

# Web Memo



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## Immigration Reform or Central Planning

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The klieg lights of the media often turn thoughtful policy discussions into cartoonish debates, and this habit is distorting the Senate's consideration of immigration reform. Libertarians and pro-business conservatives who favor immigration and open borders are supposedly squaring off against conservatives who favor law, order, and national security. But the strongest libertarian advocates of free markets might want to take a closer look at the details of the Comprehensive Immigration Reform Act (CIRA, S. 2611). The 600-page bill is stuffed with provisions that are difficult to decipher, some good, no doubt, and some that are alarming. Alarms bells should be ringing at the idea of creating a new bureaucracy within the Department of Labor tasked with centrally planning labor markets for untold numbers of guest workers. This would be a mistake.

If the goal of immigration reform is to enhance the liberty and prosperity of the U.S. and its citizens, then a robust flow of immigrants is desirable. But that logic hinges on two assumptions: that immigrants are coming to America for work, not welfare, and that reform will improve, not hinder, the labor market.

### **Why Citizenship?**

A central plank of the current Senate legislation is a guest worker program that treats existing illegal immigrants and future work migrants as completely different classes. Heritage Foundation scholars have been long-standing advocates of a temporary guest worker program—even arguing that immigration reform without it is “bound to fail.” But why create a guest worker program that excludes existing migrant workers?

A smart reform bill would reject the false choice of treating guest workers as (A) felons or (B) citizens. Principled reform would simply give illegal immigrants a chance to become legal, identifiable, temporary workers. This would not preclude them from applying for citizenship; rather it would treat them the same as other hopeful applicants living abroad. No reform should preclude temporary workers from pursuing assimilation or citizenship; their status

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[www.heritage.org/research/Immigration/wm1088.cfm](http://www.heritage.org/research/Immigration/wm1088.cfm)

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simply shouldn't guarantee them citizenship.

### **Neither Limited, Temporary, or Free-Market**

The Senate has devised a guest worker program that would extend bureaucratic control over some 5 percent of the labor force, via wage controls on the private sector. Rather than establish a simple cap on the number of temporary visas issued each month (which could be distributed fairly in a simple monthly auction), the Senate bill would create of a new Department of Labor bureaucracy that would be nothing less than a central planning agency for the U.S. labor market. This is a bad solution for several reasons:

- **Ripe for Political Manipulation.** The legislation envisions a "Temporary Worker Task Force" with ten members (all political appointees from the federal government, none from states). More explicitly, the Secretary of Labor would determine which occupational categories in the U.S. have unmet demands for labor. This structure is ripe for political pressure. Would industry lobbyists not get a friendly ear when they pressed allied legislators and appointees for increased quotas in their sector? Or what if a labor union demanded fewer immigrants in its sector? Markets, not bureaucrats and certainly not politicians, should determine the equilibrium for wages and where labor is employed.
- **Dramatically Expands Prevailing Wage Rules.** Centrally controlling wages for every possible occupation is a breathtakingly ambitious project but would be mandatory for guest workers under the S. 2611. Such micromanagement of the prices of heterogonous labor is hopeless because supply and demand for various skills are constantly evolving in unpredictable
- ways. On Friday, the Senate adopted by voice vote an amendment from Senator Barack Obama (D-IL) to make the Senate plan's prevailing wage provisions even stronger. In his words, "This amendment would establish a true prevailing wage for all occupations." If the Senate passed a law outlawing supply and demand, it would hardly be more amazing. Senator Obama summarized, apparently with no protest from other Senators, that the goal of his amendment is to ensure prevailing wages "apply to all workers and not just some workers." That is a chilling thought.
- **Bogs Down the Labor Market.** A dynamic economy requires its labor market to adjust constantly to different types of work (e.g., the burgeoning demand for software programmers, physical therapists, and nurses). A static, centrally-planned system assumes change must be justified and will slow economic growth.
- **Inefficient Paperwork Favors Big Firms.** The law would require potential employers to submit paperwork making ten different certifications, including that any migrant worker won't impact wages in the specific occupation they are entering. Employers also have to go through a Kabuki dance of certifying that no native worker could be found to do the work. Do Ohio companies have to do this when employing people from Michigan or Indiana? Expecting companies to resolve issues that remain unresolved by the sharpest academics in the world is folly. Such paperwork is ridiculous, inefficient, and especially prohibitive to small employers.

- **A Dangerous Precedent for Labor Market Intrusion.** If the guest workforce reaches 7 million, then central planners will control 5 percent of the labor market. Once the pattern is established, what is to stop the new bureaucracy from “fixing” the labor market for all low-skilled workers, and then for all young workers, and then for all workers? Extending prevailing wage rules to the private sector creates a slippery slope.
- **Inefficient Centrally-Planned Markets.** This kind of program is based on the fallacy that governments can centrally measure and plan the quantities and prices of labor and goods better than markets can. The history of failed socialist economies in Eastern Europe should not be so easy to neglect.

President Bush has rightly called for a principled approach to immigration. The President should

clarify that, while immigration reform should incorporate a guest worker program, that program must be crafted carefully. It should not include a new citizenship guarantee. And just as importantly, policymakers should craft a free-market framework for guest workers, not a new federal planning agency. Not only is central planning of migrant labor markets bound to fail, but it is also ripe for corruption and political manipulation. This is exactly the wrong direction for immigration reform and sets a dangerous precedent for what a Labor Department might do to native workers in the future. These are criticisms of the current Senate bill that all conservatives, and indeed all Americans, should be able to agree on.

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<sup>1</sup> The positive economic impact of immigration was described in Heritage *Backgrounder* No. 1913, “The Real Problem with Immigration ... and the Real Solution,” by Tim Kane and Kirk Johnson, March 1, 2006.

<sup>2</sup> See S.2611. Section 404.