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Ending DACA Won't Boost the Economy, It Will Poke Holes In It

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How one stands on the economics of DACA – Deferred Action for Childhood Arrivals – depends on whether one regards people as primarily assets or liabilities. There are, of course, a number of aspects to the debate – legal, moral, and social. But as far as the economics of it go, if you believe that human beings are our most important economic asset, it makes sense to retain the roughly 750,000 young people under DACA who are already part of the U.S. national economy. Pulling them out of the workforce may open jobs for a few, but mostly it will punch holes in the economy that will be costly and time-consuming to fill.

Those who argue against DACA may think they are taking a stand for working Americans with legal status. But their viewpoint actually reflects a lack of respect for working Americans - a failure to realize that people, not the jobs they happen to occupy, are among the most valuable resources an economy can have. Rather than deporting workers to hoard jobs, it would make more sense to make it easier for employers to find the people they need.

Think of an economy as a double-entry balance sheet, with columns for assets and liabilities. Many look at the balance sheet and see jobs on the asset side of the ledger, in effect consigning people to the liability column. In fact, a proper accounting would be the other way around: People are one of our most important assets. Jobs, on the other hand, are simply tasks that need to be performed. The notion that reducing the number of workers will strengthen the economy is based on one of the most fallacious but persistent economic myths, the concept that more people lead to higher unemployment and stagnant wages. This lump of labor fallacy holds there is a fixed amount of work – a lump of labor – to be performed within an economy. But the number of jobs in an economy is not fixed. It can go up or down for many reasons. Marketplace participants can spawn more jobs by increasing the size of the economy, expanding the range of capabilities in the workforce, creating small businesses, or simply by filling skill gaps in different regions.

In any event, the notion that the U.S. economy is suffering from a lack of jobs is dispelled by a quick look at the monthly data put out by the Bureau of Labor Statistics. It indicates there are more than 6 million job openings across the United States. Corporate America is struggling to find the help it needs. Even before Hurricane Harvey, home builders were finding the pool of potential workers shallow, according to a survey conducted by the National Association of Home Builders. More than 70 percent of builders reported shortages of framing crews and carpenters, and more than 60 percent reported an ongoing dearth of drywall installers, concrete workers, and bricklayers. Rather than people begging for jobs, the economy is increasingly characterized by employers begging for workers.

How much impact would the deportation of the roughly 750.000 people currently in the DACA program have? Estimates widely vary widely, but no credible study finds a positive economic result. The CATO Institute estimates that deportation of DACA registrants would lead to a $280 billion reduction in economic growth over the next decade – equal to toughly 1.4 percent of GDP – a figure it arrived at by building on a Hoover Institution study of the impact of the H-1B visa program, and comparing and adjusting the characteristics of DACA recipients to H-1B visa holders. Reducing the number of available workers may indeed force employers to up wages, but only at the cost of a company or industry's competitiveness. Most likely a decline in relative working age population will spawn more pressure for increased productivity, driving the introduction and dissemination of new technologies at an even faster clip. While this may actually lead to greater economic productivity and growth, it will also eliminate more jobs, driving up unemployment and driving down wages for those who do not have the most up-to-date skills.

Forcing about 0.5 percent of the workforce to vacate their jobs will not reduce unemployment by a half-point. Rather, it will leave employers searching for about 700,000 more workers than they are already struggling to find, a 10 percent increase over the existing job vacancies. Employers will simply find themselves plugging gaps they thought they had already filled. You make an economy stronger by increasing the pool of workers, not by draining it.