

Attract \$1 billion foreign investment into America and create 100,000 US jobs at zero cost to the U.S. taxpayer.

Where Economic Development & Immigration Clash in Washington

By Stephen Parnell

The US currently has economic development legislation on its books that if handled correctly could offer us, the US taxpayer, both job creation and foreign investment capital. This well hidden program will bring capital into our country when we are experiencing a suffocating capital and debt squeeze, it can create US jobs when we're hitting historic and devastating unemployment rates.

Before we get into the solution let's take a closer look at the problem. Back in December of 2008 a report in Politico entitled "Obama unveils 21st Century New Deal" stated in part "We will create millions of jobs by making the single largest investment in our national infrastructure since the creation of the federal highway system in the 1950's. We'll invest your precious tax dollars in new and smarter ways"

Invest **your** precious tax dollars; what if we could have those infrastructure works **without** using as many of your precious tax dollars? I'm jumping ahead to the solution again so let's get back to the problem for a moment.

A Bloomberg report from December 2008 by Caroline Baum looks at the cost of creating jobs using the Obama administrations plan of creating 3 million jobs by January 2011 and quotes former U.S. Treasury Secretary Paul O'Neill, in part,

Each job "will cost \$250,000, which doesn't suggest much labor intensity for the dollars spent"

Now don't get me wrong, I'm all for job creation using infrastructure development. I believe in this uncharted financial territory we need to put plenty of seemingly drastic measures into place. One way forward is not enough in these times for sure. What I am saying is that for too long, too many politicians have looked askew at the program I am advocating simply because the program involves the use of a dirty word in Washington. More on the problem.

It seems that when asked, the American people are not shy at voicing their opinions on job creation. In a CBS Market Watch piece from March 6 2009 they quote a survey conducted by the real estate portal Trulia.com which found that 53% of the people they surveyed said that "creating jobs and establishing job security is the most important thing the president can do to solve the housing crisis". So, if the American taxpayers think that creating jobs is not only important as a standalone goal, it will also help with our housing crisis, then shouldn't we, as a truly democratic society, be looking for every means possible to create jobs while actually not putting the cost of that job creation on our taxpayers?

I mentioned above that we currently have an economic development program that could attract \$1 billion and create 100,000 jobs for American workers. The problem is that the economic development program I refer to has a different identity in Washington DC. It's that dirty word we hinted at earlier, that word is immigration. The program that I refer to is the EB-5 immigrant investor program. This program has just received its second 6-month extension as part of the House Appropriations bill. That is the good news. However, with this second temporary extension to the program many are asking if the U.S. Government are sending the right message to potential foreign investors by offering only a six month window for them to decide if they wish to invest in our country and help us, yes help us, create jobs.

To give you some perspective on exactly what this program can do for America we need to take a look north of our border and see what the Canadian government have achieved with their immigrant investor program. Their results are impressive. According to figures from Citizenship and Immigration Canada in the last five years, under their immigrant investor programs, they have attracted more than 11,000 investors. If these investors had had the security necessary for them to be able to take advantage of the U.S. EB-5 program would have resulted in a net inflow of foreign investment to the tune of more than \$5 billion. That same investment amount could have created more than 113,000 U.S. jobs, not to mention the fact that we would have more than 11,000 new, some would consider wealthy, taxpaying residents of the USA. There is no question that foreign capital invested in the United States raises U.S. gross domestic product (GDP). This means that U.S. residents are better off than they would be without foreign capital. So what is the problem? We have the legislation, the EB-5 investment visa program, on the books, how can we use it to our country's best advantage?

I mentioned before that although the EB-5 program is undoubtedly an economic development tool, it is labeled as an immigration program by Washington. Nothing wrong with that label except that most, not all, Washington insiders are scared of anything labeled immigration. This is a problem for the program.

Before getting too deeply into the labeling of the program, let's take a quick look at the fundamental question: Is foreign investment in the USA good or bad? To answer those questions you may refer to a piece addressing those questions by economist Mack Ott. In answering that question Mr. Ott says

“Foreign investment increases the amount of capital-equipment, buildings, land, patents, copyrights, trademarks, and goodwill in the host economy”

Score one for the argument. He further goes on to say

“Thus, foreign investment raises labor productivity, income, and employment”.

Score two for the argument.

Some will argue that the long-term consequences of foreign investment may offset the benefits. Let's again turn to economist Mack Ott for clarification.

“The availability of foreign capital lowers the cost of capital to corporations. [Lower cost of capital and perhaps more importantly availability of business capital at the present time is certainly a plus for the U.S.] This makes additions to plant and equipment cheaper, permits some investment projects that otherwise would not be profitable, and raises the value of [U.S.] firms”.

A joint effort by the US taxpayers is needed now to educate congressional staffers on the merits of the EB-5 program. The immigrant investor visa **IS** an economic development tool and should not be associated with the common fears associated with immigration.

I recently had the pleasure of spending time in Washington DC speaking with some of the Florida congressional staffers on the merits of the EB-5 program. I can tell you that this program has been largely ignored until just recently.

However, not all is lost for this cause. Sen. Patrick Leahy (D-VT) is certainly championing the cause. Sen. Leahy’s immigration staffer Matt Virkstis met with the EB-5 stakeholders during a recent Washington visit. Mr. Virkstis stated during his update to the group “Some members of Congress have used the EB-5 program’s popularity as a bargaining chip on other immigration issues, thus hampering a long-term extension of the program.”

After a brief introduction about Washington’s inner workings, it is easy to understand how this could happen. However, all Americans who want to see job creation without additional taxation have the opportunity to make it known to their Congressmen and Senators that they need to fully explore the workings of the EB-5 immigrant visa program. Attention must be focused on the program as an economic development tool, rather than a means to increase immigration. If taxpayers want to create jobs using foreign investment capital, they must act now.

In other areas of government, the USCIS (previously the Immigration and Naturalization Service) officials have voiced their support for the EB-5 program. The job-creation element of this program serves as both a political and practical justification for the benefits of the EB-5 program.

Congress needs to make the EB-5 regional center program permanent (or at least extend it for another 5 years) as soon as possible. The series of temporary extensions gives the impression that the United States Government does not really care about the program. How ironic is that, given that the program is a win-win program by creating jobs, attracting foreign investment capital and bringing presumably high tax paying individuals to the USA, all with **ZERO additional taxes!**

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