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**COMMENTARY**

## Free Markets Need Free People

 By **GORDON H. HANSON**
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If there is one point of consensus in the fraught politics of immigration, it is that illegal immigration is bad. Yesterday, President Bush voiced his support for tough enforcement at the U.S.-Mexico border and called on Congress to resolve the status of the 12 million illegal immigrants now in the country. Last week, Rep. Tom Tancredo (R., Colo.) entered the presidential race, promising to make resentment of illegal immigrants a major campaign issue. And yet, from a purely economic perspective, illegal immigration is arguably preferable to legal immigration. Because Congress and the president refuse to see this, further reform this year could make a bad situation worse.

Illegal immigration is persistent because it has a strong economic rationale. Low-skilled workers are increasingly scarce in the U.S. while they are still abundant in Mexico, Central America and elsewhere. As the Bush administration has said repeatedly, impeding illegal immigration, without creating other avenues for legal entry, would conflict with market forces that push labor from low-wage countries to the high-wage U.S. labor market.

The acceptance of these market pressures is behind proposals for a large-scale expansion of temporary legal immigration. But simply handing out more temporary visas won't be enough to staunch illegal immigration, because the illegal route is for the moment vastly more efficient than the cumbersome legal system. Illegal immigration responds to economic signals in ways that legal immigration does not. Illegal migrants tend to arrive in larger numbers when the U.S. economy is booming and move to regions where job growth is strong. Legal immigration, in contrast, is subject to bureaucratic delays, which tend to disassociate legal inflows from U.S. labor-market conditions. The lengthy visa application process requires employers to plan their hiring far in advance. Once here, guest workers cannot easily move between jobs, limiting their benefit to the U.S. economy.

An expanded guest-worker program, with highly regulated inflows of temporary, low-skilled foreign labor, would be unlikely to attract much interest from U.S. employers; a cumbersome legal channel would rather give them an incentive to continue hiring illegals. Were new legislation to combine stronger border and interior enforcement with an unattractive guest-worker program, it would be pitting policy reform against itself. Stronger enforcement would deter illegal immigration; a cumbersome guest worker program would encourage it. Only one of these components would be likely to survive in the long run.

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Rather than merely expanding the number of temporary visas, Congress should redesign temporary immigration from the ground up. Successful reform would have to mimic current beneficial aspects of illegal immigration. Employers would have to be able to hire the types of workers they desire, when they desire. One way to achieve this would be for the Department of Homeland Security to sanction the creation of global temp agencies, in which U.S. employers posted ads for jobs and foreign workers applied to fill them.

Matching foreign workers to U.S. employers efficiently would require flexibility in the number of guest workers admitted -- and one way to make the number of visas sensitive to market signals would be to auction the right to hire a guest worker to U.S. employers. The auction price for visas that clears the market would reflect the supply of and demand for foreign guest workers. An increase in the auction price signals the need to expand the number of visas; a decline in the price indicates that the number of visas could be reduced.

Perhaps the most important provision of any new visa program would be to allow guest workers to move between jobs in the United States. Without mobility between employers, guest workers would lack the attractiveness of illegal laborers. They would also be exposed to abuse by unscrupulous bosses. One way to facilitate mobility for guest workers would be to allow existing visa holders to apply for new job postings, along with prospective guest workers abroad. Guest workers could move between industries and regions of the country as economic conditions change.

Making immigration more responsive to the market would not be easy to implement, either administratively or politically. However, absent a boldly redesigned guest-worker program, temporary legal immigrants would be unlikely to displace illegal labor. In the Immigration Reform and Control Act of 1986, Congress voted to increase enforcement against the hiring of illegals without creating a mechanism for the continued inflow of legal, low-skilled labor. Under steady pressure from business, the government ultimately gutted or redirected IRCA's major enforcement provisions. The end result was that illegal labor has continued to find a way into the country.

As Congress again wrestles with immigration reform, one would hope that it will pay heed to the failures of the past by creating a framework that allows for the dynamic participation of legal immigrant workers in the U.S. economy. Otherwise, the U.S. is likely to find itself with even larger illegal populations in the very near future.

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