

A Market-based Plan to Address Illegal Immigration

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The time has arrived for a new approach to illegal immigration. We propose a system allowing eligible immigrants to purchase work visas on demand in return for fees and taxes to the government. This approach will insure near universal compliance, generate \$30 bn in net Federal revenues, eliminate the need for ‘the wall’, facilitate the identification and deportation of criminal aliens, and allow a gradual, low cost reduction in immigrant numbers if that proves the desired policy.

President Trump has promised to seal the border and deport illegal immigrants. Politicians have made such promises before, to little effect. If the past serves as guide, Trump policies will prove no different, and the long-festering problem of illegal immigration will remain untreated. Americans will remain unhappy about uncontrolled migration and undocumented immigrants will continue to live in a legal twilight.

Indeed, despite the administration’s crackdown, illegal border crossing are already beginning to recover as Central Americans are drawn to US employment opportunities. Black markets – including black markets in labor – are all but impossible to eradicate using enforcement alone. Rather, border crossers will turn to increasingly risky and violent means to circumvent border control.

We can do better. As an alternative, we present here a plan (the ‘Plan’) to issue work visas for fees and rely on convenience, certainty and speed to insure compliance.

Program Overview

Most undocumented immigrants come to the US to work and earn money. This has a value to the immigrant, part of which can be captured by the US government. Our Plan is based on the assumption that immigrants can—and should—pay a fee for access to the US labor market.

Separating Eligibility from a Work Permit

The key to the Plan is the separation of eligibility for a work permit from the permit itself.

Ordinarily, eligibility for a work permit and the permit itself are treated as a single document. When an applicant submits documentation for a visa, both the background checks and the work permit are processed as part of the same package.

If however, we separate eligibility from the permit itself, then we can create a far more flexible system. This is the essence of the Plan.

Eligibility

Eligibility today is earned through proof of identity—a passport, birth certificate or similar document—and a background check, primarily associated with US criminal databases. The Plan would not change background checks substantively.

However, in the proposed Plan, passing a background check only makes the applicant *eligible*, but *not approved*, to work in the US.

Approval to Work - A Work Permit

To obtain approval to work in the US, an eligible immigrant must obtain a work permit (visa).

In the Plan, eligible applicants can purchase a visa online from participating sites like, for example, iTunes, StubHub or an equivalent. These visas are envisioned, in essence, as commercial securities which can be bought and sold and have a price which varies with market conditions.

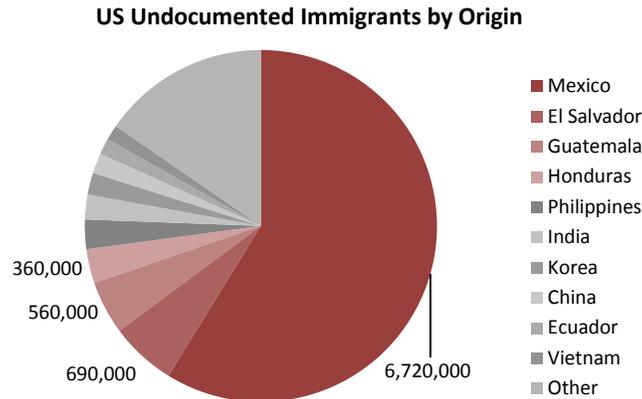
Each Work Permit (Permit) would have

- a start and end date
- an up-front fee (which varies with market conditions)
- a flat tax rate (optionally) and
- a penalty tax rate and threshold (optionally)

The latter two variables can be used to segment the market, should that become necessary or desirable.

Plan Economics

The Plan is intended to curtail illegal immigration across the southern US border. Of interest therefore are immigrants crossing there, principally Central Americans, notably from Mexico, Guatemala, Honduras and El Salvador. Of the 11.4 million undocumented immigrants estimated by the [Pew Research Center](#) to be living in the United States, 8.3 million (73%) come from these four countries.



For purposes of the Plan, Central Americans working illegally on valid tourist visas in the US, but who are not permanent residents in the United States, must be added to the total. Approximately 19 million Mexicans enter the US on tourist visas annually. At a guess, as many as 2/3 of these may undertake employment in the US, representing approximately one million visa-year equivalents, five million individuals, and thirteen million discreet visas. Such persons would include, for example, seasonal workers in agriculture and recreation, and project-related work like construction. Thus, a Mexican laborer would enter the country legally, travel to a place of short term employment, complete his tasks and return a few weeks or months later to Mexico.

Taken together, therefore, the total pool of resident and non-resident Central Americans either living or working illegally in the United States may approximate 13 million persons representing 7.5 million work years (FTEs), and requiring as many as 25 million discreet visas per year.

Visa Coverage

To achieve meaningful compliance, the Plan must cover a sufficient portion of the undocumented population to be viewed as the ‘default’ or ‘normal’ way to conduct business. On a subjective basis, a coverage ratio of 75% is probably necessary to achieve this goal. Nearly 6 million annual work visas equivalents would have to be issued to reach this objective.

On the other hand, issuing a sufficient number of visas to cover the entire market makes sense. If a portion of the demand for migrant labor is unmet, then employers will source the balance from the black market, and those migrants will either overstay their visas or come through the backyards of Arizona and Texas. In addition, the government would see revenues from those incremental visas. Finally, the greater the portion of the migrant labor force which is documented, the fewer the opportunities for criminals to find employment and hide from US authorities. If the program is implemented, the logic argues for maximal coverage of the illegal population.

Plan Economics

At 75% coverage of undocumented Central Americans living and working in the US, the program would generate approximately \$30 bn in net revenues (increased revenues and decreased costs) to the Federal government, rising to near \$35 bn if dependent visas are included.

Part of the benefit would arise from reduced Federal outlays. Notably, a successful visa program should see considerable savings in law enforcement, some savings in public assistance and a reduction in general expenditures, a savings of perhaps \$7 bn per year.

Illegal Immigrant Population	Total	75% Cent Am	All Cent Am	100% Coverage
Illegal Immigrants	11,000,000	6,258,000	8,344,000	11,000,000
in work force	8,250,000	4,693,000	6,300,000	8,250,000
not in work force	2,750,000	1,565,000	2,044,000	2,750,000
of which, school age	1,100,000	626,000	834,000	1,100,000
Illegal non-resident workers (FTEs)	1,000,000	750,000	1,000,000	1,000,000

Revenues and Costs of the Plan		Plan		
		(\$ millions)		
	Current*	75% Cent Am	All Cent Am	100% Coverage
Worker annual visa fee (\$2,000 / visa year)	-	11,200	14,900	19,500
Annual tax revenue	(2,300)	10,100	14,300	19,500
Dependent annual visa fee	-	5,700	7,500	10,000
FICA, FUTA	7,600	3,400	2,100	0
Subtotal - Revenues	\$5,300	\$30,400	\$38,800	\$49,000
Healthcare Offsets				
Worker healthcare premium (\$1,500 / year)	\$1,700	\$9,200	\$11,600	\$14,600
Depend healthcare premium		\$3,100	\$3,800	\$4,900
Worker Annual healthcare cost	(6,000)	(9,900)	(11,200)	(12,500)
Depend Annual healthcare cost	0	(3,100)	(3,800)	(4,900)
Net Healthcare revenues	-\$4,300	-\$700	\$400	\$2,100
Federal Outlays				
Education	2,100	2,400	2,800	3,200
Law Enforcement	7,800	5,200	4,400	3,100
Public Assistance	4,500	3,300	2,900	2,300
General	8,000	7,000	6,500	6,500
Subtotal - Federal Outlays	\$22,400	\$17,900	\$16,600	\$15,100
Total Federal Impact	-\$21,400	\$11,800	\$22,600	\$36,000
Net Gain to Federal Budget		\$33,200	\$44,000	\$57,400

* based on 2011 FAIR study

Illustrative Economics of Illegal Immigration, Current and Under a Market-based Plan

Source: [PEW Research Center, FAIR \(2011 statistics\)](#), Prienga analysis

Importantly, the calculations above exclude state-level effects. The Federation for American Immigration Reform estimates that the bulk of costs associated with illegal immigration are incurred at the state and local level, in the amount of \$84 bn in 2010. About 60% of this is associated with education, with much of this spent on the US citizen children of undocumented aliens. While education may constitute an investment for the future, as a practical matter, it represents a current period outlay for taxpayers.

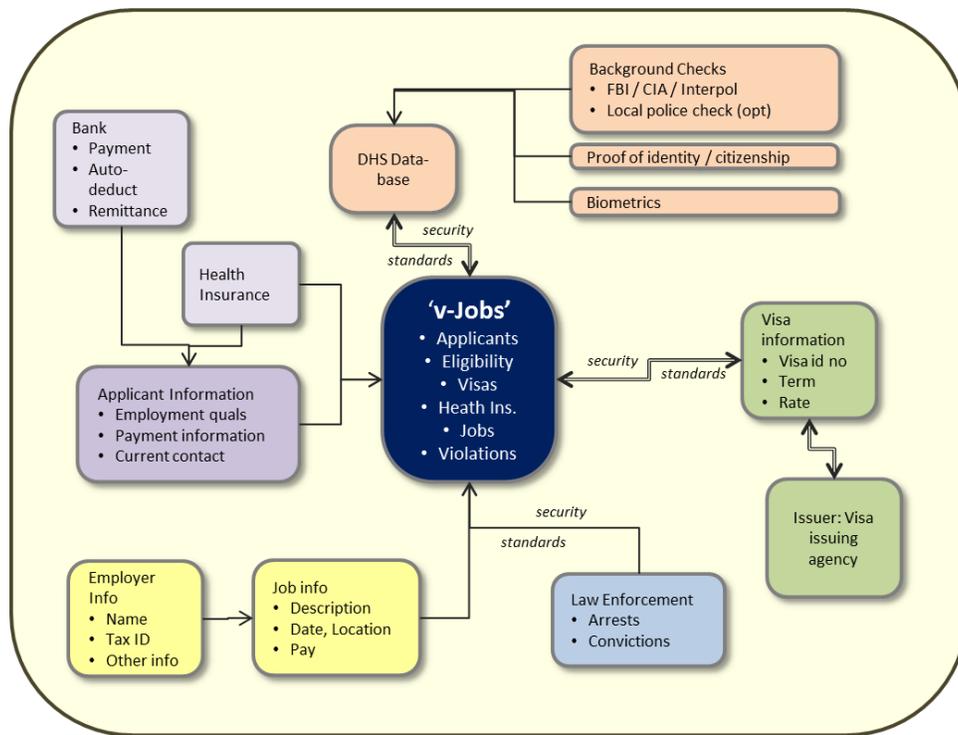
The Plan could include a revenue component for state and local taxes. However, the Plan will not, of itself, eliminate the total net burden of low income immigrants, whether legal or not, on the American taxpayer. This burden has little to do with immigration *per se*, and more to do with existing redistributive

policies in the US. Low income workers, whether immigrants or not, are net beneficiaries of government programs.

Be that as it may, the Plan at least improves the economics of low wage immigration from the taxpayers’ perspective, even if it does not solve every problem comprehensively. It also provides more than ample funding to ‘build the wall’, estimated to cost \$10-20 bn, if that is the direction policy is to take.

The Structure of the Visa System

How would a visa system work? Broadly speaking, obtaining a work visa is intended to look much like buying an airline ticket online, with required information including eligibility, visa terms, payment and applicant particulars. In addition, these would be linked to employers and jobs, and well as to local law enforcement in a platform designated here as ‘v-Jobs’.



Schematic of the v-Jobs System

The system begins, as it does today, with a background check. In the Plan, this is materially unchanged from current practice, and includes checks with US law enforcement databases. Passing a background check does not provide the right to work in the US, but only provides eligibility to purchase a visa.

Work visas are issued by a designated US agency. This could be the Department of State, Homeland Security or the Treasury. These visas are not given directly to the public, but rather to brokers. These could be securities brokers like E*Trade, airlines like Southwest, employment services like Monster.com, or download services like iTunes. Adding an intermediary at this level may seem redundant, but the Plan seeks a robust market in visas with a high degree of transparency in pricing. Under the assumptions above, more than 50,000 visas would expire and be issued daily, and these would perhaps be marketed

more effectively using commercial intermediaries. This is even more so as unused portions of visas could be resold by their holders, with the intent of discouraging unemployed migrants from remaining in the US. v-Jobs would further have employee and employer information. This would be along the lines of employment sites like Monster.com, with job listings and qualifications, allowing employers and employees match jobs. This is not materially different from internet job boards in use today.

v-Jobs would also be geared to serving visa holders with bank accounts from providers like PayPal or Bank of America; and personal information suitable for uploading to employer accounting systems like SAP or Quickbooks. The intent here again is to maximize convenience to insure high levels of compliance. If v-Jobs can transmit key employee data in an easy-to-use format, employers will tend to use the system.

Law Enforcement

Finally, v-Jobs uniquely would have a law enforcement component. This is different from any commercial site today. The intent of v-Jobs is that any eligible applicant can be definitively identified in person by a border control officer or policemen with nothing more than an iPhone. In theory, eligible Central American visa holders should be able cross the US border, travel to the place of employment, work and be employed with nothing more than the clothes they are wearing.

If an immigrant is arrested or convicted of a crime, law enforcement would report this to v-Jobs and v-Jobs would forward the information to DHS and the US visa issuer. Such violations might affect either eligibility or the validity of a visa. Violations would be visible to employers, border agents, and other law enforcement as agreed in the underlying legislation. If a person is unable to identify themselves via v-Jobs, law enforcement would be entitled to enter the person into v-Jobs on a provisional ('law enforcement entry') basis. With biometrics, this would become a permanent entry, with a name and nationality potentially to be confirmed at a later date. But even absent such information, the individual would be identifiable in the system on the basis of biometric data alone.

System Structure

The heart of the system is envisioned here as one or more commercial, not government, databases. Thus, v-Jobs could be, for example, Apple vTunes, Monsterv.com, or StubHubv.com. Such sites could charge fees from immigrants for visa sales and information management. This would provide an incentive for such sites, unlike the US government, to provide comprehensive and timely service. Today, a background check of US government databases can take weeks. Such a system is not viable for the Plan, which depends intrinsically on timely, convenient and adequate data.

The links to the v-Jobs database and government databases would be through established standards and secure connections. v-Jobs would be able to access the DHS database on a query-by-query basis (ie, it would update a list of eligible applicants) and check that issued visas are valid and transferable. In other respects, however, the v-Jobs application would be in private hands, most likely with already established providers of internet services.

The system is envisioned as inherently open, aiming to be the gmail of identity and law enforcement. A commercial system, in essence an app, would be available to download on any smart phone. This app

serves many key functions. Most importantly, it allows employers to serve as the point of enforcement. Want to know about the Mexican you're hiring? There's an app for that.

Furthermore, this app would also be available to, for example, the Mexican government. Mexico has its own illegal immigration problem. With this simple app, the Mexican government could use it to handle undocumented immigrants from El Salvador and Guatemala apprehended in, say, southern Mexico. In a commercial system, these apprehensions would be visible to US Homeland Security, even if the respective border jumpers never apply for a US visa. Indeed, border jumping into Mexico could make respective Central Americans ineligible for a US visa. This condition, presented here only as an example, would in essence use US visa policy to help secure the southern Mexican border, and by extension, the southern US border.

Therefore, two key pillars of this approach would be

1. compatibility with smart phones, which enable employers to act as the point of enforcement, and
2. a commercial system, which would allow the system to be used by other governments, even if these do not have access to US government databases (ie, a one-way mirror enabling DHS to see activity in foreign countries, but not vice versa without explicit Congressional approval)

In all, v-Jobs should provide a quick, convenient and secure way for immigrants to obtain visas, find and apply for work; for employers to advertise their positions, purchase visas in bulk as necessary, identify and hire employees and download employee particulars; for border crossing agents and local law enforcement to quickly identify any migrant with or without identification, and to assign violations to migrants and employers in real time which can be viewed by wider law enforcement community immediately upon data entry.

Compliance

Compliance lies at the heart of the Plan. Before immigrant numbers can be optimized, immigrants must be identified and enrolled in an immigration system.

Anyone who has worked in an underground economy knows it exists for a few principal reasons:

- compliance is simply not possible due to quantitative restrictions on visa issuance
- compliance is [complicated and excessively time-consuming](#) due to bureaucratic constraints
- compliance brings unacceptable costs or risks, and
- compliance adds no value

If compliance is easy—and particularly if it adds value—there is no reason not to comply.

The Plan is geared towards compliance, both from the employer's and employee's side. It is intended to facilitate transactions, rather than hinder them. Obtaining a visa and traveling in and out, once eligibility is obtained, is easy. Applying for a job is similarly convenient and timely. And visa fees and taxes are simple and geared towards the economics of the given labor segment. These are all critical aspects of Plan design.

Easy compliance means easy enforcement. A law which is ignored by almost everyone makes its enforcement virtually impossible. Sanctuary cities are an example. Illegal immigration is so widespread that it has become *de facto* accepted in many towns and cities. Federal agents cannot count on local officials to enforce US immigration laws, indeed, just the opposite. However, if compliance is easy, then compliance will be wide-spread, and sanctuary cities will no longer have a reason to exist.

Controlling the Number of Immigrants

The voting public in 2016 prioritized a reduction in illegal immigration. In the Plan, the US government can reduce the number of Central Americans in the country by reducing the number of visas; however, this needs to be done at a pace which prevents the return of a black market in labor. Gradualism is key. That is, if compliance remains over, say, 75%, then it will be in effect universal and the immigrant numbers can be modified within those parameters over time. If, however, compliance falls much below a critical threshold—here assumed to be 75%—the system could fall apart and revive the regulatory twilight which exists today. The Plan is built on the premise that maximal control over immigration is achieved when market forces are channeled, rather than suppressed.

Compliance is key to successful implementation, and that in turn is driven by speed, certainty, and convenience. These features encourage participation by immigrants and US employers—and are best achieved using a commercial interface.

In addition, the Plan allows the US government and wider American public to gain control over immigration, see improved accountability for immigrant criminal behavior, and benefit from increased Federal revenues. All these elements collectively inform the design of the Plan.

Legislative Requirements

In essence, the required legislation is enabling, covering

1. communications standards between the commercial databases and US law enforcement databases
2. standards of security and confidentiality and related authorization of commercial intermediaries
3. authorization and access levels to the various databases (eg, who can see and access a given level of information)

In addition, the related legislation would require a visa issuing body or authorization, combined with associated market monitoring functions to optimize employment, wages and Federal revenue levels.

Plan Limitations

In the initial, pilot phase, the Plan is envisioned to pertain only to the citizens of Mexico, Guatemala, Honduras, and El Salvador. The Plan is not amnesty. The Plan does not provide a path to *citizenship*; rather, it focuses on providing *status*. In the initial round, it could favor undocumented immigrants already in the country. However, after the first round, all eligible Central Americans would have equal access to visas.

The Plan can work with or instead of other US visa programs. It can be rolled out incrementally on a test basis without displacing or disrupting other visa programs. The Plan is not intended for use for permanent immigration, asylum seekers or other non-economic migrants.

Appendix 1: Policy and Political Benefits of Market-based Immigration

Immigration Benefits to the US

- **Gain control over illegal immigration**

Enforcing laws with low levels of compliance is extraordinarily difficult. In such cases, law enforcement devolves into periodic purges, sending the offenders underground for a time, only to re-emerge when the coast is clear. The history of US drug enforcement sets an unfortunate precedent. Therefore, the very first step to gaining control over a gray market is to create a system which achieves high levels of compliance even without heavy enforcement. To do this, the system must reflect supply and demand in a market. The Plan does so, and therefore constitutes the first element in gaining control over illegal immigration.

- **Generate cash for the government to either build the wall or for other legislative initiatives**

Were visas extended to all undocumented immigrants (including dependents), net Treasury collections could increase by up to \$60 bn per year. More realistically, a 75% coverage rate for currently undocumented immigrants in the workforce would raise net \$30 bn, enough to build the Wall every year.

Notwithstanding, a visa program should make a wall redundant. Therefore, proceeds could be used for some other program, for example, rural revitalization, tax reform or healthcare funding.

- **Allow the government to focus law enforcement on criminals rather than economic migrants**

Essentially, the Plan provides a legal channel for economic migrants to work in the US, subject to visa cost provisions. This will eliminate the need for perhaps 80% of immigration enforcement efforts at the border and allow law enforcement to focus on a much smaller criminal segment.

Further, the v-Jobs platform allows for criminals to be immediately and universally tagged and identified by any law enforcement officer with nothing more than a smart phone. The program makes it exponentially easier to identify, detain and deport criminal immigrants.

- **Reduce immigrant levels gradually over time, as desired, without requiring aggressive enforcement**

Once compliance is achieved, the system can be gradually tightened over time if this is deemed desirable. For example, cigarette taxes have continued to increase over time without a notable rise in black market activities because US consumer behavior is also changing over time. The Plan would allow a similar gradual enforcement over time. This is less spectacular than a short-lived purge, but far more effective at a substantially lower cost in financial and political capital.

- **Remove inconvenience and physical threats to Americans living near the border**

By focusing economic migrant flows towards official crossing points, the lives of US citizens elsewhere adjacent to the Mexican border would be greatly improved, and the illegal immigrant problem there would all but disappear—without the need for a wall.

- **Create an incentive for unemployed Mexicans to leave the country**

One of the perverse aspects of current policy is that undocumented immigrants become trapped in the US. Crossing the border is fraught with risk; therefore, once an illegal is in the US, there is a strong incentive to stay, regardless of work opportunities. Current barriers to entry create commensurate barriers to exit, thereby insuring that unemployed migrants stay in the US, rather than relocating back to their home countries, where the cost of living is lower, family is present, and alternative work may be available. The Plan allows immigrants to leave and re-enter easily, to source US jobs from their home countries, and to sell unused visa days—all to encourage unemployed immigrants to leave the country.

- **Create market transparency**

The system will permit the government, visa applicants, employers and the general public to see just how work immigration is unfolding. This will provide clear information for those seeking to increase or decrease labor flows, as the case may be.

Benefits to Undocumented Immigrants

- **Reduction in numbers of deaths**

Crossing illegally into the US is inherently dangerous. According to the [Missing Migrants Project](#), the US-Mexico border is on track to see 400 illegal migrant deaths in 2017. Given that these numbers reflect bodies found in the US by the US Border Patrol, the actual number – when adjusted for those not found and those who died unmarked in the Mexican interior – is probably closer to 1,000 per year. With the Plan, the number of deaths would be reduced by well over 90%.

- **Certainty**

Living undocumented in a country is stressful, knowing that one can be deported at any time, even though one has resided in that country for years, in some cases, decades. A visa program would reduce the stress level, and immigrants will find that alone to be of great value.

- **Ease of entry and exit**

The Plan allows Central Americans to travel to see their families at will.

Many immigrants are unaccompanied men of working age. Men, in the absence of the stabilizing influence of their families, may be more likely to engage in anti-social behavior. By allowing men to travel home at will to see their wives and children, these stresses can be reduced and the impact on US society lessened.

- **Improve legal protections of undocumented immigrants in the US**

Living in the gray market deprives undocumented workers of ordinary legal protections and encourages criminals, whether corporate or individual, to prey on illegals afraid to turn to the law. This in turn prompts mayors to designate their cities as sanctuaries, for fear that a Hispanic population cut off from daily law enforcement may foster a broader culture of crime.

By providing easily accessible visas to workers, broader civil and police protections are available to this group, both protecting the undocumented population from predation and making it easier for police to secure cooperation when criminals are immigrants themselves.

- **Improve ease of working and living in the US**

The Plan would also pave the way for immigrants to obtain daily necessities like bank accounts, healthcare, IDs, rental agreements and other routine services. This, too, would make life easier.

Benefits for Employers

- **Get rid of visa red tape, and make it easier for US companies to access immigrant labor when necessary**

By using price rather than volumes to ration migrant labor, and by administratively separating background checks from work visas, the red tape for employers can be vastly reduced and sourcing migrant labor can be achieved quickly and efficiently using internet-based tools.

- **Access foreign employees in necessary volumes quickly**

The Plan would allow employers to access as many employees as necessary from participating countries on immediate notice, subject only to the *a priori* applicant eligibility and the cost of visas. With this information, the employer can make a quick cost/benefit calculation on the number of immigrants to bring in for any given purpose.

In addition, the cost of visas would give employers a clear view of supply-demand conditions and an objective metric—the price of a visa—by which to request additional visa volumes from the government, if necessary.

Benefits to Mexico

- **Better governance**

The first line of defense against illegal immigration is good governance in Latin America. Illegal immigrants come to the US when their domestic prospects or security conditions are poor. Although not detailed in this proposal, the Plan could be used as a lever to incentivize better governance in participating countries, Mexico to start with.

- **Access to the immigration control system**

The envisioned system is open, and could be used by the Mexican government to manage its own illegal immigration, even without linkage to Mexican law enforcement databases. Further, by passing parallel legislation to that of the US, the Mexican government could have, at low cost, a fully functioning immigration and law enforcement system which is, by default, integrated with US DHS.

- **A major step up for Mexican prestige and pride**

Today, undocumented Mexican immigrants are treated as a criminal class by US conservatives. With the Plan, Mexicans – not only undocumented migrants, but Mexicans more generally – will emerge from the shadows and be able stand as respected partners to the US. For Mexican pride and status, no other program could do as much.

- **Reduce crime near the border**

As the US Prohibition era shows, black markets are almost always accompanied by crime syndicates and associated violence, and yet relatively little of this has appeared in the US. On the other hand, northern Mexico is a near war zone. Migrant deaths in the desert, drug smuggling, human trafficking, rape and prostitution in the border zone are the direct result of US migrant policy—with almost the entire cost foisted on Mexico and its citizens. It is plausible, although not researched in sufficient detail, that a portion of violent drug related crime in northern Mexico is also related to US immigration policy. If so, the Plan may have the unintended by-product of reducing crime levels more broadly in northern Mexico.

Benefits to the Republican Party / Conservatives

- **The Plan may help reduce political polarization in the country and stem the nascent civil war in the Republican Party.**

Arguably, no policy is as divisive in the US as immigration and, in particular, illegal immigration across the southwest border.

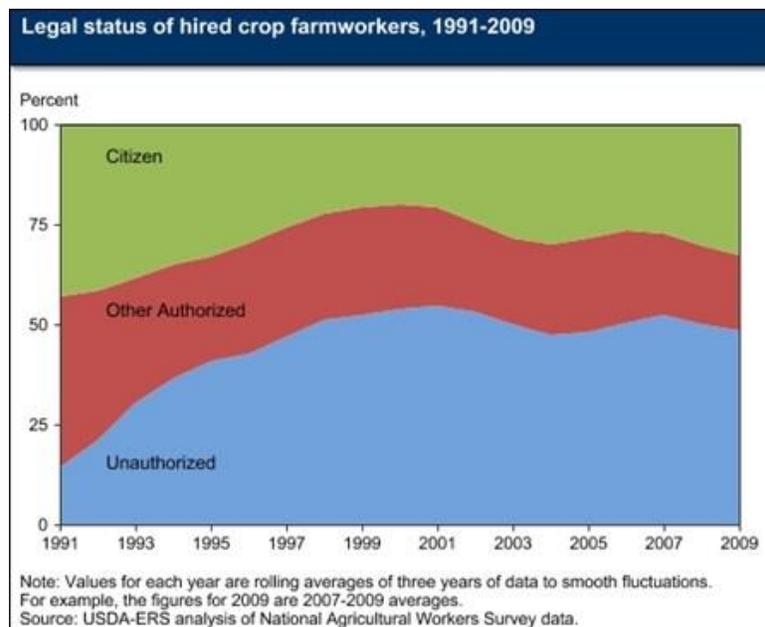
Market-based immigration represents a solution which emphasizes accountability, but is neither mean nor xenophobic. It would address the frustration and anger of American conservatives in the government's – and specifically the Republican Party's — inability to control the border and come together around constructive policy.

At the same time, such a program would eliminate the rationale for sanctuary cities and deprive the left of a rallying point against the Trump administration and Congressional Republicans.

Finally, such a policy would allow President Trump to transition to a more transactional, rather than confrontational, approach to governance.

- **The Plan avoids destroying economic sectors—for example, agriculture—which are both heavily dependent on migrant labor and are key supporters of President Trump.**

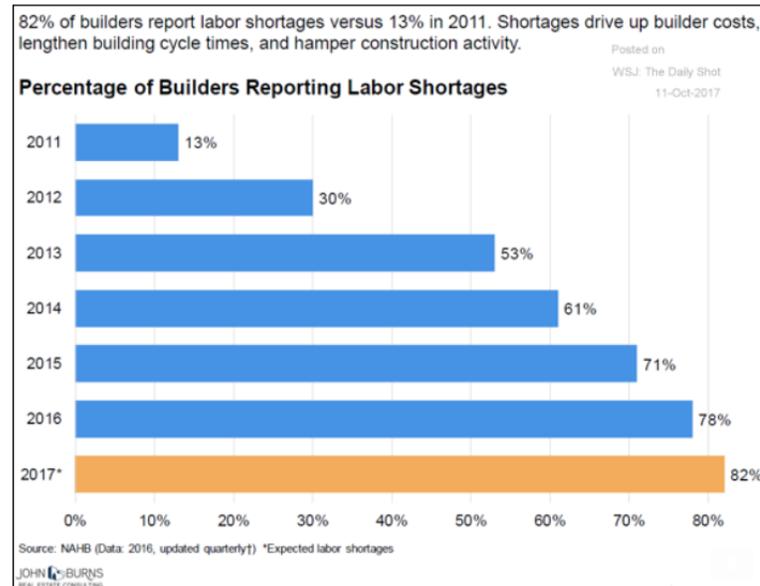
President Trump's vote came in large part from rural, agricultural regions of the country. Undocumented Hispanic workers provide nearly half of agricultural farm laborers and supervisors.



Source: [USDA](#)

In addition, about 25% of US construction workers are estimated to be undocumented Hispanics. The sector is facing unprecedented labor shortages at the moment.

Skilled (and drug-free) worker shortages in construction are especially acute.



Source: John Burns Real Estate Consulting

Cracking down on these two sectors will hurt rural communities and the real estate sector, both of central interest to President Trump. The Plan makes such a crackdown unnecessary.

- **The Plan is better than doing nothing**

For the last thirty-five years, politicians of all stripes have complained about illegal immigration. No one has addressed the issue seriously. If the Trump administration follows precedent, it will also do nothing. Certainly, Congress has shown no appetite for mass deportations.

At the same time, US voters have spoken. They want action from Washington on immigration. This Plan, with all its faults and shortcomings, represents material immigration reform and a major step towards addressing voter priorities.

- **The Plan can be used to shape other immigration-related issues, for example, birthright citizenship**

Birthright citizenship, also known as *jus soli*, allows a child born on US territory to gain US citizenship. It is one of the most contentious aspects of illegal immigration, as birthright citizenship appears to incentivize border jumping and circumvents the entire intent of US immigration law. As part of a visa condition, the applicant may waive the right of *jus soli* for their children. More precisely, the visa may become invalidated if the immigrant has a child in the US. The child as such would continue to enjoy *jus soli*, but the parent would lose the work permit—a considerable incentive to have the child in the parents' home country. Whether such

conditionality would survive the US courts is an open question, but at least the Plan promises some measure of control over the issue.

- **Secure the Hispanic vote for the Republican Party for a generation to come**

The Plan would give up to 11 million undocumented immigrants status. This status is neither free nor unconditional, and it provides no path to citizenship and may restrict *jus soli*. But it would be an enormous step up for this population, and indeed, for the approximately 40 million legal Hispanics in the US. The Plan would, at a minimum, split the Hispanic vote and help insure a Republican majority for some time to come, *ceteris paribus*.

- **Implement a flat tax**

The Plan is an example of a low rate, flat tax in action. The Plan would require no filing of tax forms, but rather work through auto-deduction. A flat tax has long been desired in some Republican circles. The Plan would use immigrant labor as a test case.

- **FICA Opt-Out**

Much of the revenue raised from illegal immigrants today comes from FICA contributions. The question is whether such payments constitute acceptance by the US government of reciprocal obligations. To date, the answer appears to be ‘no’ (except by executive order), but a judge in the future may find that acceptance of social insurance payments constitutes a transaction, requiring commensurate benefits from the Federal government.

The Plan does not collect FICA payments. It is intended to be a simple fee-for-access program with no tail-end obligations for the US government. In addition, the Plan is intended to use the immigrant population as a test case for a society unburdened by redistributive policies—an important philosophical notion for some Republicans.

In short, the Plan contains critical components of a broader conservative / free market ideology, and implements those for the first time in over a century.

- **The Plan is Low Risk, Low Cost to the US Government**

In the initial phases, visas would most likely be issued with short durations, probably one year or less. If the program proves a failure, the issued visas can be allowed to lapse, and a year later, the *status quo ante* will be largely restored.

The system is flexible. As visas expire, new visas with modified terms can be issued.

The Plan system can exist side by side with incumbent work visa systems, and need not disturb them at all. If the Plan is successful, other work visas can be migrated to the proposed system over time. If it is unsuccessful, the incumbent systems continue to operate with disruption.

While some software and organizational work is required from the government, most of the v-Jobs platform is to be funded and operated by commercial entities. Thus, the private sector would carry most of the risk of project failure.

The Plan is certainly not perfect, but it does represent a substantial advance over current practice in almost every respect. It is the next step towards a more rational management of economic migrants and holds the potential to emerge as one of the key achievements of the Trump administration.

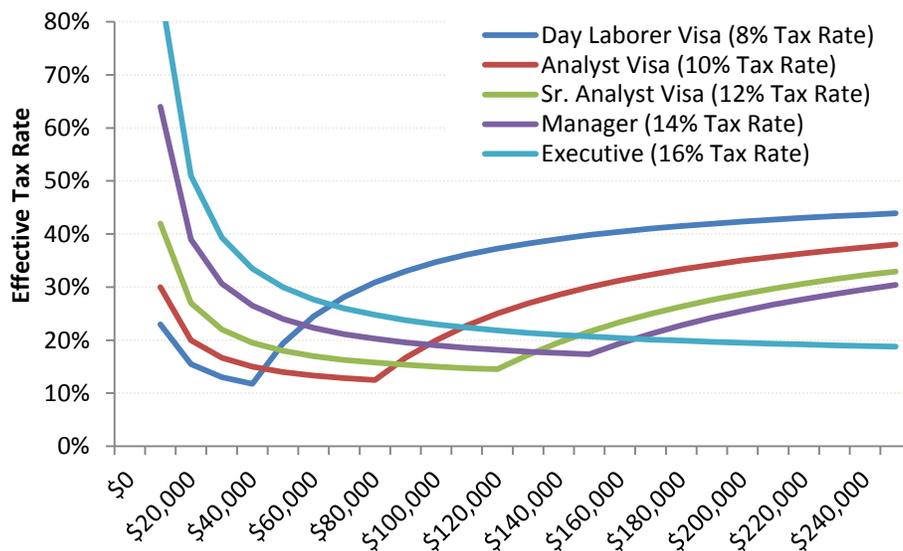
Appendix 1. Market-based Visas Employing Income Segmentation

Depending on the circumstances, the migrant market may require segmentation by income. By way of illustration, the Plan might offer five different classes of visas, segmented by income, for example. Low income workers would choose a ‘day laborer’ visa with a low up-front visa cost and low tax rate, but also a low penalty tax threshold. Highly skilled labor would prefer a ‘Manager’ or ‘Executive’ visa with a higher up-front cost and higher tax rate, but also a higher penalty tax threshold.

For example, a day laborer visa might have a \$1,500 up-front annual visa cost, an 8% flat tax rate to \$40,000 and a 50% penalty tax rate on annual income above that level. A field hand making \$30,000 / year would have an effective tax rate of 13% using this visa.

However, if his income rose to \$50,000 and he held a day laborer visa, the field hand would trigger the penalty tax rate and his effective tax rate would rise to 19%. He would be better off switching to another visa class. If he moved up to an ‘Analyst’ visa, he would incur a higher visa fee and base tax rate, but would remain under the penalty threshold, yielding an effective tax rate of 14% in this illustrative example.

By contrast, a Mexican IT specialist making \$150,000 in Silicon Valley would be best served by acquiring a ‘Manager’ visa, with a \$5,000 up-front cost and a 14% tax rate. At \$150,000 of income, his effective tax rate would be 17%.



Effective Tax Rates for Various Visa Types, Visa Fee + Fed Taxes

Source: Prienga analysis

By managing up-front visa fees and base and penalty tax rates, the labor market can be effectively segmented. In this world, a field hand picking lettuce in California is treated as essentially similar to a Mexican serving coffee at Starbucks. Both are treated in the ‘day laborer’ category, because both will make less than \$40,000 per year.

This circumvents the entire issue of skilled versus non-skilled labor. We assume that labor in any given income class has attributes essentially comparable to other labor in that income class, and we leave it to

the market to allocate within a given class. Therefore, a farm in California does not need to request visas for field hands. Instead, the farm manager goes to iTunes or StubHub and issues a call for a certain number of Mexicans either with their own Day Laborer visas or visas purchased by the farm manager on behalf of Mexican day laborers. If the farm so chooses, it can purchase, say, 300 visas in a block (subject to the prevailing price) to assign to eligible Mexican workers.

From the government's perspective, the immigrant's educational status and skills are irrelevant. It is for the employer to determine qualifications—just as it should be. An IT firm may value a particular programmer—even one without a college degree—very highly. In the proposed system, the government does not care about the programmer's qualifications, only the income he is to receive.

By this means, the US government can essentially manage immigrant employees by generic skill class, rather than by specific job description. If the price of Day Laborer visas is creeping up, the government can issue more. On the other hand, if the price is falling, the government can issue fewer visas. If the public feels that Mexican day laborers are taking too many jobs, then the government can reduce the number of associated visas and let their price rise. If business is complaining about a lack of programmers, the government can issue more Analyst visas.