need a law that we can enforce.

Daniel Griswold: President Bush and Representative Flake deserve an enormous amount of credit for taking on this issue, which is a political risk. Their approach is compassionate conservatism at its best. It would help the economy by making work legal, allowing willing workers and willing employers to get together in the marketplace voluntarily. It would allow the government to devote more of its resources to its constitutional duties of protecting the homeland. And it would help the least

among us, the illegal workers who are toiling in the shadows, and bring them under the protection of the law.

Our dysfunctional immigration system is colliding with a couple of very powerful economic and demographic trends. Our economy continues to produce opportunities for low-skilled workers, but the pool of Americans willing to take those jobs continues to shrink. We’re getting older and better educated. By the end of this decade, the average age of an American in the work force is going to be over 40 years. In 1960, a majority of American workers lacked a high school degree; today, it’s below 10 percent, and falling. The result is a mismatch



Daniel Griswold: “Legalization would lift the working conditions of people, legal and illegal, native-born and foreign-born alike.”

between the jobs available and the pool of Americans willing to take those jobs. Yet our immigration system has virtually no legal channel for low-skilled workers.

We have tried enforcing the existing law, and it has failed. The 1986 Immigration Act imposed sanctions on U.S. employers for the first time. In the last decade, we’ve quintupled spending on border enforcement. We’ve built walls at the border and raided workplaces. The only result has been a deadly diversion of migration, from the traditional urban crossing points out into the desert. The result has been headaches for landowners in Arizona, but it has been downright deadly for thousands of people.

Since 1998, 2,000 people have died terrible deaths trying to come across the U.S. border. They have died of dehydration in the desert. They have died in sealed boxcars and railcars. That is too high a price to pay for trying to get a better job.

The large underground pool of labor that we have today drags down working conditions and wages on the lower rungs of the economic ladder. Legalization would lift the working conditions of people, legal and illegal, native-born and foreign-born alike. We also know from experience that legalized workers are more likely to invest in their language and their job skills.

And I would also disagree with the charge that immigrants hurt American workers generally. They don’t drive down wages or cause unemployment. Look at our recent history. In the 1990s, more foreign-born workers—legal and illegal—came to the United States than at any time in a century. And yet we achieved record-low unemployment, large-scale job creation, and rising wages up and down the income scale.

Critics ignore the fact that the demand for low-skilled labor is increasing. Large and important sectors of the U.S. economy need foreign-born workers to grow. There are five to six million of those illegals doing important work—harvesting food; building homes; cleaning offices; and serving customers in restaurants, hotels, and retail stores. These sectors of our economy would probably grind to a halt if they were deprived of those workers overnight.

Immigration reform is in our national security interest. It’s telling that the first administration official to broach the subject in December was Tom Ridge, the Homeland Security secretary. He realizes that legalization along the lines of what President Bush has called for would make his job easier. Immigrants would be more likely to cooperate with law enforcement officials. We could start draining the swamp of smuggling and document fraud. We could shift more of our limited resources to catching people who genuinely intend to do us harm. I am sure Secretary Ridge would rather have his personnel chasing down terrorists than busting janitors at Wal-Mart.

This proposal is not an amnesty. In the 1980s, we basically said, “If you’ve

“The financing of the transition is a one-time event that actually serves to reduce government’s future liabilities.”

POLICY FORUM *Continued from page 10*

been here four years or more, here is your green card.” That was an amnesty. But in this case, the legalized workers would not, and should not, get automatic citizenship or even permanent residency. They would receive only a temporary visa, renewable for a limited time. They would have to pay a fine, which would not be chump change to somebody on a low-skilled wage. They would have to get in line with everybody else to apply for permanent status under existing law.

I think we should be careful to avoid the mistake of previous guest worker programs. It is absolutely essential that these visas be portable. That was the mistake of previous programs. They tied the workers too closely to the employer. It gives the employer too much leverage. The best worker protection is the ability to change jobs and to look for a job that has better conditions and better pay.

As I see it, we have three options before us. We can muddle through with the status quo. Nobody is happy with that. Nobody wants massive illegal immigration. Or we

can redouble our efforts. We can quintuple spending again, seal the border, and build a three-tiered wall from San Diego to Brownsville. And that will not solve the problem.

Or we can recognize reality and create a legal channel, so that, in the words of President Bush, willing workers and willing employers can get together to serve the social and economic needs of both our countries.

In his farewell address in 1989, Ronald Reagan said he saw the United States as a shining city on a hill, “God-blessed and teeming with people of all kinds, living in harmony and peace. A city with free ports that hummed with commerce and creativity. And if there had to be city walls, the walls had doors. And the doors were open to anyone with the will and the heart to get here.”

The fundamental, philosophical issue at stake is whether we will keep those doors open to peaceful, hardworking people with the will and the heart to get here, or slam the door shut, at great cost to our economy and our tradition as a free and open society. ■

SOCIAL SECURITY *Continued from page 3*

workers; the unfairness of the program for minorities and working women; the impact on wealth creation; and, most importantly, the lack of legal ownership and control over one’s benefits.

A Proposal for Individual Accounts

Social Security’s problems have led to a growing movement for reform, including proposals to allow younger workers to privately invest some or all of their Social Security taxes through individual accounts.

Unfortunately, many of these proposals fell short of what was needed to truly fix Social Security. Many proposals contained only tiny accounts, leaving the majority of workers’ retirement income subject to government control. Other plans promised too much, pretending that every retiree could become a millionaire with no cost to the taxpayers and no tough decisions.

Therefore, it was important that Cato’s

Project on Social Security Choice develop a plan of our own, a proposal that would substantially transform Social Security into a savings and investment system while being fiscally responsible.

After months of hard work, the advisory committee to Cato’s project proposed the following:

- Current workers should be given a choice: those who wish to remain in the traditional Social Security system would be free to do so, accepting a level of benefits payable with existing levels of revenue. That is to say, they would not be negatively affected by the creation of the individual account option but would not be paid benefits higher than what Social Security can actually pay today.

Beginning in 2012, the formula used to calculate the accrual of benefits would be adjusted to be indexed to price inflation rather than national wage growth. It is particularly important to note that this change would

have no impact on those people who have already retired, since benefits after retirement are already adjusted according to inflation (that’s what Cost of Living Adjustments or COLAs are). Nor would it reduce benefits for those nearing retirement.

- At the same time, workers who wished to enter the new market-based system would be allowed to divert their half of the payroll tax (6.2 percentage points) to individually owned, privately invested accounts. Those people who chose to do so would agree to forgo all future accrual of retirement benefits under traditional Social Security. The remaining 6.2 percentage points of payroll taxes would continue to be paid into Social Security to pay transition costs and to fund disability and survivors’ benefits.

Workers choosing the individual account option would no longer accrue future benefits under traditional Social Security but would get a zero-coupon bond in recognition of their past contributions to Social Security. The amount of the bond would provide a benefit based on accrued benefits under the current Social Security system as of the date that the individual chooses an individual account. The bonds would be fully tradable on secondary markets, but all proceeds would have to be fully redeposited in the worker’s individual account until the worker became eligible to make withdrawals.

Funds deposited in individual accounts would be invested in real capital assets under a three-tier system: a centralized, pooled collection and holding point; a limited series of investment options, with a lifecycle fund as a default mechanism; and a wider range of investment options for individuals who accumulate a minimum level in their accounts.

At retirement workers would be able to choose between an annuity, a programmed withdrawal option, or the combination of an annuity and a lump sum payment. In addition, if at any time a worker could purchase an annuity equal to 120 percent of poverty, he

Continued on page 12