



Economic Nationalism, Immigration, and Higher Education

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Accepted: 21 July 2020 / Published online: 12 October 2020
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Kevin Flanagan studied computer science and philosophy at California State University in Long Beach. By all accounts, he was an analytically minded problem-solver, so no one was surprised when Flanagan graduated and went on to work as a programmer at Bank of America's Concord Technology Center in San Francisco's East Bay in 1996. It was there that Flanagan bought himself a house in Pleasant Hill, and it was there that in 2003, he killed himself in the Bank of America parking complex at the age of forty-one.

For months, Bank of America forced Flanagan and his colleagues to train their foreign replacements before laying them off, tying their severance packages to the humiliating task. These replacements had entered the United States on the H-1B visa.

Created as part of the Immigration Act of 1990, the H-1B program enables foreign nationals with specific skills to enter the country and work in a relevant industry. The original intent, as Senator Barack Obama recognized in 2007, "is that H-1B visas only be issued if qualified American workers are unable to take the jobs in question." Unfortunately, that's not what happens, and Flanagan's fate marked the beginning of the long night for American workers.

"Week after week," wrote journalists Donald L. Bartlett and James B. Steele, "Kevin saw his little group of programmers whittled down." Flanagan watched helplessly as his longtime programming colleagues were let go until finally "his unit was down to one—him."

On April 17, 2003, Flanagan met with a bank official who went over the details of his departure. He was reportedly "in good spirits and had been taking it

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well." Flanagan collected his personal belongings, walked out of the office where he had labored for nearly a decade, climbed into his Ford Ranger, and shot himself in the head.

Since then, things have only worsened for college-educated Americans as companies continue to outsource at breakneck speed.

The process is parasitic. American companies contract with so-called "body shops," really foreign head-hunters, to find cheap labor. These are firms that specialize in hiring out visa workers. As a consultant under the American company's umbrella, the body shop facilitates transfers of visa workers to the United States, where they replace Americans. In some cases, entire divisions of companies end up exported abroad.

There are too many examples to count, but here are a few.

"AT&T is poised to send thousands into the new year hunting for new jobs after assigning them to train their own foreign replacements," *Axios* reported late last year. "They aren't being offered severance or early retirement, and may not easily find a comparable job elsewhere with similar pay."

In October 2019, Walgreens Boots Alliance laid off an undisclosed number of employees at its corporate headquarters. Rumors abounded that the layoffs indicated Walgreens' move to accelerate outsourcing with the help of the India-based Tata Consultancy Services body shop. Sure enough, by early 2020, the deal was public. "India's largest IT firm will take over staff, consolidate vendors, run the entire IT operations of the \$ 136.9 billion Walgreen Boots, among the world's largest retailers," the *Economic Times* reported.

More incidents like this are regularly added on to the long train of abuses American workers suffer in silence. The focus of the immigration debate has long centered on illegal border crossings and combating the drug trade, all the while white-collar jobs vanished into the night, at the behest of some of America's leading corporations. Crackdowns on illegal immigration and high-profile counter-narcotics operations—things that make for flashy headlines—effectively distract from the fact that the system itself victimizes hardworking—and often highly skilled—Americans.

"The immigration status quo," Oliver Krvaric tells me, "is currently weighted heavily against that of young American professionals and college graduates by pitting them against overseas labor that take jobs at much lower wages and with numerous tax incentives tacked on to boot." Krvaric is President of the College Republicans at San Diego State University. Michelle Ohanian, the Vice President of the Bruin Republicans at the University of California, Los Angeles, echoed this sentiment. "Big business abuses low-wage foreign visa programs to the detriment of the American worker," Ohanian said. "Politicians do not have

their priorities straight as there is no money in fighting for the discouraged Americans who are laid off and must train their foreign replacement as part of their severance."

Along with more than a dozen college student organizations, Krvaric and Ohanian sent a letter to President Donald Trump in spring 2020 imploring him to take action on their behalf. They called on Trump to suspend the H-1B visa and terminate the Optional Practical Training (OPT) program, two policies particularly harmful to our recent college graduates. The administration moved to revise the definition of "specialty occupation" for the H-1B visa "to increase focus on obtaining the best and the brightest foreign nationals via the H-1B program, and revise the definition of employment and employer-employee relationship to better protect U.S. workers and wages." Put plainly, this proposal could make it harder for companies to import low-skill foreign workers to take jobs from better qualified Americans.

OPT is a component of the F-1 visa. The latter is used by foreign nationals to study as full-time students in the United States; the former enables them to work while they're here. F-1 visa holders can apply for twelve months of "temporary" employment through OPT, even after they have graduated and are supposed to be returning to their country of origin. The purpose of the F-1 was to foster cultural exchange, which means students come here, experience America, and return home to put in a good word. That is why a condition for entry with the F-1 visa is to show proof of your permanent residence abroad and intent to return home after completing a course of study. But OPT offers a way to stay.

At the end of the twelve months, foreign nationals in STEM may apply for a 24-month extension. It's also possible to—and many do—switch from an F-1 visa to one that offers a pathway to citizenship, like the H-1B. In 1990, Congress authorized a three-year pilot program that prefigured OPT. Right-minded lawmakers concluded such a program was "inconsistent with the statutory intent of the F-1 non-immigrant visa," said it ran "counter . . . to an affirmative policy of U.S. labor force development," and worried it "may have adverse consequences for some U.S. workers." But their voices were swept under by an avalanche of avaricious immigration lobbyists and their allied politicians. OPT would be born and grow to become a destroyer of American opportunity.

Drawing on data from the Government Accountability Office (GAO), journalist Michelle Malkin found that the OPT approval rate between 2008 and 2013 was 95 percent. "Students" don't even bother to hide the fact they're in the United States primarily to work rather than study.

To highlight the absurdity of the program, Malkin points to one incident where Senator Bob Menendez (D-NJ) allegedly used the F-1 visa to import a

Brazilian supermodel for one of his big-ticket donors. But buxom Brazilians and their allies aren't the only ones taking advantage.

Employers can receive a tax break of as much as \$12,000 by hiring OPTs, who come without federal payroll taxes. By effectively eliminating the employer's obligation to pay federal payroll taxes, OPT creates a financial incentive for employers to hire foreigners over Americans, primarily those who are recent STEM graduates seeking entry-level jobs.

Economic Policy Institute (EPI) researchers Daniel Costa and Ron Hira argue OPT will only continue reducing American STEM graduates' employment opportunities. "And because the OPT is a de facto guestworker visa that can last as long as six years and has no annual numerical limit," they contend, "its existence will encourage more foreign students to study in the United States in hopes of remaining here to work, leaving fewer educational opportunities for U.S. students."

In 2016, Charles Deacon, Dean of Admissions at Georgetown University, worried international enrollment could approach "an unacceptable level" that would displace American students. "There certainly is an argument for the presence of foreign nationals at U.S. universities," he told the *Washington Post*, "but is there a tipping point where [there are] too many? That is an issue we have to reckon with." But there would be no reckoning.

American Workers Coalition co-founder Hilarie Gamm estimates over 886,000 international students came to the U.S. during the 2013-2014 school year. That number ballooned by 72 percent from 1999 to 2013, and by the 2016-2017 academic year, the number of foreign students grew to a record 1,078,822, constituting around 5.3 percent of all U.S. university and college students. As Craig Evan Klafter, Rector Emeritus at American University in Myanmar; has written in these pages, "The most high-minded universities and colleges recruit international students to . . . bring truly diverse perspectives to their campuses. However, many universities and colleges recruit them principally for financial gain." In fact, Klafter reported, "some colleges have compromised academic standards and skirted accreditation requirements to recruit those students."¹

The silver lining in confronting the status quo is that the arguments in favor of maintaining it become utterly stale. Over the past few decades, as American wages have stagnated and college and housing costs have skyrocketed, the notion that mass immigration raises the GDP, encourages efficiency, increases entrepreneurship, and reduces the price of consumer goods has lost its resonance. Perhaps nothing seems today more odious than the myth that

¹Craig Evan Klafter, "International Student Recruitment Abuses," *Academic Questions* 31, no. 3 (Fall, 2018).

American workers are dispossessed and displaced because they aren't as talented as their replacements. The reality is much different.

The Pew Research Center periodically publishes studies about immigrants' educational attainment, always pointing in the same direction: they're consistently more credentialed than native born American citizens. "More than three-in-four immigrants ages 25 and older from India (77.5 percent) had a bachelor's degree or higher in 2016—the highest share of any top origin country—up from 66.1 percent in 1980," Pew reported in 2018. When credentialed foreign nationals are not employed, the term "brain waste" is thrown around, often accompanied by gnashing of teeth.

What these superficial glosses miss is the growth of overseas diploma mills, specifically in Asia. The *Deccan Chronicle*, an Indian English-language daily newspaper reports that "as the market for higher education grows and Massive Open Online Courses revolutionise distance learning, there has been a sharp increase in fake universities and fake degrees." The *Chronicle* identifies Bangalore as "a hub for dubious firms offering fake degree certificates." In Pakistan, there is a massive network of degree mills and degree counterfeiters. According to an Academic Credentials Evaluation Institute report written by retired FBI official Allen Ezell, investigators discovered "millions and millions of fake diplomas and transcripts" sold to individuals going back to 1997 in a raid. The United States accounted for about 34 percent of the network's sales. And while Craig Evan Klafter has pointed out the corruption of Myanmar-based recruiting services for American universities, China, with an estimated 350,000 college students studying in the U.S., may be the biggest transgressor. Referencing a widely circulated report from the academic consulting firm Zinch China, New York University Professor of Public Policy Lawrence Mead recites in his recent book *Burdens of Freedom: Cultural Difference and American Power* (2019) the following statistics: "90 percent of Chinese applicants to American universities submit false recommendations, 70 percent do not write their own personal essays, 50 percent have forged high school transcripts, and 10 percent claim academic awards and other honors that they did not receive."²

This is not to say that all foreign nationals carry fraudulent degrees. Many obviously get their degrees from U.S. universities or colleges. But an analysis of data from the Program for International Assessment of Adult Competencies (PIAAC) by Jason Richwine at the Center for Immigration Studies is revealing. "Among immigrants in the United States whose highest

²Lawrence Mead, *Burdens of Freedom: Cultural Difference and American Power* (Encounter Books, 2019), 262. Found in Richard Duchesne, "Does Culture Matter for Assimilation?," *Academic Questions* 33, no.1 (Spring, 2020).

degree is either a bachelor's (college) or a master's or Ph.D. (advanced)," writes Richwine, "about 40 percent received their highest degree in a foreign country—meaning they are 'foreign-educated.'" How many of these may have received their credentials from a foreign diploma mill? Keeping in mind that it is competencies that matter most in the workforce, not credentials, PIAAC test scores show what Pew does not.

Foreign-educated immigrants with a college or advanced degree perform poorly in literacy and computer operations. They generally score comparable to Americans with only a high-school diploma. One in six foreign degree holders scores "below basic" in numeracy. These skill disparities persist even after foreign degree holders have had at least five years in the United States to learn English. "Although skilled immigration may be desirable, policymakers must be cautious in using foreign degrees as proof of those skills," Richwine concluded. Similarly, American seniors majoring in computer science "substantially outperform" their counterparts in China, India, and Russia, according to data published in the Proceedings of the National Academy of Sciences. "The skills advantage of the United States is not because it has a large proportion of high-scoring international students," researchers found.

It's often the case that Americans forced to train their replacements find themselves struggling through language barriers, severe skill deficits, or both. Flanagan, Barlett and Steele wrote, "found himself called upon to clean up some of the mistakes that came in from overseas." More recently, Disney I.T. workers trained visa replacements who were not knowledgeable industry veterans, but "younger technicians with limited skills [who] did not speak English fluently and had to be instructed in the basics of the work."

"Some of these folks were literally flown in the day before to take over the exact same job I was doing," one of the I.T. workers told Computerworld.

The likelihood that Americans are passed up or replaced by H-1B and OPT workers for not very honorable reasons seems high. After all, they're both lower-paid and less troublesome for their employers. H-1B visa workers are essentially a captive labor force that must accept whatever wages and working conditions they receive or risk deportation. Technically, they receive what is called a "prevailing wage"—compensation commensurate for the occupation and location in which they are employed. But the implementation of the prevailing wage regulation is riddled with loopholes. And, as the Economic Policy Institute notes, there "is virtually no enforcement unless U.S. or H-1B workers complain and there are few complaints, since most H-1B workers become removable if they are fired and since most hope to be sponsored by their employers for permanent immigrant visas (as the H-1B program allows)."

The result is that 60 percent of H-1B positions certified by the U.S. Department of Labor are assigned wage levels well below the local median wage for the occupation, consequently suppressing pay for Americans. Even the *Wall Street Journal*—whose editorial board famously endorsed a five-word constitutional amendment: "There shall be open borders"—acknowledges the connection between the H-1B program and "lower wages and employment for American tech workers."

Similarly, OPTs are commonly underpaid, and they don't even enjoy the window dressing of prevailing wage regulation. Writing in *International Migration*, a refereed, scientific journal on migration issues, researchers B. Lindsay Lowell and Johanna Avato estimated OPT workers are paid 40 percent less than equivalent U.S. workers. Sometimes it's even less.

In the wake of a series of airline crashes, it came to light that Boeing employed visa workers to do software testing for the 737 Max. Of course, Boeing denied outsourcing played any role in the faulty flight-control software that caused the planes to crash. Nevertheless, reports noted that Boeing hired H-1B visa workers—but it's likely OPT hires were also involved.

OPT job listings for Associate Software Engineer and Software Engineer positions at Boeing have salaries ranging from \$18,000–\$180,000. Mark Rabin, who was involved in software testing for the 737 Max, remarked to inquiring journalists about offices across from Seattle's Boeing Field, where "recent college graduates employed by the Indian software developer HCL Technologies Ltd. occupied several rows of desks" working on code for Boeing. HCL is a notorious Indian multinational body shop.

Boeing's "temporary workers" made as little as \$9 an hour to develop and test software, putting them in the ballpark of an \$18,000 salary. By contrast, a college-educated American developing and testing software for Boeing would earn a \$41–\$46 hourly wage on a 40-hour workweek.

What began as a program intended to foster cultural exchange morphed into a racket, and not only for corporations. Universities already charging exorbitant fees for students collectively rake in billions of dollars from international students who typically pay full-tuition. But perhaps the most persistent myth is that of a perennial and critical STEM worker shortage, bolstered by the belief that the future of work is in the "knowledge economy."

"We're told constantly that there is a shortage of American workers in STEM," Ohanian said. "However, Census Bureau data shows that almost three quarters of STEM graduates are employed in other fields." She's right. Census data show that fully 74 percent of Americans holding STEM degrees are working in fields unrelated to their education. Who can blame them? The

prospect of being replaced—as Kevin Flanagan and countless other Americans have been—hangs over the heads of our best and brightest like a sword.

A STEM worker shortage would mean a tight labor market, which would be reflected in significantly higher wages. To be sure, a tight labor market is the best social policy because it tips the balance in favor of the employees over employers. This dynamic compels employers to offer better wages and benefits to hire and retain American workers. But an analysis by EPI researcher Lawrence Mishel found wages for the bottom 70 percent of four-year college graduates have been flat since 2000, and salaries in most STEM occupations "have grown anemically over the past decade." Consider that in 2018, the U.S. had between 95,500 and 143,000 job openings in IT occupations. "American citizens and permanent residents earned about 100,000 degrees in computer science or related engineering fields, filling the low end of that estimate," wrote Rachel Rosenthal, an editor with Bloomberg Opinion. As Rosenthal notes, the technology sector is one in which you don't need a computer science degree to work. "In fact, two-thirds of new entrants in IT occupations major in other disciplines. That means most openings can be filled from a much larger pool of qualified candidates," she writes. With an average of 1.8 million Americans who graduate each year, in other words, we are far from a critical STEM worker shortage.

Nor is it even true that STEM jobs are unequivocally the "jobs of the future" in which we must all learn to code or perish. Between 2016 and 2026, the Bureau of Labor Statistics projects "statisticians," "software developers, applications," and "mathematicians" as the seventh, ninth, and tenth fastest growing occupations. However, in absolute numbers, the American academic Michael Lind writes, these occupations are growing "rapidly from tiny bases." "Here the only STEM job category among the top ten is 'software developers, applications' at number four, paying \$101,790 a year," writes Lind. Again, wages tell the truth. If the STEM "knowledge economy" primarily rewarded education, rather than ownership of assets, Lind argues, "then we would expect the greatest increase in incomes to have occurred among the top 30 percent with at least a bachelor's degree." Instead, he concludes, "the gains from growth have been concentrated among those with income from capital—investors and managers with stock options."

There is no doubt that existing immigration enlarges the GDP—but that is ultimately trivial. As Lind puts it, "increasing any country's workforce by any means, including the abolition of retirement, the abandonment of wages and hours laws, and the legalization of child labor, would increase a country's overall GDP by definition."

The economic question for our time is not necessarily GDP growth, but ensuring a fair share of GDP growth is fairly distributed throughout the nation's workforce. Most Americans still see our colleges and universities as gateways to a stable, middle-class income, despite tuition costs that burden many students with significant long-term debt. It is unseemly that our colleges and universities are one of the prime beneficiaries of policies that prioritize cheaper foreign labor over U.S.-born college graduates. At the very least they can begin earning back Americans' trust by helping to eliminate OPT and suspending the H-1B visa programs.