While the scientific and economic implications of climate change remain highly contested, the idea of a net revenue-neutral tax on carbon dioxide emissions has been proposed by a number of economists from across the ideological spectrum as one possible way to help level the playing field among different sources of energy by accounting for the potential externalities of carbon emissions. At the same time, other economists have criticized carbon pricing, both from the right and the left, as either a utopian scheme inappropriate to address a global problem or as a band-aid that will not fundamentally limit carbon emissions. In a revenue-neutral carbon tax regime, all revenues generated from taxes on carbon emissions would be directly returned to the taxed economy through an equivalent reduction in other existing taxes or through direct payments to taxpayers. Depending on the particular structure utilized, these may be referred to as a "revenue-neutral carbon tax" or a "carbon tax shift/swap" or a "carbon fee and dividend".

What the arguments for such a policy structure, both pro and con, have often lacked is detailed analysis of the performance and design of revenue-neutral carbon taxes in the real world. This paper attempts to address that gap. It examines the revenue-recycling carbon pricing mechanisms already enacted in British Columbia and Australia in order to assess their approach and efficacy.

Modern Carbon Tax Forays: British Columbia and Australia

The Canadian Province of British Columbia was an early adopter of a revenue-neutral carbon tax that directly recycles 100% of the revenue it generates. British Columbia now has four years of experience on carbon tax implementation and revenue distribution. Australia, after years of discussion with stakeholders from across the economy, has now designed and implemented a partially-revenue-recycling carbon tax from July 2012. Though both regions adopted broad-based taxes on greenhouse gas (GHG) emissions, they have chosen different design and...
Welcome to the inaugural issue of Peregrine! Edward Lazear, my colleague at the Hoover Institution and co-chair of the Conte Initiative on Immigration Reform, and I have been working on innovative new ways to enhance the debate over immigration policy in the United States. We believe there are many more good ideas than the mainstream political dialogue has considered, and it is our hope that this new effort to highlight solutions will help break through some of the political posturing that has stymied reform for over a decade.

Peregrine is an online journal with a unique mission. Each issue will address one topic out of the many elements related to immigration in the US. This inaugural issue, in fact, asks the most basic question of all: What is the right amount of legal immigration? Historically, the Americas were open to all who could get here. The United States was a nation of immigrants before, during, and after the founding fathers rebelled from the King of England and declared their independence. Even today, over one million foreigners migrate to the US legally and permanently every year — a greater amount than any other country on Earth.

Is one million per year too many? Not enough? We discuss in this issue legal migration only, not the illegal flow that has both political parties tied up in knots. Readers of Peregrine can set aside the talking points and glib commentary of pundits and think along with our writers about nuanced and innovative approaches to immigration. The scholars that we have solicited to participate in this effort come from very different ideological starting points. Yet already, we are happy to see areas of agreement.

Every issue of Peregrine will feature a recurring survey of participating scholars and other experts on immigration reform. Members include many of the leading scholars on immigration from universities and think tanks around the nation. The first part of the survey asks questions that mirror those asked of the American public, to see what similarities and differences in outlook might exist. The second part promises to highlight reform ideas.

We at Hoover are excited to launch Peregrine, which continues our tradition of original work on immigration reform. Thanks to J-P Conte for his generous support of this effort, and his vision of strengthening America’s tradition as a nation of immigrants. Thanks to Tom Church, my managing editor and our colleague at Hoover, as well as Denise Elson, Chris Dauer, and Shana Farley for the many hours of brainstorming, drafting, and revising of Peregrine. And thanks to the individuals who have taken time to write for Peregrine, and to all those who participated in the survey. We are proud of the result, and are looking forward to more in the months ahead.

Tim Kane
Editor
What is the Optimal Number of Immigrants to the US?

by John H. Cochrane

Two billion, two million, fifty-two thousand and thirty-five (2,002,052,035). Seriously.

The United States is made up of three and a half million square miles, with 84 people per square mile. The United Kingdom has 650 people per square mile. If we let in two billion people, we’ll have no more population density than the UK.

Why the UK? Well, it seems really pretty country and none too crowded on “Masterpiece Theater.” The Netherlands is also attractive with 1,250 people per square mile, so maybe four billion. Okay, maybe more of the US is uninhabitable desert or tundra, so maybe only one billion. However you cut it, the US still looks severely underpopulated relative to many other pleasant advanced countries.

As you can see by my playful calculation, the title of this essay asks the wrong question.

What is the optimal number of imported tomatoes? Soviet central planners tried to figure things out this way. Americans shouldn’t. We should decide on the optimal terms on which tomatoes can be imported, and then let the market decide the number. Similarly, we should debate what the optimal terms for immigration are – How will we let people immigrate? What kind of people? – so that the vast majority of such immigrants are a net benefit to the US. Then, let as many come as want to. On the right terms, the number will self-regulate.

Econ 101: Figure out the price, set the rules of the game; don’t decide the quantity, or determine the outcome. When a society sets target quantities, or sets quotas, as the U.S. does now with immigration, the result is generally a calamitous waste. With an immigrant quota, an entrepreneur who could come to the U.S. and start a billion dollar business faces the same restriction as everyone else. The potential Albert Einstein or Sergey Brin has no way to signal just how much his contribution to our society would be.

Why fear immigrants? You might fear they will overuse social services. Morally, just why your taxes should support an unfortunate who happened to be born in Maine and not one who happened...
to be born in Guadalajara is an interesting question, but leave that aside for now. It’s easy enough to structure a deal that protects the finances of the welfare state. Immigrants would pay a bond at the border, say $5,000. If they run out of money, are convicted of a crime, don’t have health insurance, or whatever, the bond pays for their ticket home. Alternatively, the government could establish an asset and income test: immigrants must show $10,000 in assets and either a job within 6 months or visible business or asset income.

In any case, welfare is a red herring. Immigrants might go to France for a welfare state. The vast majority of immigrants to the US come to work, and pay taxes. Overuse of social services is simply not a problem. But if you worry about it, it’s easy to structure the deal.

You might fear that immigrants compete for jobs, and drive down American wages. Again, this is not demonstrably a serious problem. If labor does not move in, capital—factories and farms—moves out and wages go down anyway. Immigrants come to work in wide-open industries with lots of jobs, not those where there are few jobs and many workers. Thus, restrictions on immigration do little, in the long run of an open economy such as the US, to “protect” wages. To the extent wage-boosting immigration restrictions can work, the higher wages translate into higher prices to American consumers. The country as a whole—especially low-income consumers who tend to shop at Wal-Mart and benefit the most from low-priced goods—is not better off.

And finally, if it did work, restricting labor benefits some American workers by hurting Mexican workers. Is it really America’s place in the world to take opportunities from poor Mexicans to subsidize our workers’ standard of living? We are a strange country that rigorously prohibits employment discrimination “because of birthplace, ancestry, culture, linguistic characteristics common to a specific ethnic group, or accent...” and then requires such discrimination because of, well, birthplace.

But if that’s a worry, fine. The government could license protected occupations such that only US citizens can hold the protected occupational licenses. Too intrusive? Well, that’s what we’re trying to do by keeping people out, and good policy is not produced by putting nice appearances on nasty policies.

More seriously, one can worry that our society quickly absorbs educated people: engineers, programmers, venture capitalists, MBAs, and professors, but does not quickly absorb people with less education. If the low-skill, low-assimilation objection has merit, let in anyone with specific skills and credentials. Let’s talk about the terms, not the numbers.

America is behind the curve in one aspect of issuing immigrant visas—it allocates more of its slots for family-based visas than any other Western, developed nation. Immigration reform advocates on both sides of the aisle believe it is time to rebalance green
Maybe you worry about social values. One can easily demand that immigrants speak English, and have a vague understanding of American institutions, history, and law, though we don’t require this of our citizens. Fine. Let’s talk about the deal, not the numbers.

Maybe you worry, how will we build homes and find jobs for all these people? “We” don’t. They will. Markets, not the government, already provides homes and jobs for citizens. And anyway, aren’t we supposed to be worried about our stagnant economy? Everyone wants more housing construction in the US, yet there are only so many people who need only so many houses. Imagine the construction boom from millions of additional immigrants each year. Our ancestors did not need the American Indian Federal Government to provide them jobs or build them houses. Neither do new immigrants.

The first order issue facing the US is the ridiculous number of talented people who are forced to leave after visiting, often getting engineering diplomas from US colleges, and our mistreatment of de-facto immigrants who are here. Anyone who gets a degree here should be able to stay. Instead, we kick them out. Another 11 million people are here, working hard, paying taxes, owning property, but scurrying around in semi-legal status. This is a national embarrassment. We criticize other nations for “apartheid” when they deny legal status to people who have been living there for decades, or even generations. Yet one in twenty people living within US borders suffers the same fate.

If you’ve been here x years, have a job, stayed out of trouble, then you should get to stay. If we let everyone else who wants to migrate on these same terms, then we don’t have to worry about the unfairness of letting illegals “jump the line.” Get the terms right, and there will be no lines and no unfairness.

Let’s talk about the deal, not the numbers. For every objection to open immigration, it’s easy enough to find terms of the deal to resolve the matter. The right terms will allow the optimal amount of immigration to settle itself, so that no apparatchik in Washington has to come up with a number. Once we get the terms right, every person who can benefit our society will come, and America will truly be a great nation of great immigrants again.
More Skills, Fewer Chains
by Clint Bolick

When the annual ceiling on high-skilled visas America granted for 2014 is hit in a matter of days, we know something is wrong. Likewise, when Alabama and Georgia lose billions of dollars in agricultural output after their laws chased away illegal immigrant workers, something is wrong. And when Governor Rick Snyder (R-MI) has to seek an exemption from the law in order to recruit tens of thousands of immigrants to repopulate and revitalize Detroit, something about the status quo is clearly wrong.

There are many things wrong with America’s immigration laws, but one of the biggest flaws is the tilted playing field that hurts the economy. Nearly two-thirds of legal immigrants come not for work, but because of family preferences—not only for spouses and minor children of citizens, but for parents and siblings, too. They in turn receive preferences, leading to the phenomenon of chain migration. But with limits on the overall numbers, who gets crowded out? The immigrants we need for economic growth.

The US needs to scrap chain migration, limiting preferences to nuclear families. A better alternative is an expanded system of visas based on work and skills. Eliminating chain migration would free up hundreds of thousands of visas each year, even without increasing overall immigration numbers.

Some immigrants are so valuable that we should not limit their numbers at all—particularly STEM graduates and entrepreneurs who are willing to invest in new American companies.

We should also increase the number of visas for high-skilled jobs and guest workers. A “red card” system in which visas are matched to specific jobs would allow immigration to respond to demand. Another good idea would allow states to exceed immigration limits to meet their specific needs, whether in high-tech industries, agriculture, or other areas of great labor demand.

Working immigrants pay taxes, consume few social services, and create jobs. Immigrants are far more likely than native-born Americans to start new businesses. Given that the US birth rate is flat and our population is aging, we need productive young immigrants to foster economic growth and help us keep our social-welfare promises.

The right question is not so much how many immigrants but who they are. If we shift the focus of our immigration policy from chain migration to work and skill-based visas, more is better. In that future, arbitrary ceilings will be revealed as a regulatory impediment to economic growth.

Equilibrium for Immigrants
by Richard A. Epstein

The question posed in this inaugural issue of Peregrine is deceptively simple and profoundly misleading. What it asks us to do as legal and economic analysts is to make some empirical judgment as to the number and composition the immigration population. On reflection, this asks us the wrong question.

Refer back to Robert Nozick’s underappreciated account of patterning principles in Anarchy State, and Utopia, which cautions us against thinking about the just solution in terms of the anticipated end state. I think that the same cautious approach should be applied to thinking about immigration, only in this context the task is much more difficult, because it becomes necessary for the government to fashion a set of admission requirements.

Immigration rules should not envision in advance some quota on the number of persons who will be allowed in on permanent visas. They should avoid patterning principles. Rather, the rules should set out the test by which individuals should be allowed into the country.

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Here is one example. Suppose that it is thought that individuals should be allowed into the United States if they can prove that they can support themselves in the country for a period of say three years. The appropriate rules in question then could ask that individuals seeking immigration gain a certificate of prospective employment from a domestic party. It may well be that the initial permit will be subject to modification if the immigrant loses the job, changes the job, changes marital status or whatever. But for these purposes, the key step is the first one. Once the basic test is established, then let the number of immigrants take care of itself: an equilibrium in which those who can meet the test get in, those who do not, do not get it.

One caveat to this proposal is that this three-year period need not be set into stone. A second caveat to this proposal is that it might not work at all. Neither caveat gets us back to a system of quotas and targets. It could be that the leading indicator for immigration practice should be something other than a promise of employment. But whatever the test, this country is large, and so long as the proposed standards are not perverse, we should let the numbers take care of themselves.

Immigration is a chancy business, and there is some chance this will flounder. But in dealing with this issue, the right question about any system is “compared to what?” And any quota system with the potential for long queues that are not easily shortened does not seem to be a compelling alternative.

A More Rational Approach
by Lanhee Chen
Lanhee Chen is a research fellow at the Hoover Institution and has teaching appointments in the Public Policy Program and Law School at Stanford University.

It’s hard to define the right number of green cards precisely, but with millions of individuals waiting in line in other countries to get one, it seems fair to say that the current number of approximately one million per year is too low. Legal immigration has benefits not just for our society and many American families, but for our nation’s economy as well. There is more to immigration reform than the matter of the 12 million people in the United States illegally, but so much attention is paid to that dilemma that equally important questions are neglected. Namely, how can the United States streamline and improve the process through which legal immigrants are welcomed to our country?

I believe that our immigration system must more rationally determine who should be eligible to earn permanent residency in the United States. There are easier cases, such as people who have ties to immediate family here in the United States, or individuals who can contribute to growing our economy. Then there are harder cases that are more fraught with political difficulty – for example, immigrants brought here illegally as children. The political consensus amongst center-right and center-left policymakers seems to be that we should allow these individuals to get access to permanent residency and eventually citizenship here.

The one thing the process should avoid is randomness. The notion, for example, that people ought to be allowed to come and stay in the United States permanently because they participate in and win a lottery designed to promote the geographic diversity of immigrants to our shores is antiquated and ineffective. We should instead be putting in place a process that rationally promotes merit or the value of bringing families together.

Ultimately, “right-sizing” the number of green cards is just one aspect of fixing our broken immigration system. But it seems like a place where we can actually find consensus between Republicans and Democrats seeking reform.
As the drive for US immigration reform becomes bogged down in election-year politics, one facet of the issue seems indisputable: An overhaul of the country’s immigration policy would be a boon to the world’s biggest economy. While much of the focus is on finding the “optimal” number of immigrants, a more economically important issue is the composition of who, among the millions of potential migrants, America welcomes. The percentage of employment-based migrants relative to refugees and family-based is lower in the United States than any other country in the Western World.

A sweeping reform should open the door to a significant number of highly-skilled noncitizens who could lawfully enter the country permanently. This would be a positive step toward economic growth, according to my recent study for Standard & Poor’s. If such immigration reform becomes law, it could add about 3.2 percentage points to real GDP in the next 10 years (2015 to 2024) and likely even more to growth in the following decade — a meaningful bump for an economy still recovering from the Great Recession.

Overtime, immigration reform would likely significantly increase the number of working-age people. An influx of young, skilled labor would spur economic growth, potentially add to innovation, and help offset the deleterious effects of an aging American population, among other things. In addition, if reform focused on highly skilled immigrants, the ripple effects on productivity, the tax base, and jobs would be even larger. This would help reduce Uncle Sam’s growing budget problems, cutting about $150 billion in real terms from the deficit in 10 years and possibly even more in the following decade.

While many see immigration reform as a boost for the economic recovery, others are sure that immigrants “steal” jobs, depress wages, and slow economic growth.

Some of these concerns are misplaced. The immigrants that come to the US typically complement the native labor force; they don’t substitute for American workers.

Highly skilled immigrants are particularly innovative. The Partnership for a New American Economy’s June 2012 study noted that 75 percent of the nearly 1,500 patents awarded at the nation’s top 100 research universities went to projects at least partly headed by immigrants. Nearly all of those patents were in the STEM fields (science, technology, engineering, and mathematics). From a business perspective, 18 percent of the Fortune 500 companies had at least one founder who is foreign-born. These companies generated $1.7 trillion in annual revenue and employed 3.6 million workers worldwide (Immigration Law Policy Center).

Because immigrants have created businesses and file patents at an especially high rate, this helps create jobs. According to a 2011 study from the American Enterprise Institute, each additional group of 100 foreign-born workers with advanced degrees admitted between 2000-2007 was associated with 44 additional American jobs. Each immigrant with a STEM background was associated with 262 additional American jobs.

Many politicians have said that immigration reform is a priority. In crafting the reforms, politicians would be wise to keep in mind fixes that help grow the US’s economic pie.
Voting on the New Ideas
by Tim Kane

Each issue of will consider a handful of new ideas for pragmatic, incremental reform. The topic of this inaugural issue is the optimal scale of legal migration. Thirty-eight members of our working group (organized by the Hoover Institution, but from a wide variety of research institutions) responded to a survey that evaluates each idea on a four-point scale from "strongly agree" to "strongly disagree." Here are the ideas considered, ranked in order of the percentage of experts that agree.

Interestingly, two of the least popular ideas are opposite extremes: open borders and restricting green cards cyclically. By far the two most popular ideas involve drawing in more immigrants using "merit" criteria. Support for the idea of establishing a market for citizenship, recommended last year by Hoover scholars Gary Becker and Edward Lazear, was split with just under half of the panel opposed. A related concept, introducing a provisional visa for permanent status based on a bond, had roughly two-thirds support.

The results of the survey show a much deeper level of consensus on immigration reform than might expect given the acrimony on editorial pages and cable television programs.

The composition of “lawful permanent residents” is heavily skewed in favor of family-sponsored immigrants to the U.S., more so than any other country. We asked our surveyed experts what the ideal composition should be. Currently, two-thirds of green cards are granted to family-sponsored immigrants, which our panel’s average response recommends should be half that size. In contrast, 14 percent of actual green cards are employment-based, which our panel would quadruple.

89% NEW COMPOSITION - MERIT
Regardless of the number of legal migrants, change composition of green card recipients toward a mostly economic basis (for example, using points to assess each applicant on their skills, employment history, and educational credentials).

86% ADDITIONAL "MERIT" IMMIGRANTS
Increase the number of new legal immigrants by granting an additional 200,000 or more “economic” or “points-based” green cards beyond the current allowable level.

72% UNLIMITED SCIENTISTS
Automatically grant green card for foreign scientists and engineers who pass basic background checks.

65% EQUILIBRIUM BOND
Rather than a fixed number of legal immigrants each year, allow for the flow of immigrants to be set in equilibrium by charging a $10,000 bond (or some other amount) for a provisional visa. During the provisional time, individual immigrants who commit crimes or fail other criteria will have their status revoked.

63% NEW COMPOSITION – FAMILY
Regardless of the number of green cards, change composition of recipients by limiting family-sponsorship green cards to spouses and children of current US citizens.

58% EQUILIBRIUM MARKET
Establish a price of $50,000 (or some other amount) for the right to become a US citizen. This market for green cards would replace the existing system and it would raise $50 billion per year in federal revenue at current migration levels.

57% LONG-TERM GREEN CARD
Allow an unlimited number of permanent immigrants, but change the nature of the green card so that full citizenship with access to welfare benefits and other entitlements would not be granted for a multi-decade transitional period for each individual.

38% RESTRICT # OF GREEN CARDS ISSUED
Using a rule that lowers the maximum allowable number of permanent legal migrants when the US unemployment rate rises. The level of green cards would vary cyclically with economic conditions.

36% OPEN BORDERS
Allow for unlimited number of legal immigrants to the US, so long as each new citizen passes a background check and some kind of assimilation test such as English proficiency and knowledge of US history.

Tim Kane
Tim Kane is an economist, entrepreneur, and veteran air force officer. He is currently a research fellow at the Hoover Institution at Stanford University, and serves as co-chair of the Conte Initiative.
40% of the general public says to leave immigration at its present level. Survey results show that 23% increase and 35% decrease. 13% decrease and 8% neutral. 79% of experts surveyed want to see immigration increased.

Experts agree... with public opinion that finds 72% of people polled believe immigration is a good thing with only 25% thinking of it negatively. Experts strongly feel that immigration is a good thing with only 11% neutral on the subject.

The United States currently welcomes 1 million new permanent residents each year...

- Decrease by 0-50% from the current level: 8%
- Decrease by 51-100% from the current level: 5%
- Remain at the current level: 5%
- Increase by 1-50% from the current level: 24%
- Increase by 500,000 or more (50%+ above current level): 57%

The % of permanent immigrant visas should be apportioned among the three categories:

- Actual 66% recommended 32% Family-Sponsored
- Actual 15% recommended 14% Refugee/Asylee
- Actual 14% recommended 54% Employment-Based

The ranking of ideas for reform of U.S. immigration policy...
ABOUT PEREGRINE

Peregrine (adj.) 1. foreign; alien; coming from abroad. 2. wandering, traveling, or migrating. Origin: Latin peregrinus foreign, derivative of peregrine abroad.

Peregrine is an online journal about US immigration policy that provides background facts, surveys, and opinion essays by scholars from a variety of perspectives. Each issue of Peregrine addresses a different aspect of immigration, looking to educate as well as identify areas of agreement among experts and the public on incremental policy changes. This free publication will be published online and in print and will also be available as a downloadable PDF.

The starting point for Peregrine is an awareness of America’s unique status as a nation of immigrants. From pilgrims to pioneers to huddled masses yearning to breathe free, Americans are a peregrine people. The country’s pathway to citizenship has been open for centuries and even now welcomes more than one million foreigners as permanent, legal residents every year. The United States is also a nation of laws, balancing natural rights with sovereign democracy. To maintain America’s strengths as a nation of immigrants and a democracy of laws, Peregrine provides an arena in which the best reform ideas will be published, discussed, and analyzed.

Peregrine is led by Tim Kane, editor, and Tom Church, managing editor, as part of the Hoover Institution Conte Initiative on Immigration Reform. The journal relies on contributions from the membership of Hoover’s Working Group on Immigration Reform, co-chaired by Edward Lazear and Tim Kane.

CONTE INITIATIVE ON IMMIGRATION REFORM

The Hoover Institution’s Conte Initiative on Immigration Reform is the result of significant scholarly workshops and conversations among academics, politicians, and Hoover fellows who are concerned with America’s current immigration system.

The current system is complicated, restrictive, and badly in need of reform. It is ineffective at its stated goals of allowing sufficient immigration and punishing transgressors who overstay their visas or cross our borders illegally. A working group has been formed under this initiative that aims to improve immigration law by providing innovative ideas and clear improvements to every part of the system – from border security to green cards to temporary work visas. Our efforts are provided by Hoover scholars and leading affiliated thinkers and reformers from both sides of the aisle. Our membership is united by only one common theme: Our current system is broken and needs to be reformed.

Edward Lazear and Tim Kane co-chair the project as part of Conte Initiative on Immigration Reform with management and research support from Tom Church. For more information about the Conte Immigration Initiative, visit us online at www.hoover.org/research-teams/immigration-reform.

CONTRIBUTORS AND SURVEYED EXPERTS


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