

How Record Immigration Levels Robbed American High-Tech Workers of \$10 Trillion

BY GENE A. NELSON, PH.D.

Abstract: While there has been some attention paid by immigration researchers to the record numbers of immigrants residing in the United States, little attention has been paid to quantifying the adverse economic impacts to American citizens. A preliminary model is offered in this article that is consistent with observed economic trends. The economic losses of approximately \$10 trillion to American knowledge workers are a consequence of workforce gluts. The legislative history of these changes is reviewed. Planned changes to the business model of American colleges and universities could dramatically increase the economic losses to American citizens. The article concludes with some relevant observations of recent American history and some policy suggestions.

A glut of immigrants

Attention has been given to the changes in the characteristics of the U.S. population as a consequence of high levels of immigration to the United States since the liberalization of immigration policies that began in 1965 with the passage of the Hart-Cellar Act. The changes were dramatically accelerated by the unprecedented increases in immigration that followed the Immigration Act of 1990.

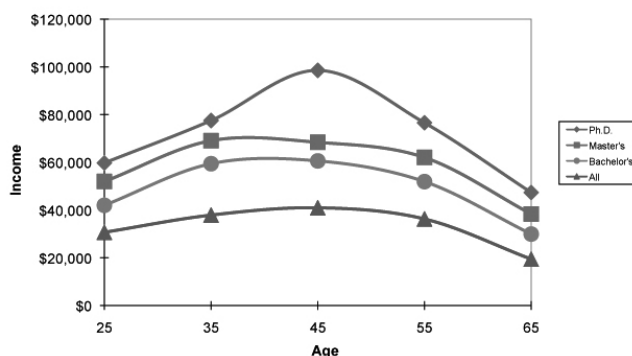
Currently, there are a record 39.96 million immigrants, comprising 12.92 percent of the U.S. population.¹ The economic law of supply and demand predicts that the workforce gluts resulting from the immigrant glut will drive down wages and worsen working conditions. The U.S. economic contraction that began about 12 years ago is consistent with the current lower real (inflation-corrected) wages for most wage earners. These policy changes were the consequence of economic and political elites demanding immigration policy changes. The United States currently admits more legal immigrants than all other nations combined. (The level of *illegal* immigration, in the form of visa violations, including overstaying, or of entering without inspection, is almost on par with that of legal immigration. The illegal flow

is not discussed in this article. However, because illegal immigrants are much more vulnerable to economic exploitation by those that hire them, the economic impact on the U.S. workforce is to further exacerbate workforce gluts across a broad spectrum of job titles, leading to additional downward pressure on wages.)

\$10 trillion in middle-class economic losses

The author made a platform presentation at the 2004 American Chemical Society annual meeting titled, "There Is No Looming Shortage of Chemists." This presentation included the surprising observation that the decade of peak earnings for all workers except the economic elite, is between ages 40 and 50. The source of this observation is an obscure table from a 2002 U.S. Census Bureau CPS survey (see graph below). It is very significant that the disaggregated salary data as a function of a worker's age presented in this table show that

U.S. Median Income by Age & Education - 2002 Census Bureau Data



Gene Nelson, a contributor to The Social Contract, has testified twice in the U.S. House of Representatives and twice to the National Academy of Sciences (NAS) on the controversial H-1B Visa program.

the holder of a doctorate's income declines above age 50. (One of the P.R. techniques utilized by those that promote the earning from a Ph.D. degree is to aggregate the incomes of the economic elites, including medical doctors and lawyers, with those of doctorate degree holders.)

Given the improvements in the health of U.S. workers, many are capable of making full-time professional contributions even when they are older than the traditional retirement age of 65 years. However, when there is a glut of workers at all skill levels, employers are able to selectively hire young workers, who are perceived by most employers to be less expensive. When older workers are shunned by employers, experienced knowledge workers must hold positions that makes scant use of their training and experience, simply to provide for the necessities of life. Professor Norm Matloff in a March 18, 2011, presentation² at the Georgetown University Law School in Washington, D.C., observed that this employer hiring age discrimination is causing a historically unprecedented "internal brain drain" in the United States that is harming the nation's economic competitiveness. A calculation from the 2002 Census Bureau survey that projects earnings from the peak earning year to a retirement age of 65 shows that the cumulative economic losses to male workers are on the order of \$10 trillion (a trillion is a million millions.) Female workers suffer a comparable economic loss.

One of the key policy tools that employers have utilized to facilitate employment age discrimination is to procure a large number of work visa programs where the visa is conditioned upon being continuously employed — and where the employer has the potential to sponsor the immigrant for permanent residency. This gives the employer powerful "sticks and carrots" to ensure that the workforce remains docile regarding demands for increased wages and improved working conditions. As a consequence of the unprecedented numerical gluts of workers, even citizens become docile, as there is a well-founded fear of job loss if they object too strongly to these employer policies.

An "alphabet soup" of work visa programs

See the author's writings that chronicle the development and expansion of U.S. high-skill work visa programs since 1976.^{3,4,5} To summarize, colleges and universities were facing funding cuts after the once-in-history increases in funding following the 1957 launch of *Sputnik*. The university trade association lobbyists identified a work visa program created in 1952 designed to import up to 500 Basque shepherders per year. Em-

ployers were *not* required to attest that they were preventing harms to the career prospects of American citizen shepherders — and the employers would set the wages and working conditions of the imported workers. The imported workers could be sponsored for permanent residency. This set of immigration policies was called "special handling." As immigration researcher Rob Sanchez noted, the use of special handling was applied to extremely small numbers of unskilled workers until the Association of American Universities (AAU) applied special handling to the importation of unlimited numbers of college professors and researchers. See, "Inviting our own problems: Robert Sanchez talks about the flaws in employment-based visa programs, including the threat they pose to American workers, the U.S. economy, and national security," by Hyde Kurt, *The New American*, May 28, 2007.

The legislator who was lobbied on the AAU's behalf was Representative Joshua Eilberg, who was serving as the Chairman of the House Immigration and Claims Subcommittee. He used once-in-a-lifetime parliamentary tactics to sneak through passage of the "Eilberg Amendment" in 1976 for yet undisclosed considerations. As noted in endnote 4, Eilberg will eventually be identified by historians of science as an architect for the destruction of the American science and engineering enterprise. (Eilberg was corrupt. He was ejected from the House two years later as a consequence of a scandal involving federal kickbacks received by his law firm from Hahnemann Medical Hospital.)



Pennsylvania Congressman Joshua Eilberg (1921-2004)

The Eilberg Amendment was cited as a legal precedent for the expansion of the H and L work visa classifications in the Immigration Act of 1990. Microsoft Corporation, which leads in the number of H-1B visa holders (up to 35,183 directly hired between 2001 and 2010.⁶ For comparison, note that Microsoft's total U.S.

workforce was 46,000 in 2007.) Microsoft hired corrupt lobbyist Jack Abramoff and his team in December 1994 to help procure three “Microsoft friendly” changes to H-1B visa legislation between 1995–2000. Microsoft and its proxies expended about \$100 million during this period for legislatively connected expenditures. In return, they received over \$5 billion in reduced salary and benefit expenditures. This kind of lobbying for huge economic benefits was the subject of a July 12, 2010, *Time* cover article by Steven Brill, “The Best Laws Money Can Buy.” I continue to hold that this corporate conduct is legally sanctioned bribery and should be proscribed by existing federal RICO statutes.

How many economic migrants?

A table of work visa admissions in endnote 3 shows over 25 million admissions (an immigrant enters the United States on a visa) in just five high-skilled work visa programs between 1975–2005. An updated version of this table to 2010 is shown on page 39, and its data plotted in the graph at right. In just five short years, 12 million additional visa admissions occurred in these work visa programs. Some of this increase is a consequence of better quality annual counts of visa admissions that began in 2010, according to a Department of Homeland Security (DHS) report.⁷ This leads to the conclusion that there were significant visa admissions undercounts in reports issued prior to 2010.

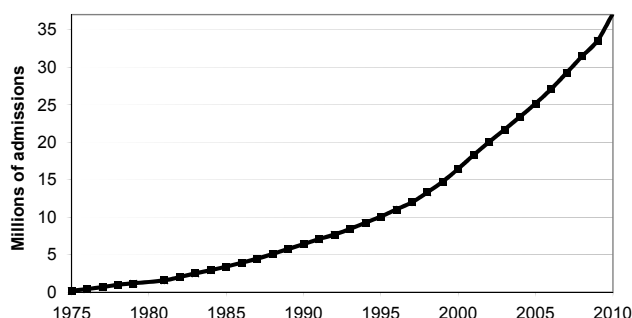
What is the economic cost to American wage earners?

A useful analytical approach to determine the economic losses to American middle-class knowledge workers is to develop an estimate for the cost to American workers of a single work visa admission under the five work visa programs examined in this article. The author offers \$150,000.00 per admission as an initial estimate. A lower-bound estimate is \$11,860 per year, according to a recently-publicized study.⁸ A more reasonable estimate is average reduced salary and benefit expenditures of \$30,000 annually, with a beneficiary causing salary and benefit expenditure reduction for an average of five years, for a total of \$150,000. Thus, the updated table on page 39 tabulates a total economic loss to the American middle class in excess of \$5 trillion as a consequence of the five high-skill work visa programs.

An immigrant may be admitted on an L-1 visa for up to 7 years. An H-1B visa holder may be admitted for up to 6 years, with indefinite annual extensions. A J-1 visa with waiver permits a holder at least 4 years of working in the United States. With recently passed Ex-

ecutive Branch actions, the so-called Optional Professional Training (OPT) period for F-1 visas was extended to 29 months for many academic fields. The employer sets the wages and working conditions for the OPT work visas as well as the H-1B and L-1 visa classes. Currently, there are no annual caps on F-1 and L-1 visa admissions, while the annual cap on H-1B visas is over 100,000 annually. While an immigrant may be admitted on multiple occasions under a work visa, the author believes that re-admissions for work visa beneficiaries from the developing world are negligible because the cost of round-trip air travel would be precluded by the well-documented tendency of these visa holders to remit any discretionary income to their extended family members still residing in the sending nation. Since the DHS indicates that they

Competition for the ~ 8 Million U.S. “High Tech” Jobs : Cumulative Estimated Admissions since FY 1975 - Five classes of noncitizen “High Tech” visas



may now query visa admissions data to match individuals by their birth date, their last name, and the first three characters of their first name,⁷ the potential exists to determine a more accurate value for cost of a single work visa admission, particularly when coupled to the actual wage data for the visa holder. This comparison would be with comparably qualified Americans employed by similar employers. Since American citizens, regardless of their nation of origin, have the right of “free agency” regarding employment, they are paid substantially more than the work visa recipient.

The unprecedented cost for college degree holders who are American citizens

The unprecedented cost for American citizens who have earned college degrees is a consequence of the dramatic increase in college student loans since the 1980s. A recent estimate of the total loans outstanding is in excess of \$1 trillion.⁹ With the change to the bankruptcy law in 1995, student loan debts are no longer dischargeable in bankruptcy. As a consequence of workforce gluts, even recent graduates are having significant difficulties in obtaining and keeping employment, particularly at a

High-Skill Visas Transfer More Than \$5 Trillion to Economic Elites

Year	L-1 Visa	H-1B Visa	TN Visa	F-1 and M-1 Visas	J-1 Visa	Annual Admissions Totals (\$ Millions)	Est. Total Admissions Since 1975 (\$ Millions)	Annual Salary and Benefit Avoidance (\$Billions)
1975	12,570	15,550		107,495	46,001	0.182	0.182	27.242
1976	15,112	47,387		121,317	44,486	0.228	0.410	34.245
1977	17,673	47,387		154,507	50,507	0.270	0.680	40.511
1978	21,495	42,979		191,139	53,319	0.309	0.989	46.340
1979	16,423	32,942		106,977	30,644	0.187	1.176	28.048
1981	38,595	44,770		240,805	80,230	0.404	1.580	60.660
1982	47,893	52,482		263,176	85,382	0.449	2.029	67.340
1983	62,025	39,944		286,909	89,969	0.479	2.508	71.827
1984	62,359	42,473		227,394	94,008	0.426	2.934	63.935
1985	65,349	47,322		257,069	110,942	0.481	3.415	72.102
1986	66,925	54,426		261,081	130,416	0.513	3.928	76.927
1987	65,673	65,461		261,829	148,205	0.541	4.469	81.175
1988	63,849	77,931		312,363	166,659	0.621	5.090	93.120
1989	62,390	89,856		334,402	178,199	0.665	5.755	99.727
1990	63,180	100,446		326,264	174,247	0.664	6.419	99.621
1991	70,357	118,038		282,077	182,940	0.653	7.072	98.012
1992	75,347	110,193		241,093	189,919	0.617	7.689	92.483
1993	82,606	92,795		370,620	196,782	0.743	8.432	111.420
1994	98,189	105,899	19,806	394,001	216,610	0.835	9.266	125.176
1995	112,124	117,574	23,904	364,220	201,095	0.819	10.085	122.838
1996	140,457	144,458	26,987	426,903	215,475	0.954	11.039	143.142
1997	140,457	144,458	26,987	426,903	215,475	0.954	11.994	143.142
1998	203,255	240,947	59,061	564,683	250,959	1.319	13.312	197.836
1999	234,462	302,421	68,411	567,146	275,545	1.448	14.760	217.198
2000	294,658	355,605	91,279	659,081	304,225	1.705	16.465	255.727
2001	328,480	384,191	95,287	698,595	339,848	1.846	18.312	276.960
2002	313,699	370,490	73,360	646,016	325,580	1.729	20.041	259.372
2003	298,054	360,498	59,201	624,917	321,660	1.664	21.705	249.650
2004	314,484	386,821	65,970	620,210	321,975	1.709	23.415	256.419
2005	312,144	407,418	64,713	629,556	342,742	1.757	25.171	263.486
2006	320,829	431,853	73,880	704,189	385,286	1.916	27.087	287.406
2007	363,536	461,730	85,142	800,829	443,482	2.155	29.242	323.208
2008	382,776	409,619	88,382	874,665	459,126	2.215	31.457	332.185
2009	333,386	339,243	99,018	910,024	413,150	2.095	33.551	314.223
2010	502,732	454,763	634,121	1,532,424	484,740	3.609	37.160	541.317

Est. Totals
1975-2010 5,603,543 6,540,370 1,655,509 15,790,879 7,569,828 37.160 \$5.574 Trillion

Estimated Total
Immig, Adms. 37,160,129 Model: \$150K per admission

Sources: 1982 - 2010 Statistical Yearbooks of the Immigration and Naturalization Service and USCIS, U.S. Dept. of Justice and DHS Federal Repository Library Reference Catalog Number J.21.2-2.982 for the 1982 Yearbook. Microfilm copies used for some years. Per 1982 Yearbook, page 107, Basque Shepherd admissions. 1977:206, 1978:274, 1979:258, 1980:149, 1981:206, 1982:185.

Up to 500 Basque Shepherders issued per year by the Immigration Act of April 9, 1952

Year skipped (no data available): 1980. 1997 duplicates 1996 data, as no reliable data exists. (System re-engineering problems.)

Online Statistical Yearbooks: <http://www.dhs.gov/ximgtn/statistics/publications/yearbook.shtm>

1996-2005 summary statistics: <http://www.dhs.gov/xlibrary/assets/statistics/yearbook/2005/Table26D.xls>

Prior to October 1, 1991 (fiscal year 1992), H-1B admissions were termed "Distinguished merit or ability."

Note that for the H-1B visa tabulation, admissions are substantially above statutory limits from FY 1992 to present.

Despite the significant 2009-2010 U.S. economic contraction, note the dramatic annual increases for all categories.

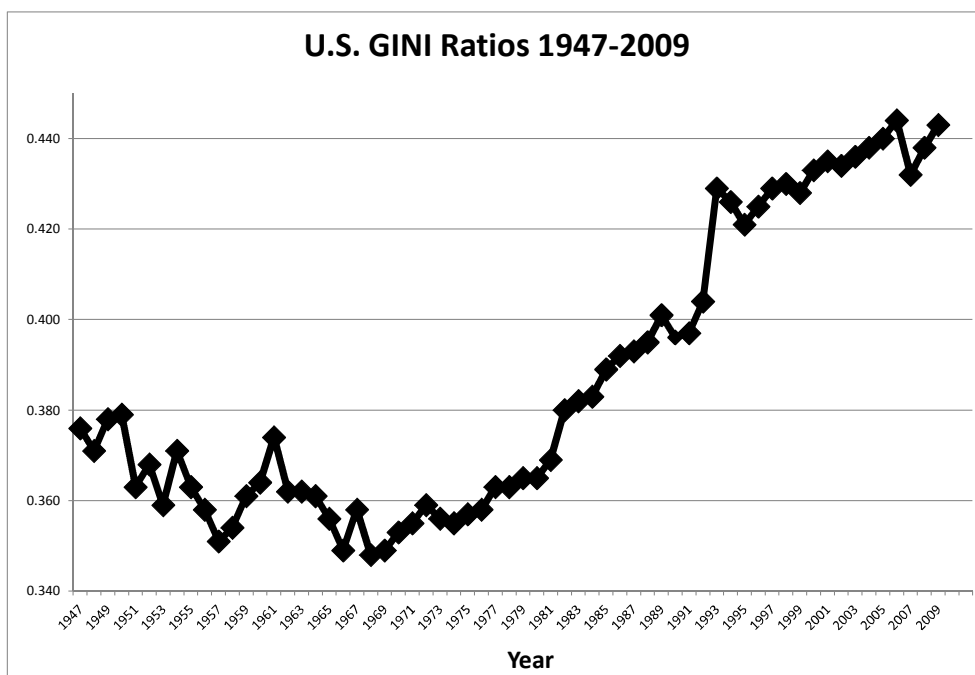
professional level. They are having challenges paying for the necessities of life and repaying their student loans. Student loan recipients who hold a professional license or a driver's license may lose those credentials as a consequence of inability to repay their student loans. A recent New York Federal Reserve Bank report¹⁰ underscores the difficulties they are experiencing. A mere 39 percent of the outstanding loan holders studied were able to make payments that reduced the principal of their student loans. Nicholas Pardini, who was cited in the *USA Today* article (see endnote 9), notes¹¹ that foreign student loan recipients are a greater risk for absconding to a foreign nation to evade any onerous repayment sanctions. The U.S. taxpayer would then assume the cost of those defaulted foreign student loans.

While higher education institutions helped to create the current economic crisis via their lobbying for the 1976 Eilberg Amendment and expansion of various work visa programs, there is a new development that could cause even more economic harm for Americans. Many colleges and universities, such as Duke University, are setting up subsidiaries in foreign nations. It is likely that the foreign nationals taking courses at these new campuses, or via online courses from U.S.-based institutions, will eventually be able to obtain preferential admissions to U.S.-based higher education institutions. The new marketing angle for foreign students is that they may effectively "cut to the head of the immigration line" by becoming a U.S. college student. Even if the foreign student pays full tuition (which is unlikely in practice), their college training receives substantial taxpayer-paid subsidies, as tuition only covers a small fraction of the operational and capital budgets of American colleges and universities. So, middle-class taxpayers are currently paying for their economic futures to be destroyed by imported economic migrants. Recall that there are no annual numerical caps on many of these work visa programs. Thus, the number of potential economic migrants to the U.S. is likely to increase. With the system of de facto government-sanctioned foreign hiring preference programs

via work visas, the economic future of American citizens is likely to become even bleaker unless meaningful reductions to immigration back to traditional levels are implemented.

The rich get richer and the poor get poorer

The GINI ratio is an accepted measure of income inequality. The GINI ratio would have a value of 1 if all of the income of a nation flowed to a single individual and would have a value of 0 if there were perfect income equality. As the author has noted many times, the economic benefits of overpopulation via high immigration flow to the economic elite, since workforce gluts decrease wages. The resultant population increase bids up the prices of the necessities of life, also benefiting the greedy economic elite.



Therefore, the GINI ratio should show an increase after immigration was liberalized in 1965 and further liberalized in 1990. As the graph above shows, the Census Bureau 1947-2009 GINI ratio plot is consistent with this expectation. These income inequality data are further underscored by a Congressional Budget Office report on the topic issued on October 25, 2011, that was covered by the *New York Times*.¹²

The inevitable backlash

When the American middle class suffers significant economic harms as a consequence of the policies procured by the economic elite, they will first attempt to obtain reforms by "working within the system." How-

ever, the power of the elites is difficult to counterbalance as the elites have incredible economic power. A similar economic crisis with roots in liberal immigration policies resulted in the “Great Wave” of immigration to the U.S. between 1900 and 1910, causing workforce gluts. That crisis was called the Great Depression. The subsequent lack of work caused many in the middle class to lose their homes and many belongings as a consequence of the bank foreclosing their mortgages.

While it is difficult to obtain historical information, bloody, lethal riots during the Great Depression that were caused by the lack of employment opportunities. The inevitable backlash, illustrated by foreign worker forced repatriation during the Great Depression, after WWII, and after the Korean War, created employment opportunities for millions of American citizens. This author believes that it would be much more humane to employ “attrition through enforcement” via passage of a nationwide E-Verify law with strong sanctions against employers who continue to employ illegal aliens. At the same time, net legal immigration should be reduced to a historical value of around 100,000 per year. That would be immigration policy that served the national interest, rather than special interests. ■

Endnotes

1. http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_10_1YR_S0501&prodType=table Retrieved March 14, 2012
S0501 — SELECTED CHARACTERISTICS OF THE NATIVE AND FOREIGN-BORN POPULATIONS
2010 American Community Survey 1-Year Estimates
Total U.S. population estimate: 309,349,689 Foreign born population: 39,955,854 Margin of error: +/- 115,157-12.92% of the total population
2. Professor Norm Matloff’s presentation slides from his March 18, 2011, Georgetown University Law School presentation: <http://heather.cs.ucdavis.edu/georgetown.pdf>
3. The Greedy Gates Immigration Gambit, *The Social Contract*, Fall 2007 <http://tinyurl.com/37l8ry>
4. Career Destruction Sites — What American colleges have become, *The Social Contract*, Spring 2005, <http://tinyurl.com/nn28sp>
5. The author’s 110 page “Victim Impact Statement” in the case *USA v Abramoff* is document #40 in the Federal DC District Court docket dated September 3, 2008. <http://tinyurl.com/koyqg2>
6. <http://h1bistro.com/default.aspx?year=11&min=0&max=15&state=0&workers=0&pw=0&searchcompany=Microsoft> Search conducted March 14, 2012 Total number of job openings certified: 35,183 Total annual wages for certified job openings: \$3,111,403,483.00. Using the model of a cumulative economic benefit to Microsoft of \$150,000 per H-1B visa admission, the total Microsoft benefit would be about \$5.28 billion.
7. “The Impact of Counting Changes on Nonimmigrant Admissions: Preliminary Findings” by Megan Mathews, released February 14, 2012, by the Department of Homeland Security. http://www.dhs.gov/xlibrary/assets/statistics/publications/ois_ni_individuals_fs.pdf
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11. Shorting Student Loans: The Next Major Credit Bubble by Nicholas Pardini, Seeking Alpha, July 5, 2011. <http://seekingalpha.com/article/277941-shorting-student-loans-the-next-major-credit-bubble>
- 12 As the Data Show, There’s a Reason the Wall Street Protesters Chose New York, by Sam Roberts, *The New York Times*, October 25, 2011, <http://www.nytimes.com/2011/10/26/nyregion/as-data-show-theres-a-reason-the-wall-street-protesters-chose-new-york.html> Graph Title: Share of the Nation’s Income Earned by the Top 1 Percent, Graph Caption: The top 1 percent of American earners controls as much of the nation’s total income as it did on the eve of the Great Depression. Now, however their money comes from skyrocketing paychecks more than from unearned income, as it did in 1928. Details from the graph. “In 1928, the top 1 percent earned 23.94 percent of the nation’s income,” and “The top 1 pct. earned 23.5 percent of the nation’s income in 2007.” <http://www.nytimes.com/interactive/2011/10/26/nyregion/the-new-gilded-age.html>