The Daily Dish

Another Day, Another Tariff

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As usual, it appeared late on Friday and the title was in all capital letters: RESTRICTION ON ENTRY OF CERTAIN NONIMMIGRANT WORKERS. This executive order (EO) dramatically raised the fee on H1-B visas to $100,000. The H1-B visa is for foreign workers in specialty occupations – those requiring a theoretical and practical application of a body of highly specialized knowledge and the attainment of a bachelor's (or higher) degree in the specialty. Until now, there was an annual limit on the number of H1-B visas, which were distributed via a lottery among employers.

And what is the point of hitting U.S. employers with a $14 billion fee? According to the EO:

> *The H-1B nonimmigrant visa program was created to bring temporary workers into the United States to perform additive, high-skilled functions, but it has been deliberately exploited to replace, rather than supplement, American workers with lower-paid, lower-skilled labor. The large-scale replacement of American workers through systemic abuse of the program has undermined both our economic and national security. Some employers, using practices now widely adopted by entire sectors, have abused the H-1B statute and its regulations to artificially suppress wages, resulting in a disadvantageous labor market for American citizens, while at the same time making it more difficult to attract and retain the highest skilled subset of temporary workers, with the largest impact seen in critical science, technology, engineering, and math (STEM) fields.*

According to the White House, in 2019 the source of all this damage was 2.5 million H1-B holders. That was a mere 1.5 percent of the labor force. And the damage doesn't look too bad. The unemployment rate for those aged 25 and older who had a bachelor's degree or higher was 2.0 percent. The EO also cites some recent data on new college graduates. These unemployment rates are higher but are more a tribute to the general slowdown of the macroeconomy than to the H1-B program (which had not changed a bit).

The EO also asserts that the foreign workers are paid discounted wages that displace U.S. workers. If so, the likely problem is the restrictions on labor mobility in the H1-B program. Visa holders can't change jobs. If they were underpaid, there would be more lucrative opportunities in other firms and their wages would be bid up to match the prevailing wages. No displacement would be occur. As usual, the crippling of market incentives by the Labor Department backfires, hurting workers and their families.

The EO preserves these problems and layers on top a large tax that will hurt small businesses most of all. They will have trouble with the price tag and the need to navigate a more complicated program.

Also, the EO explicitly says: "This restriction shall expire, absent extension, 12 months after the effective date of this proclamation, which shall be 12:01 a.m. eastern daylight time on September 21, 2025." That means the new fee is in place for only one year, which solves none of the structural problems the EO asserts exist. (There is considerable confusion on exactly how often the fee is assessed.)

So, in the end, this is just the president exercising one of his favorite reflexes: a tax (tariff) on U.S. purchases of a foreign product (skilled labor) that pretends to stand up for Americans but just acts as a disproportionately unfair tax on small businesses and does not solve any real problem.