DO LEADERS NEED TO CHOOSE BETWEEN TECHNOLOGY AND PEOPLE?

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Technology is having a moment. Thank heavens for those advances in Vaccine development. All praise to the Internet, Zoom, and Streaming, during those interminable lockdowns. Let me convey my own gratitude on behalf of severe asthmatics for the development of Biologics. Please, let those advances in Renewable Energy generation, Electric Cars and all the rest, give us humans a fighting chance of somehow surviving our reckless penchant for frying the planet.

But wait! Grumpy economists, if you will excuse the tautology, now are claiming that technology is the root cause of some of our biggest social and commercial problems. And it isn't just those maligned Political Economists either, but orthodox, reputable, and even traditional economists. What is their beef with our gorgeous new gadgets? Let me give you the punch line right upfront – they argue that some technology fails the fundamental mission of innovation to improve productivity, has marginal benefits, displaces the good paying jobs of workers and reduces the number of consumers who have the ability to spend in the marketplace, does not resemble historic industrial innovations which have led to higher value alternative employment opportunities themselves or elsewhere, and causes social ills or externalities which have massive costs and dangers associated with them. The dismal science is certainly augmenting its' reputation with this latest analysis. However, it may just save our bacon right now.

We will return shortly to this economic research and the solutions being proposed, but let's first examine the approach to technology that is being taken by the business world and leaders of organisations. Large numbers of companies have been busy stripping out workers and replacing them with technology. Banks and Telcos, who have been clients of mine, have engaged in wave after wave of redundancies. This is no great secret or mystery. Every company wants to maximize efficiencies, stay competitive against other operators, and make a profit. This ensures their own viability and their capacity to employ at least some people. The shareholders applaud it – every time another round of job cuts is announced, the share price will rise. People may be "our greatest asset", but they are also targets for shrinkage. Chairs of Boards and CEOs, who are well-remunerated with danger money, will trumpet these initiatives in visionary language which nearly always claims that the job-displacing new technologies will be "Transformational". It is my experience, that managers at all levels of the hierarchy now equate that particular word with large-scale job cuts and restructuring, and it is met often by private managerial groaning.

Of course, not every company is dieting – the technology-based Amazon has been downright gluttonous in its hiring splurge. Doesn't Amazon just prove the creative destruction of the innovative market economy? No need for guilt here. Jobs may be lost, but technology improves lives, including the work-life of the survivors, while the dynamism of the market creates better replacement jobs. There was strong growth of good jobs in the Health Sector, long before a global pandemic introduced us to the celebrity status and contrarian opinions of epidemiologists. Aren't they having their fifteen minutes of fame?

Even history is on the side of the technology boosters. If you examine past technological developments such as the railways or electrification, you find that they have led to major productivity increases for the economy in general. Sure, the gas street lighters and the industrial ice haulers lost out because of electricity, but so many new and well-paid jobs flowed from widespread electrification. The railways not only allowed for more efficient transportation and commuting, but opened up entire new industries such as the leisure and resort sector. However, some economists are adamant that history is not repeating itself in the current situation. Baristas and Barristers are not equivalent they argue, while coffee addicts concur wholeheartedly with this appraisal. Let's turn to those decaffeinated economists now.

Daron Acemoglu is a Professor of Economics at MIT. In 2015 he was named the economist most cited during the previous decade in published economic research. He is no radical. He has written extensively about the need for the "cut-throat capitalism of America". He was featured in the New York Times in the past arguing why America should not try to emulate the "cuddly" Nordic Model. Acemoglu opposed George Bush's bail-out of the financial system because it rewarded poor performers. He has been a regular critic of

Bernie Sander's "clueless" economic views. In 2022, he was featured again in the Times for his startling views on technology and inequality.

Acemoglu admits there to a recent change of heart about some aspects of the standard model of economics, particularly the role of technology which traditional economics tends to revere as a magic pudding. He now considers himself a centrist, and in articles for the American Economic Review he argues that "excessive automation", more than globalization or weakening of unions, is the single most important factor which has fueled the rise of dangerous inequality during the past forty years in America. This is a complete reversal of the role technology played between 1950 and 1980. His latest research concludes that the productivity payoff for the wider economy from the huge investment in machines and software is disappointing. His research also concludes that more than half of the increase in the gap in wages has been caused by the automation of tasks formerly done by human workers. He documents how the big losers have been men without college degrees. This is a significant finding given that this is a core constituency of the social and political polarization and militancy that is now occurring in America and other parts of the world. No surprise that Bill Gates and others have criticized Acemoglu's views.

Acemoglu joins a growing group of influential economists who are raising the alarm about "footloose technology". Paul Romer won the Nobel prize in economic science for his research on technological innovation and economic growth, and he has emerged as one of the greatest critics of the market power and influence of big tech companies. Economists Joseph Stiglitz and Paul Krugman, two other

Nobel winners who are liberals, have called for active intervention in labour markets to counter the growing inequality. A range of prominent economists, many of them big fans of technology in general, such as Erik Bynjolfsson at Stanford, have attacked the deliberate pursuit of Artificial Intelligence systems that are designed to exceed and replace humans, rather than enhance their performance.

This distinction between enhancing worker performance and replacing the actual human, has become a critical aspect of some economic writing. In their article “Steering Technological Progress”, Anton Korinek and Joseph Stiglitz argue that not all technological innovations are created equal. They contend that a coalition of parties are now interested in seeking labor enhancing innovations instead. Ironically, many technology entrepreneurs are in the vanguard of this movement. Acemoglu and Restrepo are critical of “so-so technologies” – they refer to self-checkouts in supermarkets, and telephone automated customer services as examples of low yielding productivity gains. The level of theft from self-service in supermarkets is so high, it raises the possibility it is being subsidized by other customers. Economists cite technologies that make people more productive rather than replacing them, such as databases, spreadsheets, search engines and digital assistants.

These economists are calling for society to steer technological developments. Acemoglu uses advances in the development of renewable energy as a model, where government research, initial production subsidies, and community activism have led to a social sponsorship of the new technology. In Australia, maybe appropriate technology can be a new focus for investment policies of Super Funds.

Stiglitz argues that some taxes work against human employment – in Australia, State payroll taxes probably fall into this category. And continual education and training of the workforce is another piece of the puzzle. This has fallen into decay in America. The provision of free TAFE in some States in Australia may be a part of the solution. What can managers, working in the belly of the beast, do? They can start by asking better and more informed questions of their organizations.

Serious people are now talking seriously and often about the prospect of civil war in America. Goodbye Pax Americana? One major Fund Manager has declared it a thirty percent possibility. Other commentators are urging folks to cool their rhetoric to avoid a self-fulfilling prophecy. Men without college degrees who are losing out to the new technologies, are one important ingredient, as are race and religion, in this explosive mix. They are showing up all over world in extremist right wing movements. They are not alone, of course. Research is suggesting that many of the folks who rioted at the Capitol Building in Washington, and who marched around the Parliament in Melbourne with nooses, were professionals and small business people. Some commentators are calling them the "lumpen-bourgeoisie".

Societies are facing some very large challenges – the pandemic, climate change, domestic and geo-political upheavals. The question for leaders is: Do we need to add runaway technology to that infamous list of challenges?