



Photo: Tim Mossholder

# IMMIGRATION and the American Experiment

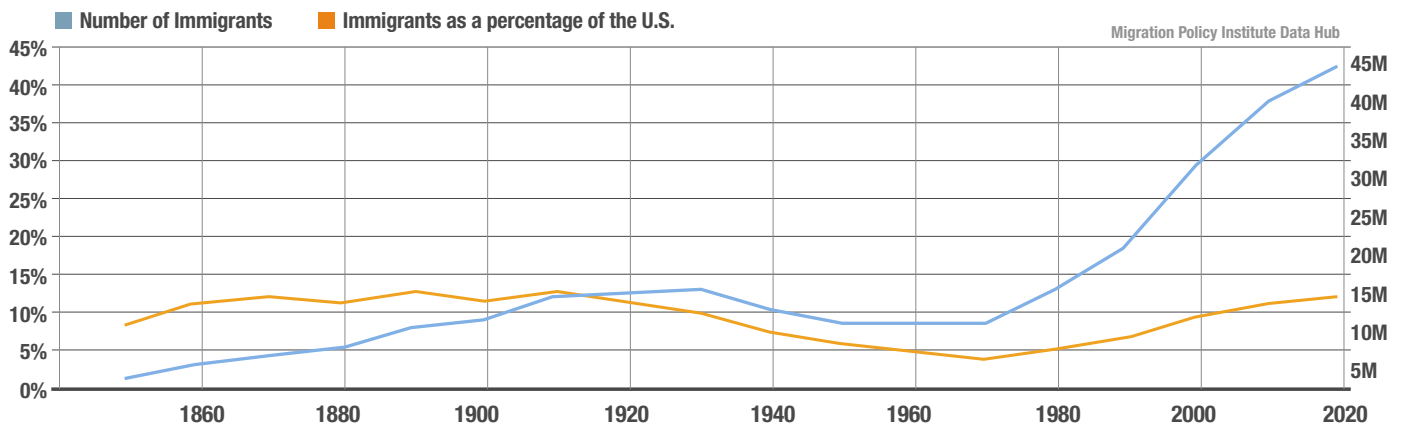
For a while now, I have been planning to write a piece on immigration policy here in America. I thought this would amount to just one short article but as I've gotten into the research, I realized there is a lot to cover here. There are so many important questions—how should we think about refugees? Border policy? The undocumented immigrants already living here? International students? Work visas?

Today I am going to introduce some data and charts and try to lay out a few of my big picture ideas. Then I'll follow-up with some deeper dives into specific policy issues in future editions of Profit.

Let me be clear at the outset: I am absolutely in favor of major immigration reform here in America. This is an area of law and policy where we have been failing for years—look no further than what is happening on our Southern border today. This is a political topic that has been charged with undue emotionalism—another tragedy of our generational cold war. Trump's xenophobic anti-immigration stance only made things worse. To be fair though, both sides of the aisle have been wrong on this.

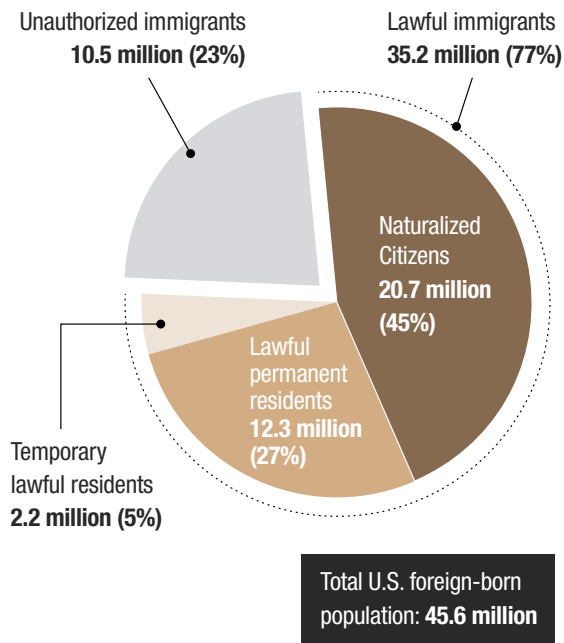
Thankfully, immigration is still one of the defining features of America. Let's start with some facts and numbers. There are 45M legal immigrants here (about 15% of our population) and another 10M illegal immigrants.

### Number of Immigrants and their share of the U.S. population



## Unauthorized immigrants are a quarter of the U.S. foreign-born population

Foreign-born population estimates, 2017



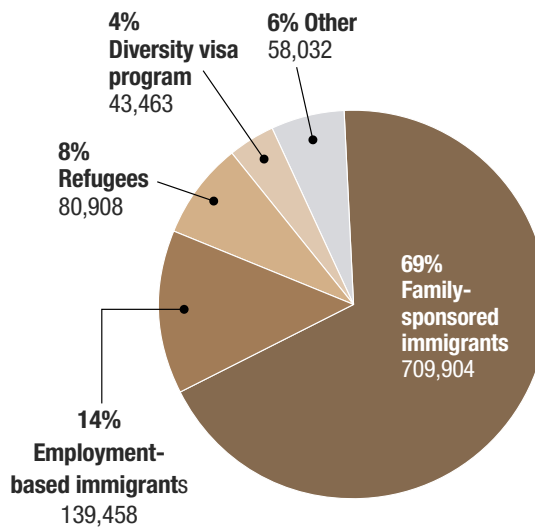
Note: All numbers are rounded. Unauthorized immigrants include some with temporary protection from deportation under Deferred Action for Childhood Arrivals (DACA) and Temporary Protected Status (TPS), as well as pending asylum cases. Source: Pew Research Center estimates based on augmented U.S. Census Bureau data.

Pew research Center

Each year we issue around 1M visas for permanent residence, mostly in the family-sponsored category and almost another 1M in temporary work visas.

## Most immigrants receive green cards because of family ties in the U.S.

Admission categories for U.S. lawful permanent residents, fiscal 2019

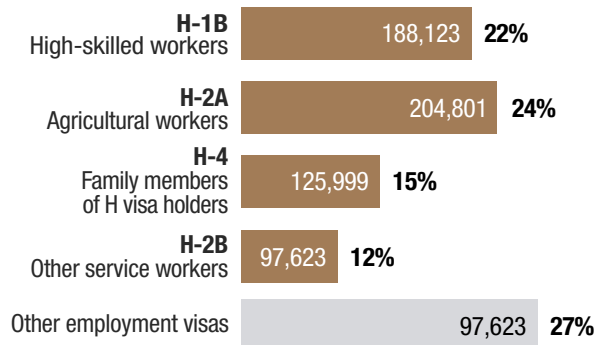


Note: "Other" includes parolees and asylees. Source: U.S. Department of Homeland Security.

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## H-1B visas accounted for about one-in-five temporary employment visas issued in 2019

Temporary employment visas issued, fiscal year 2019



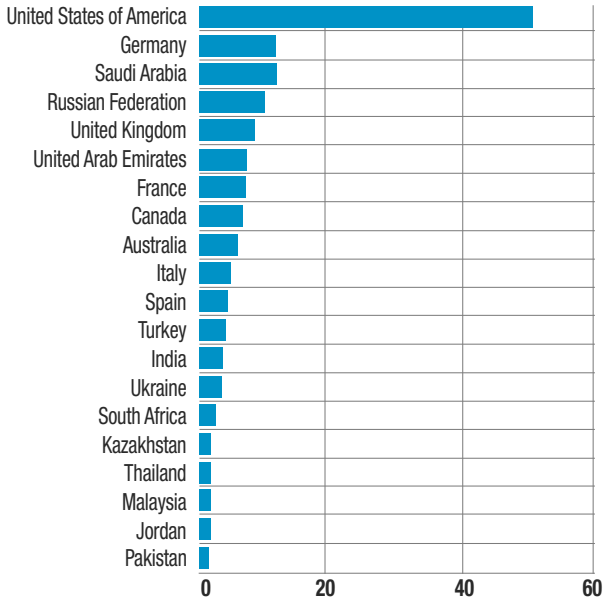
Note: "Other employment visas" includes H-1B1, H-3, L, O, P and Q visas. For H-4 visas, eligible family members include only spouses and unmarried children under 21. Source: U.S. Department of State

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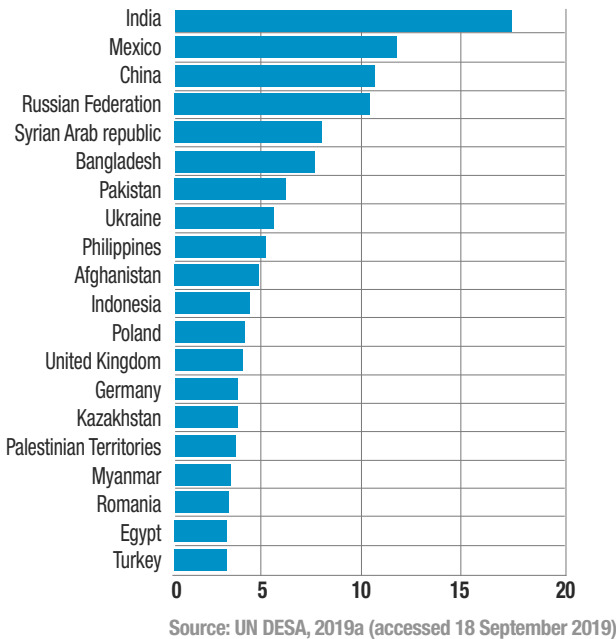
America absolutely dominates the world market for immigration and is by far the number one destination.

### Top 20 destinations (left) and origins (right) of international migrants in 2019 (millions)

Resident Migrants



Migrants Abroad



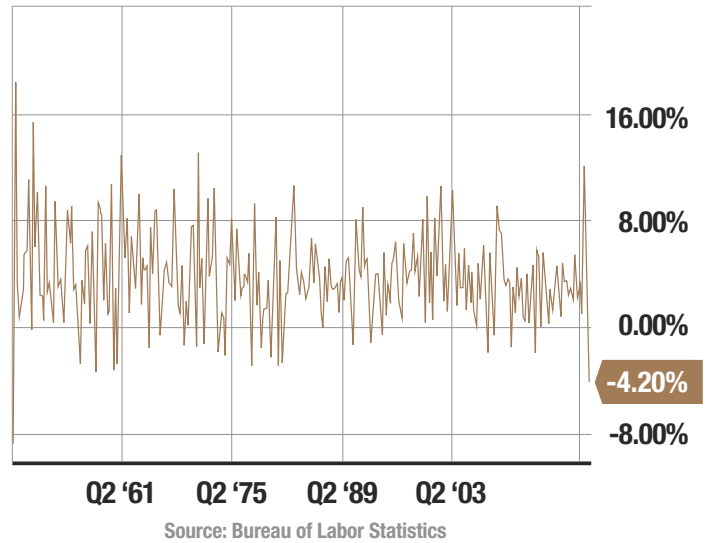
This is a good thing because **immigration represents the best hope we have for the revitalization of the American experiment and the only real way to ensure our continued economic success.** At a high-level, it's a matter of simple arithmetic. GDP growth is a function of productivity and population growth.

A simplified equation looks like this:

$$\text{GDP Growth} = \text{Growth Rate of Productivity} + \text{Growth Rate in Population}$$

While we are getting some productivity growth, it doesn't seem like it is something we can rely alone to drive growth in our economy. There's too much noise in the number.

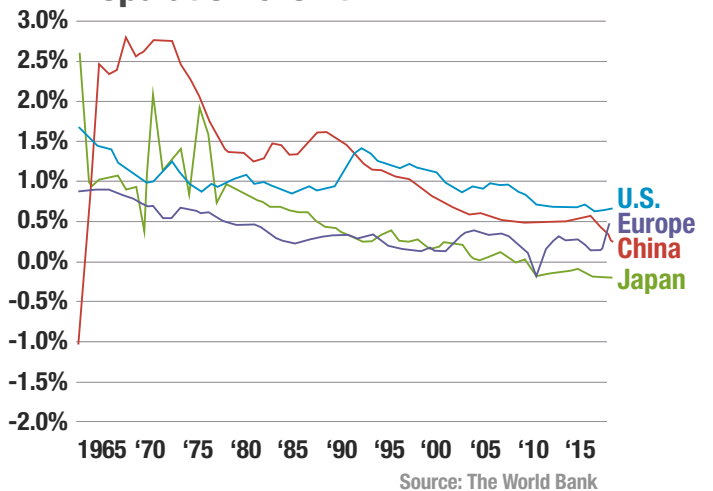
U.S. Productivity



In fact, over the past decade there's been a lot of questioning, debate and research trying to examine why, given the seemingly tremendous technological improvements we've seen, we haven't yet seen a persistent rise in productivity growth. It's one of the great unanswered questions of our era.

So when it comes to GDP growth, at least for now, we have to rely on population growth. Here's the scary part. If you look at the trend in our population growth rate without taking into account immigration, we are the same position as Japan, China and the EU:

Population Growth

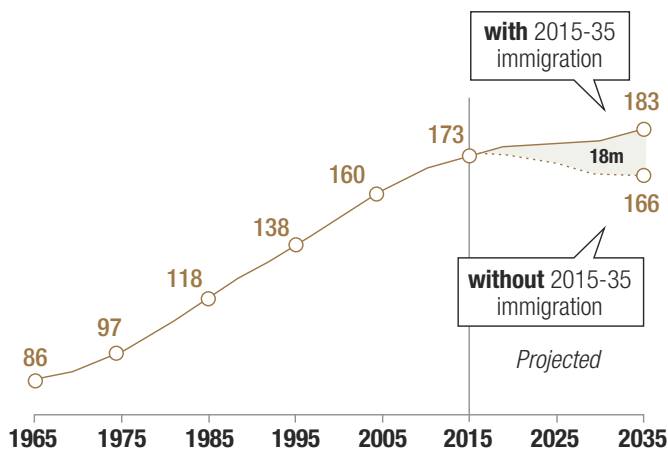


Like the rest of the world, we are seeing a persistent long-term decline in our natural rate of population growth. In other words, families are choosing to have fewer children. While there are a lot of reasons for this, I believe that the inflationary forces we've been discussing here in Profit are playing a big part. As a parent of young kids in a big American city, I know the truth about how expensive it is to raise children these days, especially in a market without reliable public schools.

Anyway. The way things are looking now, without immigration America would find itself in the unfortunate position of a declining working-age population:

### Without future immigrants, working-age population in U.S. would decrease by 2035

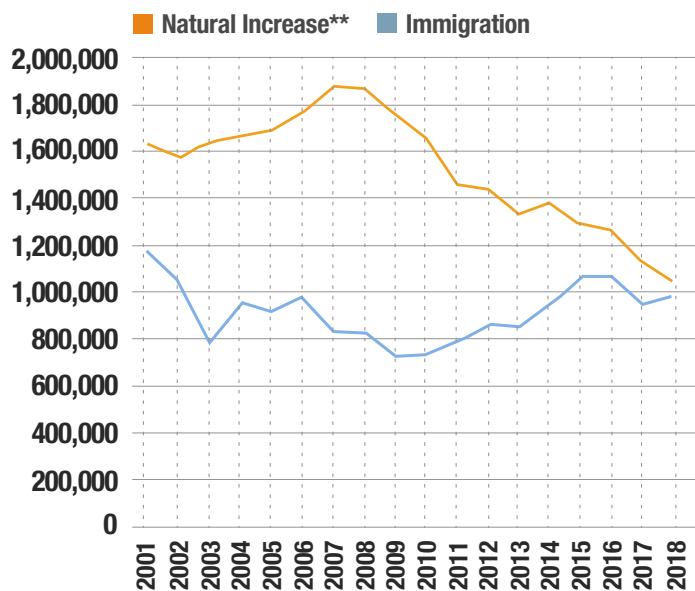
Working-age population (25-64), in millions



Note: Numbers from 2015 onward are projections.  
 Source: Pew Research Center estimates for 1965-2015 based on adjusted census data; Pew Research Center projections for 2015-2035  
**Pew Research Center**

In other words, we would look like Russia and Japan and other countries who are looking at a future where their populations are actually forecasted to decline. Imagine what that is going to do to those economies. How are their governments going to be able to balance a situation where there's no GDP growth, declining tax revenues and increasing welfare expenses? We've discussed here in Profit this idea of a generational cold war. The worst thing that could happen in that cold war is declining population. It's all about the ratio of working age individuals to retired. If you don't have enough people working, there is just no way you'll be able to support the promises made to the retired/retiring population. In truth, our global system cannot really stomach a sustained decline here.

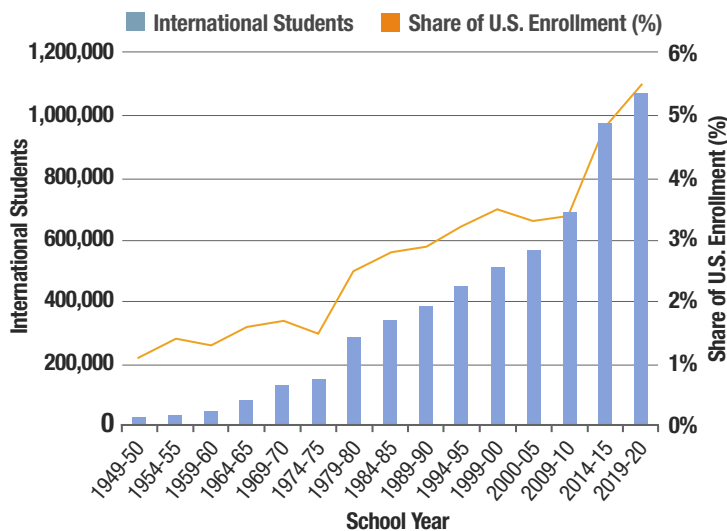
### U.S. Immigration and Natural increase 2000-2018



\* Size of immigration and natural increase for 12 month period prior to July 1 of year shown  
 \*\* Natural increase equals the number of births minus the number of deaths  
 Source: William H. Frey analysis of U.S. Census Bureau estimates. Released December 19, 2018

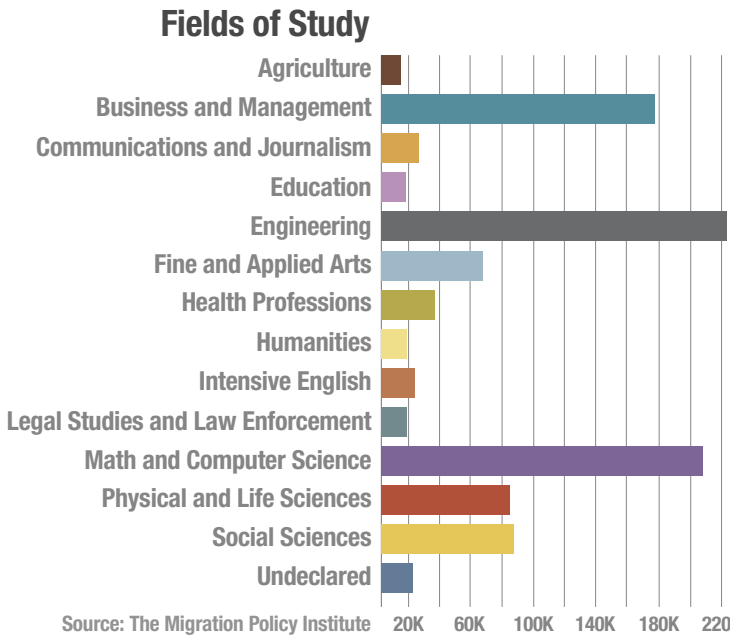
Here in America, we need to wake-up and remember again who we actually are. We need to embrace this part of our ethos not hide or run away from it. We have an incredible strategic advantage over every single country in the world and we should use it! In this new era of global competition, it seems so obvious to me that what we should do is leverage the attractiveness of America as the premier destination for immigrants to improve our competitive position in the world economy.

How? Here's where our current policies don't make any strategic sense. Let's discuss an easy one: international students. There are over 1M foreign born attendees to America Colleges and Universities:



Source: The Migration Policy Institute

And look at what they are studying!



Yet more than 50% of these individuals cannot secure a visa to work in America upon graduation. How does that make any sense!? Consider where these students come from.

### Where America's International Students Come From

International enrollment in U.S. higher education in the 2018/2019 academic year

Country	Enrollment	Annual Change
China	369,548	+1.7%
India	202,014	+2.9%
South Korea	52,250	-4.2%
Saudi Arabia	37,080	-16.5%
Canada	26,112	+0.8%
Vietnam	24,392	+0.3%
Taiwan	23,369	+4.1%
Japan	18,105	-3.5%

Source: IIE 2019 Open Doors Report on International Educational Exchange

Let me get this straight—we are going to educate the youth of our main geopolitical rivals and then send them home to compete with us? Right...

Here's a crazy idea: why don't we make it easy for these students to stay and work here in America? Why don't we create a streamlined pathway for them to become full citizens? What exactly are we afraid of? All you have to do is look at the origin story of some of our big tech companies to understand why it is a good idea to be more open here. Something like 25% of all start-ups are founded by foreign-born international students. Our current policy here just doesn't make any sense.

There's a similar story with our visa policy for high-skilled workers. Under current law there is a category of visas available each year called H-1B designed to attract high-skilled and specialty workers. The intent here is to bolster American competitiveness by creating a flexible channel to attract immigrant workers in areas where our local economy suffers from labor shortages. Our problem here is the same as with the students: we are afraid for some reason to use this incredible tool at its full capacity. Here in America we really don't seem to appreciate what an advantage we have. A country like Russia would die to have this policy choice but young, talented individuals don't want to relocate there. They do, though, want to come to America!

Every couple of years, executives from the science and technology industry appear before Congress to plead for a dramatic expansion of the program. Their testimony is worth a read in its entirety. The way the program is structured now only about 1/3rd of the applications make it through each year. Bill Gates, in his 2008 testimony on the topic, discussed how this reality incentivized Microsoft to open offices in other countries more friendly to foreign workers so as to not lose all of remaining 2/3rds who didn't get the American visa.

How is that a good outcome for America? Don't we want these individuals here? Remember these are people who would've had jobs at Microsoft—a far, far cry from being some kind of burden on the state.

My understanding of the argument against expanding the H1-B visa program is that it's all about people being worried about competition. The argument is that these immigrants are "taking jobs from Americans." I don't think that's true at all. What I found when I was reading through the testimony is that time-and-time again executives of these big American companies are saying in public that they just cannot find enough Americans with these skills and capabilities. The competition thing is a false, fear-based argument.

This is another policy area that seems like an absolute no brainer. We have a situation where American companies want to hire high-skilled individuals but cannot. In many cases these are people who have been educated by our schools as well, who want to live and work here and will immediately become productive, contributing members of society. Our current policy just doesn't make any sense.

Look, we know how important technology is to our future. Whether it's in dealing with pandemics or climate change or just improving the quality of life, innovation is the way forward. In this increasingly competitive world, we have to be smarter and more strategic about using our incredible natural advantage when it comes to immigration. Our geopolitical rivals are racing to catch-up with our advantage in technology. Let's not do ourselves a disservice by helping them along the way with unenlightened immigration policies. □