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Study Shows U.S. Immigrants Driving Tech

U.S. immigrants have consistently propelled the tech industry ahead, according to a new study. So why the visa shortage?

November 15, 2006

Homeland security—particularly with regard to harsher immigration rules—may be weakening the U.S. high-tech economy. That's the gist of a new study, released Wednesday, which finds that over the past 15 years, immigrants have started 25 percent of U.S. public companies that were venture-backed, and boast a market capitalization of more than \$500 billion.

By way of examples, the largest U.S. venture-backed high-tech companies, now publicly-traded, include a number of familiar names. Those include search giant Google, co-founded by Russian-born Sergey Mikhailovich Brin, now the 12th richest person in the U.S. with an estimated net worth in excess of \$14 billion; Yahoo, co-founded by Jerry Chih-Yuan Yang of Taiwan; eBay, founded by Pierre Omidyar, born in Paris to Iranian parents; Sun Microsystems, co-founded by Andy (Andreas) von Bechtolsheim, of Germany, and Indian born entrepreneur and venture capitalist Vinod Khosla. Finally, and perhaps most notably, there's Intel—founded by Andy Grove, who came to the U.S. from Hungary, and whose venture arm has invested heavily in new high-tech firms.

The public policy study, entitled American Made, and authored by Stuart Anderson, executive director of the National Foundation for American Policy and Michaela Platzer,

president of Content First, attempts to make a case for making H1-B visas more available to entrepreneurs and engineers. To create the report, authors surveyed immigrant entrepreneurs, and found that two-thirds of those responding agreed that U.S. immigration policy has made it increasingly difficult than in the past to start a business in America, with a nearly-equal percentage felt that the visa policies, particularly the limited number of H1-B visas allotted to companies "harm American competitiveness."

The report notes that in nine of the past 11 years, employers use up their entire quota of H1-B visas prior to the end of the fiscal year—indicating strong demand for engineering and other talents. But in the post-9/11 universe, with supply of H1-B visas constricted, demand has gone out the roof. In the past three years, the report noted, company visa quotas were exhausted prior to the start of the fiscal year.

Much of this phenomenon has its roots prior to 2001. Prior to 1990, Congress placed no numerical limitations on the number of skilled foreign nationals employers could hire using the visas. The Immigration Act of 1990 changed all that, when Congress selected an annual cap of 65,000 and established new requirements in a new H-1B category. Even the recently added 20,000 exemptions from the H-1B cap for those who graduated with an advanced degree from a U.S. university were exhausted before the start of fiscal year 2007, the study noted.

That's exacerbated by the smaller number of engineers graduating in the U.S. domestically. The latest statistics—2004 numbers—put together by the National Science Foundation show the change in first time enrollment of graduate students in engineering falling 21 percent between 2000 and 2004, falling from 13,573 in 2001 to just 10,756 in 2004.

The study arrives at a time when the Democrats have recovered a majority in Congress for the first time in 12 years. In the pre-midterm election Congress, despite presidential advocacy for a guest worker program, and a path to citizenship for illegal immigrants, the only reform passed by the Republican-dominated Congress was a 700-mile-long fence on the

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U.S. -Mexico border.

The full text (PDF-format) of the study can be found on the Web site of the National Venture Capital Association, [here](#).

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