

U.S. IMMIGRATION POLICY IN THE 21ST CENTURY: A MARKET-BASED APPROACH

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On most issues of public policy one can predict the position that individuals will take based on their ideological orientation. Immigration policy, however, is one topic where ideological perspective is historically useless in predicting individual positions. The decision of whether or not to liberalize immigration policy or to place greater restrictions on it is something that creates a divide not only between political parties but also within the parties themselves. Peter Brimelow (1999) is one prominent voice from the right who believes that the current immigration policies not only second-guess the American people but threaten the American nation. Brimelow is a strong supporter of placing restrictions on immigration at levels that are much lower than those that currently exist. A similar position is taken by the libertarian political philosopher Hans-Hermann Hoppe. Specifically, Hoppe (1998) argues that the United States will continue to suffer until policies are implemented that subject all migration to the condition of legally binding contractual invitations between the private domestic persons and the arriving immigrants.

Yet other important voices on the right have supported past efforts to liberalize government restrictions on immigration, including former House Majority Leader Dick Armey and former Energy Secretary Spencer Abraham (Mehlman 2000). These liberalization

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efforts stem from the argument that markets work as efficiently in the area of human mobility as they do in other forms of economic activity. Additionally, important voices from the libertarian movement, Walter Block in particular, support liberalized immigration policy by defending the argument that “like tariffs and exchange controls, migration barriers of whatever type are egregious violations of laissez-faire capitalism” (Block 1998: 168).

Liberals have also found themselves divided on issues surrounding immigration. Labor unions and their leaders have historically opposed immigration, although this view is beginning to change as they are realizing that the number of immigrant union members has been rapidly increasing (Migration Policy Institute 2004). Also, the increasing dominance of public sector unions in the labor movement has reduced the influence of private sector unions, which have historically opposed immigration (see Norcross 2011 for more on the distinction between public and private sector unions). But as the anti-globalization movement has shown, many on the left favor reductions in the international movement of not only goods, services, and capital but human labor as well (Bhagwati 2004). However, there are others on the left such as the late Sen. Edward Kennedy, who have generally favored efforts to expand immigration to the United States (Kiely 2009).

When examining these various views on immigration it’s important not to fall subject to the all too common misperception that one’s immigrant status dictates one’s position in the debate, viewing immigrants as pro-immigration and nonimmigrants as anti-immigration. This is clearly not the case as Brimelow (1999), Hoppe (1998) and Borjas (1999) are some of the most prominent skeptics of immigration and are immigrants themselves—anti-immigrant immigrants. In fact, the anti-immigrant immigrant is not a new phenomenon. It stems from the growing instinct for individuals to think that their generation is the Great Generation and that those who follow are somehow inferior. So it goes with immigration. One can speculate that the individuals who arrived on the *Mayflower* lamented newcomers arriving to Massachusetts on subsequent boats in the 1620s as lacking the motivation, the ingenuity, or some other positive attribute allegedly possessed in abundance by those arriving earlier.

In the 18th century, Benjamin Franklin lamented the allegedly deleterious effects of new German arrivals to Philadelphia by disparagingly speaking of how Pennsylvania was being “Germanized.”

In the mid-19th century, the great American inventor Samuel F. B. Morse denounced new arrivals from Ireland and spoke of the dangers to America arising from the Roman Catholic faith of the newcomers. A half-century later, Woodrow Wilson pronounced that new arrivals from Italy and eastern Europe were of an inferior stock compared with those coming earlier from the northwestern part of the same continent. So it is not surprising when Borjas (1999) and Brimelow (1999) lament the arrivals to America after 1965 as inferior to those coming in the 1950s or early 1960s. The question that ultimately arises then is, if conventional political ideology does not explain differences in opinion on immigration then what does? The next section of this article will begin to answer that question by examining the more prominent perspectives on immigration.

Differing Perspectives on Immigration

Long Run vs. Short Run

The prominent English economist John Maynard Keynes (1923: 65) once argued that “in the long run, we are all dead.” He thought the long run was irrelevant. Yet that is clearly not the case for people interested in their living standards 10, 20, or 30 years from now or those interested in the lives of their children or grandchildren. Many individuals who oppose immigration are concerned with the adverse consequences that immigration has on life *today*. One argument consistent with this short-run opposition can be found in the complaint that foreigners enter the country with fewer skills on average than native-born workers (Brimelow 1995). Immigration thus, according to this argument, lowers the average skill level in the American work place, which causes a decrease in the per capita human capital stock.

An additional short-run complaint is that immigration tends to lower wages for native-born Americans in occupations where immigrants are more prevalent. The arrival of huge numbers of immigrants has provided Washington and New York, for example, with an abundant stock of potential taxi drivers, which may have lowered wages or job opportunities for native-born Americans with similar vocational interests. However, the jury is still out on the existence of a wage effect caused by immigration. Borjas (2003) finds evidence that the wage impact of immigration differs dramatically across education groups, decreasing wages by 8.9 percent for high-school dropouts, by 4.9 percent for college graduates, and by 2.6 percent

for high-school graduates. Peri (2007), on the other hand, finds evidence that not only are immigrants imperfect substitutes for natives with similar education but they also stimulate the demand for and wages of most U.S. native workers. Additionally, Simon (1995) argues that while immigration has a negative effect on wages for some groups, it has positive effect for others and the overall effects are small.

Those favoring immigration, on the other hand, usually have arguments that focus on the potential long-run benefits. In general, these proponents concede that immigration can have some short-run adverse consequences on native-born Americans but argue that immigrants make America a better and more prosperous place in the long run. Specifically, they believe that in the long run immigration attracts new investment and promotes entrepreneurial initiative. For example, Cowen (2010) argues that immigration, skilled and unskilled, not only creates more jobs in the long run but it also increases tax revenues and improves our nation's business environment. Additionally, it has been argued that immigration makes the American labor market more competitive, thus enhancing its overall efficiency (Lehman 1995).

The education system in the United States is another common component of the long-run pro-immigration argument. As Crovitz (2009) points out, immigrants are awarded about 60 percent of the advanced degrees in engineering in the United States. This fact seemingly shows that immigrants are filling occupational voids left by deficiencies in America's education system. Therefore, it is no surprise that companies including Yahoo, eBay, and Google were founded or co-founded by immigrants or that roughly 50 percent of the new business start-ups in Silicon Valley are founded by immigrants (Crovitz 2009: 13).

Melting Pot vs. Multiculturalism

The national motto of the United States is "E Pluribus Unum"—out of many, one. Our nation has historically delighted in its ability to take individuals from different nations and cultures and meld them into American society. We have turned Italians into Americans, Chinese into Americans, Somalians into Americans, and so forth, for hundreds of years. The nation as a vast melting pot is one of the leading themes of American exceptionalism.

The assimilation of foreigners into a broad American culture has been one of the enduring dramas of American history. Those supporting immigration delight in this, and use it to demonstrate that our nation is not threatened by newcomers who look different, who speak different languages, or have different religions. Yet in the past generation there has been a rise in multiculturalism and it has become politically correct to celebrate diversity, to promote differences in cultures and attempt to preserve them. Of particular interest with respect to immigration is the attempt to promote bilingual education, promoting the notion that immigrants and their children can and should maintain their ancestral language identity. In fact, there is some evidence that a greater knowledge of ancestral language can help maintain and reinforce ethnic identity (Phinney et al. 2001).

Multicultural policies designed to slow down economic and cultural assimilation, however, have the potential to reduce the willingness of the nation to absorb new immigrants. Thus, while most advocates of multiculturalism would consider themselves pro-immigration, in reality the policies that they promote can actually work to increase legal restrictions on immigration in the United States. For example, it is clear that knowledge of the English language is a critical determinant of income, where wages are much higher for persons who know English (Chiswick 2009, Chiswick and Miller 2010).

Celebrating diversity, however, is different than fostering ethnic concentration, something that has also been increasing during recent years. Cutler, Glaeser, and Vigdor (2005) show that immigrant isolation was relatively high at the beginning of the 20th century, it began to decline after 1920 and has been steadily increasing again since 1960. Disparities in economic class and accessibility to transportation and employment are two important determinants of this increasing ethnic concentration. Moreover, immigrants from countries where the predominant language is more linguistically similar to English tend to be less concentrated (Cutler, Glaeser, and Vigdor 2005). Interestingly, in addition to this evidence, LaFountain and Johnson (2008) find evidence suggesting that foreign-born voters who immigrated most recently are less likely to vote than those who arrived in earlier cohorts and thus conclude that the foreign-born population is increasingly not represented in the U.S. democracy.

Local vs. Global

One of the most universally accepted doctrines in the field of economics was originally developed by David Ricardo (1817) and eventually became known as the theory of comparative advantage. The theory in its most basic sense is the idea that everyone benefits from trade and that the trading of goods and services enlarges the world's output and income. Because immigration is a form of resource movement, the theory of comparative advantage would imply that immigration also makes both the immigrant and most natives better off. Some empirical evidence supports this idea by showing that immigrants specialize in manual tasks whereas native-born workers respond to immigration by specializing in interactive tasks such as coordinating, organizing, and communicating (Peri and Sparber 2007). In other words, because native-born workers have a better understanding of local networks, rules, customs, and language they respond to immigration by taking on jobs in which they can work to their comparative advantage by utilizing this local understanding. As Powell (2010) writes, "Free trade in labor, like trade in goods and services, frees existing Americans to do what's in their comparative advantage."

Another way to understand the benefits of freer labor mobility can be seen in the following example: An engineer working in Bangladesh currently adds \$5,000 to the value of the world's output but has the potential to add \$50,000 if she were to move to California, in part because in California she will have greater access to capital. Allowing the engineer to move from Bangladesh to California enhances the world's output potentially by tens of thousands of dollars. Moreover, by reducing the labor supply in Bangladesh the emigration of workers from that country might raise the capital-to-labor ratio, which in the long run will increase income for citizens remaining there.

Arguing for the possibility of immigration being a positive sum game, however, does not mean that there are zero costs associated with immigration. It is clear that immigration does pose some costs on the nation the migrants are moving to. Those who think locally, in terms of their nation without regard to other countries, may tend to be more skeptical about the benefits of immigration compared with those who put value on raising living

standards of individuals who were born outside the United States. Therefore, the end value reached when calculating the net costs or benefits of immigration is a function of, among other things, the value one places on the local effects versus the global effects.

Output Growth vs. Income Distribution

The idea that immigration increases national output is a generally accepted concept in the immigration literature. Borjas (2008) estimates that the net benefits of immigration are roughly \$22 billion annually, but then he argues that this number is relatively small and further points out that the net benefits are offset by the resulting undesirable income redistribution. Specifically, Borjas (2008: 258) argues that immigration induces “a sizeable redistribution of wealth—away from competing workers and toward Americans who hire or use immigrant-provided services.” Therefore, the objection to immigration in this argument is not based on the grounds that immigration would harm the standard of living of Americans in the long run but rather that it results in a detrimental effect on income distribution. This distributional argument, however, is pointing to a short-run problem. The opposing long-run argument that could be made lies in the idea that in the long run the adverse income distributional effects of international population movements may be offset by higher levels of labor market efficiency and productivity.

The positions for and against immigration discussed thus far are relatively mainstream. Before moving to the next section we will briefly discuss three additional components that are less frequently examined but do have an effect on immigration positions—morals, security, and timing. It is clear that opponents and proponents of immigration make arguments based on moral grounds. As Hoppe (2002: 91) writes, “The opposition against current immigration policies is ultimately independent of whether immigration will make per capita GDP (or similar statistically measures) rise or fall. It is a matter of justice: right or wrong.” Some believe the United States has a moral obligation to open its doors to the downtrodden, viewing immigration as another way of helping the oppressed. This argument is often based on the idea that the United States has always been a land of opportunity and that because earlier generations allowed our families to immigrate to the United States we should do the same to

other prospective Americans. Brimelow (1992: 33) believes that there is no merit in the “nation of immigrants” argument because “all nations are nations of immigrants” but “the process is usually so slow and historic that people overlook it.”

There are also groups that oppose immigration on national security grounds. Specifically, the 9/11 attacks led to greater suspicion of foreigners and a feeling that the nation needs to be a little less open to newcomers. The importance of security is something that can generally be agreed upon between proponents and opponents of immigration. Individuals from both perspectives have historically favored keeping immigrants out who would endanger the population through the spread of disease or by criminal activity, and the recent increases in international terrorism have heightens these concerns.

Timing is another aspect that often impacts views on immigration, particularly during recessions, wartime, and periods of high rates of immigration. When the economy is in a recession or a depression immigrants appear to be a greater economic threat. Although the irony of this is that the number of immigrant arrivals tends to automatically fall during such periods. More specifically, there is evidence that immigration is sensitive to the business cycle where economic expansions boost inflows and vice versa for recessions and depressions (Pew Research Center 2011). Also, during wartime the nation is seemingly less sympathetic to immigration than otherwise. This can be seen in the increased immigration restrictions enacted during and shortly after World War I. Finally, when immigrant flows begin growing at a faster pace, concerns about the impact of immigration on both the culture and the assimilative capacity of the economy grow as well. This can be seen in events throughout the mid-19th and early 20th century.

The remainder of this article (1) examines a series of facts that are important for setting the stage for an analysis on immigration policy, (2) describes existing immigration policy, (3) presents an approach to deal with problems that exist in the current immigration policy, and (4) suggests a new approach to immigration law.

Some Stylized Facts about American Immigration

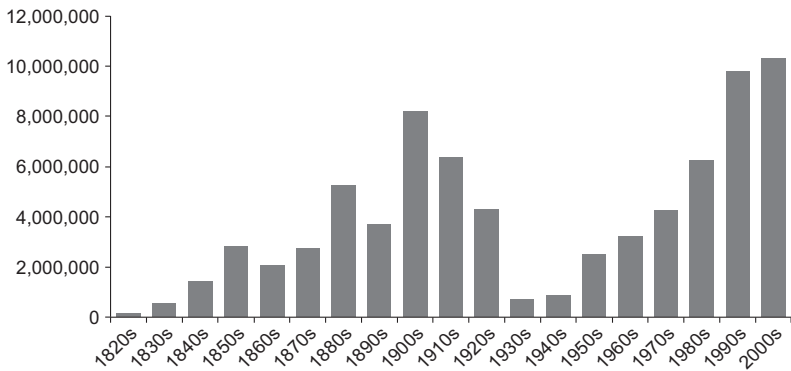
Starting with the basic numbers on immigration, more than 76 million legal immigrants have moved to the United States since 1820—a number that slightly greater than what the entire United

States population was in 1900. During the 1800s an average of roughly 230,000 legal immigrants moved to the United States each year. During the 1900s these numbers increased to roughly 460,000 annually, and during the most recent decade an average of just over 1,000,000 legal immigrants have entered the country each year. The following chart presents these data, showing the total number of legal immigrants coming to the United States each decade since 1820 (DHS 2011).

These numbers are somewhat imprecise. When considering total immigration to the United States we should also consider the sizeable flows of illegal immigrants that enter the country, which are, by definition, difficult to measure. However, according to the Department of Homeland Security (2010), there were 10.8 million unauthorized immigrants living in the United States in January 2010. Roughly 80 percent of the illegal immigrants are from the North American region including Canada, Mexico, the Caribbean, and Central America. Some of the other leading regions of illegal immigrant origin include Asia and South America.

In order to gain a better grasp on the number of immigrants moving to the United States each year it's important to consider the numbers today relative to what they were a century ago. For example, immigrant flows in an absolute sense are somewhat larger than they were 100 years ago in the early 20th century. About 8.2 million

FIGURE 1
LEGAL IMMIGRATION IN THE UNITED STATES



SOURCE: Department of Homeland Security (2011: Table 1).

immigrants entered the country during the first decade of the 20th century and about 10.2 million immigrants entered the country during the first decade of the 21st century. In another sense, however, they are much smaller. Using population data from the Census Bureau and immigration data from the Department of Homeland Security, it can be seen that during the first decade of the 20th century there were an average of about 10 immigrants per 1,000 people entering the United States annually. Whereas during the first decade of the 21st century this number was just over 3 immigrants per 1,000 people annually. Moreover, immigrant flows in the United States are lower relative to population when compared to many smaller countries and areas such as Israel or Hong Kong. Immigration levels are also somewhat lower than those in larger nations as well, including neighboring Canada.

One of many characteristics of arriving immigrants that is often discussed in the literature is the entering wage of recent immigrants to the United States. In a seminal paper, Chiswick (1978) found using a cross-sectional analysis that immigrants typically have lower wages compared to similar native-born Americans but have rapid gains in income after their arrival, and after 10 to 15 years immigrant earnings tend to equal those of native-born Americans. This pattern has generally held up over time as a recent survey article by Freeman (2006: 153) states that “U.S. data show that immigrants earn less than the native-born overall and less than the native-born with the same years of schooling, but that these differences decline over time.” In related research, Borjas (1985) found that more recent immigrants were earning less than earlier cohorts of immigrants, which suggested that the quality of recent immigrant might have declined. More recently, however, Borjas and Friedberg (2009) find that this decline has reversed and that new immigrants are doing as well compared to natives as they had two decades earlier. In addition, while not looking just at new immigrants, recent data from the Current Population Survey shows that the share of immigrants with a college degree has risen considerably since 1980 (Hall et al. 2011).

The findings on immigrant wealth are similarly debated in the literature. Some evidence shows that immigrant status promotes wealth accumulation. When controlling for age at arrival and the length of residence in the United States, the age-wealth profiles of immigrants have been found to exceed those of natives 24 years after their arrival (Hao 2001). Conversely, other evidence suggests

that immigrants, on average, accumulate less wealth than comparable natives and further that natives tend to carry more precautionary savings than comparable immigrants (Amuedo-Dorantes and Pozo 2002).

In regard to educational attainment, there are seemingly significant variations in accomplishments between immigrant groups. In general, immigrants from countries with higher educational levels, *ceteris paribus*, achieve higher levels of educational attainment in the United States (Cohen, Zach, and Chiswick 1997). More specifically, Asian immigrants have a schooling level greater than that of the native-born; European and Canadian immigrants have a schooling level similar to the native-born; and Central and South American immigrants have a lower level of schooling, with immigrants from Mexico having the lowest level. Moreover, it seems that enrollment rates among immigrant children vary by country of origin, but are higher among those who are younger at the time of their migration and higher among families with higher incomes (Cohen, Zach, and Chiswick 1997).

There also exists a notable difference in the distribution of skills among immigrants and the native-born population. When considering the total number of working-age natives in 2010, roughly 8 percent were low-skilled workers, 60 percent were middle-skilled workers, and 32 percent were highly skilled workers. Conversely, when considering the total number of working age immigrants in 2010, 30 percent were low-skilled, 42 percent middle-skilled, and 28 percent were highly skilled (Hall et al. 2011). Therefore, natives tend to be on the middle- to high-skilled end of the distribution whereas immigrants tend to be on the low- to middle-skilled end of the distribution but also have a significant portion of high-skilled workers.

Another difference between natives and immigrants is their use of the welfare system. In 1970, 5.9 percent of immigrant households received cash benefits from public assistances whereas this number was 6 percent for native households and thus natives were slightly more likely to receive public assistance (Borjas 2008: 255). By 2002 this relationship was the opposite, with 22.7 percent of immigrant households receiving some type of welfare versus 14.6 percent of native households (Borjas 2008). These differences are not terribly large and, excluding refugees, the differentials between immigrants and native-born are small. However, the welfare problem and the immigration problem are two distinct problems in the United States,

and as Block (1998) points out, the argument that immigrants will avail themselves of our generous welfare system is a quarrel not with immigration but with the welfare system.

The last item of importance in this section is the fact that immigrants respond to economic stimuli when making their migration decisions. The primary motive for coming to the United States is economic: having a higher standard of living. As Mansoor and Quillin (2006: 75) wrote, "Migration is driven by perceived differences in the utility of living or working in two geographical locations." Immigration tends to be greater when economic growth is higher in the United States or when economic conditions are bad in countries of immigrant origin. Immigrants also tend to go to those parts of the United States where economic opportunities are the greatest, where wages are high and jobs are relatively plentiful. Although wages and job opportunities are significant determinants of migration, they do not explain the entire story. Other important pull factors of migration include political stability, family reunification, and general rule of law whereas significant push factors include conflict, corruption, poor governance, and high fertility rates (Mansoor and Quillin 2006).

Immigration Policy: Past and Present

The first move towards immigration policy was in 1790 when the U.S. congress established a simple system that enabled foreign-born people to become U.S. citizens. During the following century immigration remained largely unregulated as there were neither ceilings nor screening restrictions on numbers or types of people entering the country (Briggs 1996). Unregulated immigration was consistent with the nation's labor market during this time as the nation was undergoing a massive geographic expansion and there was an abundance of land and resources for a relatively small population.

During the late 1800s, however, the number of immigrants entering the country was rapidly rising and thus discussions on immigration restrictions became increasingly popular. The first qualitative restriction placed on immigration was signed into law in 1875 and prohibited the admission of criminals and prostitutes (CBO 2006). In 1882 Congress passed a more serious immigration reform titled the Chinese Exclusion Act which virtually barred all Chinese laborers from entering into the United States for 10 years (Calavita 2000). Shortly after, in 1891, Congress established the Immigration Service

and it was officially decided that the federal government would thereafter be responsible for processing all immigrants seeking admission to the United States.

It was not until the 1920s, however, that large-scale legislative enactments focused on restricting immigration to the United States. Specifically, Congress established the Quota Law in 1921, which restricted immigration by assigning each nationality a specific quota based on representation in past census figures (CBO 2006). The National Origins Act was then established in 1924 which imposed the first permanent legislative ceiling on immigration and included an ethnic screening system that favored immigrants from northern and western European countries (Briggs 1996). The legislative acts of the early 1920s coupled with taxes established on immigrants arriving and various literacy and screening tests ultimately led to a significant reduction in mass migration for the next 50 years.

In the mid-1960s the phenomenon of mass migration was reborn. As Briggs (1996) points out, having just enacted the Civil Rights Act of 1964, the next logical step was to move to end discrimination towards the international community. The effort in doing so came in the form of the Immigration Act of 1965. In general this act liberalized immigration flows, reduced the discriminatory nature of immigration quotas, and made it relatively easy to come to the United States if you already had close relatives who were citizens or permanent residents. Moreover, prior to 1965 human resource concerns were the major focus of immigration policy but the Immigration Act of 1965 gave the notion of “family reunification” the highest priority (Briggs 1996). The policies established in 1965 are still largely in place but have changed via various amendments including, among others, the combination of numerical restrictions on immigration from the Eastern and Western Hemispheres into a single ceiling of 290,000 in 1976. In 1990 a category based on diversity was added to the law and the worldwide immigration cap was raised to a “flexible” 675,000, and the cap was raised again in 2007 to 725,000 (CBO 2006).

Immigration reform that took place in the 1980s largely focused on refugees and illegal immigration. Specifically, the Refugee Act of 1980 created a policy that gave the president the authority to determine the number of refugees that would be admitted annually. Additionally, the Immigration Reform and Control Act of 1986 was the first significant attempt to address the issue of illegal immigration, creating an amnesty program for 2.7 million seasonal agricultural

workers and other people residing in the country illegally. More recently, attempts to deal with the problem of illegal immigration became a larger focus of immigration policy with the Illegal Immigration and Reform and Immigrant Responsibility Act of 1996, which increased the number of Border Patrol agents, introduced new border control measures and reduced government benefits available to immigrants (CBO 2006).

A Modest Proposal: A Market-Based Approach to Immigration

The movement of goods, services, capital, resources, and ideas is essential to the economic modernization of our country and of the rest of the world. Markets work to reallocate resources where they are most productive, and immigration is an essential element in that market process. However, instead of allowing markets to work, the current bureaucratic mess that we call immigration policy has created systemic inefficiencies. Many potential future citizens spend thousands of dollars on immigration lawyers to try to navigate their way through the Byzantine bureaucracy that governs entry into this country, a great waste of resources. Moreover, the high demand to move to the United States demonstrates to the world America's attraction and the human preference for freedom based on market activity as opposed to oppression under authoritarian government.

As has been shown in this article, for every pro-immigration argument there is an opposing anti-immigration argument and thus it is unlikely that there will be an immigration policy that everyone will agree on. It is possible, however, to devise an immigration policy that would appeal both to those supporting more immigrants and to those who complain about the character of immigration after 1965. It is a policy that would increase the economic benefits derived from immigration, reduce the administrative costs of allocating immigrant slots substantially, and dramatically improve public attitudes towards it. It is a market-based approach to immigration first suggested by Nobel laureate economist Gary Becker (Becker and Becker 1997). Markets determine the amount of oranges we eat, the price and number of BMWs we drive, and the amount of capital that we import or export from or to other countries. Why can't markets determine who comes to this country, rather than Washington bureaucrats?

This proposal for a market-based approach to immigration has several components but consists largely of creating an international market for visas. To start, each business day of the year 5,000 visas for entry to the United States would be sold in a NASDAQ-style marketplace by the federal government and each immigrant would need a visa to enter the country. There would also be a limited number of visas, maybe 100,000 annually, provided free by the federal government to refugees fleeing political, religious, or other persecution as is done under current law.

This market-based approach to immigration would provide a significant stream of new revenue for the United States, and there are various ways in which the funds from visa sales could be distributed. One possibility is that they would be rebated to the taxpaying public. For example, if 1,250,000 visas (roughly 5,000 every business day) were sold annually at an average price of \$12,000, the federal government would receive \$15 billion in revenue. That is equal to about one percent of individual income tax revenues and thus each taxpayer would get an “immigration rebate” equal to one percent. Or a possibility that those on the left would more likely favor would be to simply give a flat amount to each person sending in a tax return.

Another possibility would be to allocate part of the funds to enforcing immigration laws. This could potentially reduce the problems that stem from illegal immigration and would probably win the support of those opposing immigration. Alternatively or additionally, a portion of the funds could go towards fighting the war on terrorism. In a political sense, the \$15 billion can be used to distribute income to those individuals who otherwise would be indifferent or hostile to immigration.

Such a policy would achieve several desired objectives. For those wanting to move to the United States, they could avoid virtually all the waits, the hassles, the hiring of immigration lawyers, the trips to INS offices and consular sections of embassies. The dreaded battle to get a green card would end. The notion that immigrants are a burden will be partly dispelled if they are paying an entry tax of thousands of dollars. The most skilled, productive persons will be the ones who will gain entry as they will more likely have the money or will have employers willing to pay for their entry. Immigration will move towards more skilled and educated persons, who are also individuals who are more likely to work. Family members who enter can still bring in their brothers and sisters and mothers and fathers—but

at a price. (For those concerned about national security, there is nothing in this proposal that prevents the current background and security measures undertaken by the U.S. Department of State from continuing.)

It is probable that the number of legal immigrants coming to the United States each year would increase. We will open our doors to more, get far more needed scientists and engineers to aid our high-tech sectors, and do more to reallocate human resources around the world. We also will get an interesting measure of the attractiveness of America. For example, if visa prices double in a year it would suggest that foreign perceptions of America as a land of opportunity are improving, while a fall in prices would mean the reverse. Reporters may announce things such as “visas were down sharply in response to the terrorist attack.”

If Silicon Valley needs personnel, it can buy the necessary visas. If the Cleveland Clinic wants a cardiologist from Malaysia, it can buy a specific visa to hire her. We will see a surge in new human capital into this country. It is also likely that we would see a decline in unskilled, uneducated workers, and a rise in professional, managerial, and technical workers. There may also be a decline in migration from Latin America and an increase in migration from Asia and possibly Europe.

Some might complain that we are putting a price tag on citizenship, but citizenship has always involved a financial investment, including the cost of moving and the funds needed to hire immigration lawyers. Moreover, we would be replacing the assessments of bureaucrats with the highly efficient invisible hand of the market. If the market-based system leads to relatively few immigrants from areas such as Africa or Mexico then charitable foundations could provide the equivalent of college scholarships to allow them in if they feel that it's desirable.

This system is not perfect but is superior to a popular alternative approach of replicating the Canadian system. The Canadians give points to each applicant for various characteristics—age, education, previous work history, and the like. The immigrants with the most points get visas. But bureaucrats arbitrarily decide how many points to give to each attribute and do not have the discretion to make modifications for factors difficult to quantify. A college degree in engineering from MIT held by an immigrant applicant is far more valuable in the marketplace than a degree in Middle Eastern history from a marginal-quality university in a developing country but the

point system typically makes no distinction. Employers will pay to buy the MIT engineer because he or she is readily employable while even Harvard history PhDs have a hard time getting a job in America. The market can handle these occupational nuances in a way that bureaucrats cannot.

Conclusion

America is indeed a nation of immigrants. Immigration has made America, and a compelling case can be made to let it continue at a relatively high level. The United States is the light of the world, a beacon of freedom and opportunity. Immigration is both a cause and a consequence of this reality. It is obvious that high volumes of immigration can lead to cultural clashes and can challenge our infrastructure. Thus realistically the body politic will insist that limits be placed on it. Let's allocate access to our great country on the basis of supply and demand, reflecting the intensity of preferences of immigrants themselves and potential employers, rather than on a political process that is simply not as good as the market in allocating resources.

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