"From Virus to Vitamin" Newsletter

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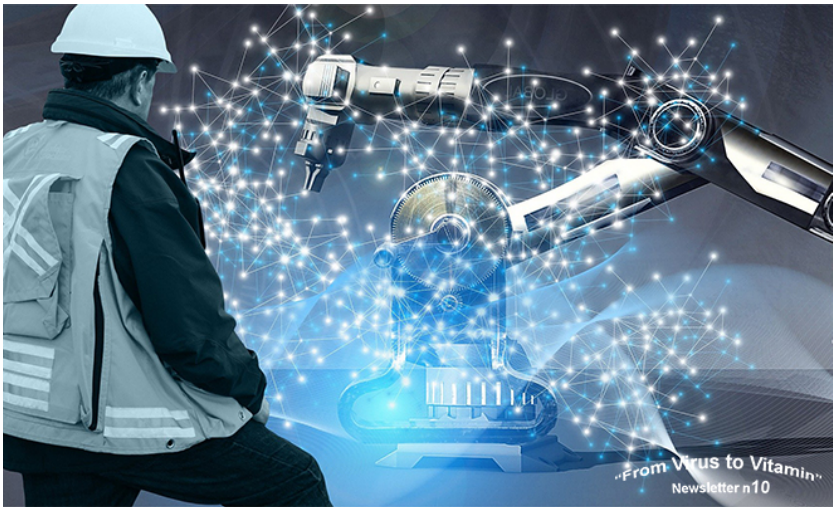
Does robotisation trigger redistribution?



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QUESTION UNDER DISCUSSION

"Recent estimates (ILO, OECD) show that the share of capital remuneration in GDP steadily grows worldwide, even if levels differ from country to country. With robotisation and increased use of AI, capital intensity of world economy grows while the share of labour remuneration tends to decrease. Are these trends sustainable, especially in times of pandemic urgency?"

TABLE OF CONTENTS

EDITORIAL

Does robotisation trigger redistribution?

The digital revolution has unleashed rapid progress in technologies such as artificial intelligence (AI) and robotics, which has sparked an intense debate on the future of work, especially in the aftermath of the 2008 global financial crisis. If there is general consensus that robots and AI will affect many aspects of our life, especially work forms, employment and wages, the evaluation of their effects on the organisation of societies and economies remains controversial. The existence of radically divergent views reflects the complexity of this dynamic.

New technologies raise fears of adverse impact on employment and wages, most notably for low-skilled workers. Wide-scale automation may indeed cause “significant pain” to workers moving “from robotising sectors to other sectors through associated unemployment”. At the same time, “enhanced role of technology will make share of capital remuneration in GDP higher not simply for tech giants but for tech-intensive industries at large.” Such trend will probably reduce the “wage-earners’ bargaining power” in many countries and this loss may “only be temporarily compensated by an expanded role of governments becoming more interventionist in the economy than before.”

These fears might, however, be at least partially unfounded. While digital technologies displace workers within a sector in the short term, historical evidence suggests that employment also grows in the long term since new jobs will be created, some of which in sectors we cannot conceive of yet. Robotisation and AI could increase labour productivity – “doing the same activity ("or better") with less labour” – while also improving the quality of jobs by allowing workers to focus on non-routinised and more personally gratifying jobs. This may entail “redistributing the value generated by the machines from capital remuneration to people” through redistribution.

If there is no consensus on the effects of robotisation and AI, this trend raises the issue of the appropriate policy design to ensure the adequate sharing of added value between capital and labour. The pandemic could be “an opportunity” to establish change towards a more inclusive growth. To achieve this, “a greater role for the state” may be needed, which may take the form of three policy levers: redistribution, by taxing robots and making labour more attractive compared to capital; employment policies and by increasing the support of the unemployed; by supporting all the citizens or specific groups with “universal basic income schemes”. However, most of these options are outside of the reach of emerging economies because they have insufficient fiscal resources and an important informal sector. These countries will be impacted – to a varying extent - by robotisation, but will not be able to respond by increased redistribution.

Virgile Perret & Paul H. Dembinski

Table of Contents

"… significant pain will surely be caused to human workers …"

As robots become more resourceful, capital would move from the traditional sector to the robotised sector because of higher returns. This will result in labour in traditional sector becoming less productive. However, employers will most probably not reduce money wages to retain all labour thus far employed by them; as an alternative, descending money wage rigidity, as resulting from the need to keep the spirits of employed workers high, would be linked with laying off. At the same time, **significant pain will surely be caused to workers moving from robotising sectors to other sectors through associated unemployment; it is also likely that effective loss of human capital will be associated with a loss of incomes. However, a bottleneck may confront policymakers, in particular in times of pandemic urgency, as to whether basic income should be provided to all citizens or just those rendered unemployed by robotisation.**

Archana Sinha

"… we have to discount for the monetization of public debts …"

Enhanced role of technology will make the share of capital remuneration in GDP higher not simply for tech giants but for tech-intensive industries at large. **Such trend causing reduced spending power of labour may only be temporarily compensated by an expanded role of governments becoming more interventionist in the economy than before the pandemic.** Should this situation persist for long we have to discount for the **"monetization of public debts"** (government issues debts in the form of bonds to cover its spending and the central bank purchases the debt from secondary markets and perpetually rolls it over, leaving the system with an increased supply of money) to an extent eventually causing the crash of the system. This is the very moment sustainability will be missed, not before since share of labour remuneration in GDP has decreased steadily since middle of Seventies without system showing signs of collapse.

Eutimio Tiliacos

"… wage-earners' bargaining power has probably been reduced …"

We are too close to the facts to see the long trend. The reading of wages-capital share, probably influenced by automation, is dependent on geographical regions, industries, employment

Table of Contents

legislation… and too general to be useful for policy decisions. **Wage-earners' bargaining power has probably been reduced in many countries.** For a more inclusive growth, focus should be, for example, on:

- Innovation and investment in highly productive activities.
- Increasing "human capital" through better vocational training.
- Evolving tax and social security to reduce the cost of labour compared to capital.
- Making social benefits transferrable to allow for workers' mobility.
- Promoting a revaluation of certain basic necessary services, which are extremely underpaid (Covid perhaps may help in this).

Domingo Sugranyes

"… redistributing the value generated by the machines …"

AI achieves efficiency at work - doing the same activity ("or better") with less labour. Consequently, it decreases the labour remuneration. Without a doubt, a great advance for humanity and society, machines replace the humans, and this can give humans time and well-being, for which it is needed to mobilize resources. This entails redistributing the value generated by the machines from capital remuneration to people through the labour remuneration. **The pandemic situation is, without a doubt, an opportunity to establish changes and consolidate a labour remuneration system drawing on redistributions. It remains to establish the criteria for guarantee that everyone wins (well-being of humanity) and not just the owners of the capital.**

Leire San-Jose

"… the energy transition will strengthen the power of capital …"

Sharing added value is a problem of public ethics. The problem is neither purely technological (AI, robotization) nor purely economic (commercial niches, bargaining power). The problem is all the more difficult to resolve since growth and the sharing of added value depend not only on investments, but also on extra-economic conditions (institutions, public regulation, international politics, the national social game in which culture, mimicry and power relations, international agreements, etc.). **Except for returning to older technologies that are more labour-intensive, the energy transition, just like the social effects of the current pandemic, will strengthen the power of capital - because the investments to be planned are enormous - and, by increasing the unemployment of the less well-trained working population, will inflate the share of the return on capital in the sharing of added value.**

Etienne Perrot

"… a greater role for the state as an employer of last resort …"

What seems missing from the macroeconomic dimensions […] is a greater role for the state as an employer of last resort. The current policy stance relies heavily on simply increasing the availability of money to support aggregate production, the decline in which is the consequence of increased unemployment associated with Covid-19. Regarding the impact of the new technologies on labour remuneration, current approaches with their heavy emphasis on more and better education seem misplaced. **The gap between skills and technology can also be addressed by redirecting innovation – in which the State has an important role but one underemphasised in current technological fetishism that views technical change as a largely exogenous force – to matching the skills of the current and prospective labour force.** The new strategy would require changes in policies such as the funding of R&D and the taxation of business.

Andrew Cornford

"… universal basic income schemes may be the only solution …"

In late July 2020, at one year from the introduction of the Reddito di cittadinanza, 1.2 millions Italians were receiving this form of basic income, 560 euro on average, at the condition of refusing no more than two job offers, provided by Italian centers for employment (CPI), on the occasion empowered by 20.000 professional job advisers. In one year, only 100.000 citizens actually signed a contract, as most offers were short-term (few months), needed costly relocations or were simple traineeships. **If our societies are not capable, or not willing, to reform the modalities of production and distribution of resources in the sense of the common good, universal basic income schemes may be the only solution left to bridge the capital-labour gap.**

Valerio Bruno

"… those who benefit from a good or service should pay its full cost …"

Roughly speaking, if the market economy is to allocate resources properly, those who benefit from a good or service should pay its full cost. Otherwise someone else, who is not benefiting, ends up paying. Since the share of capital in production is rising, it is normal that its share in costs is too. However, a large chunk of capital - "natural resources" - are provided without charge; only the costs of "extracting" them and making them available to users are charged. This results in huge subsidies to waste and inefficient use, at the expense of the victims of the environmental damage. The fair distribution of the income composing the costs paid is another matter, too complicated to explain here..

Edouard Dommen

Table of Contents

"… ideas beyond growth absolutism might generate new directions …"

The robotisation and the increased use of AI are now facts in the production. As the pandemic favors the gigantism of the InfoTech companies we can easily foresee that soon the demand for "safe", "clean", "unmistaken" work will take its throne in the public realm. The fear or the greed for more profits will enforce a new narrative for old economic ambitions: profit without borders, without limits, now without stop/ technical failures/ health hazards. A panopticum of profit will allegedly create conditions of a non-stop production, a "super development" not threatened by diseases, world turbulences etc. How humanity might deal with poverty and injustice with decreasing trends in labour? **Ideas beyond growth absolutism might generate new directions: Regulation in the robots/manpower analogy, taxation in capital movements, reduction in working hours per week, inclusion of volunteer time in pension and less working years for family care givers could be discussed**.

Christos Tsironis

Table of Contents

LIST OF CONTRIBUTORS

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Leire San-Jose is Associate Professor at University of the Basque Country (UPV/EHU) in Bilbao (Spain), and she is also Visiting Research Fellow at University of Huddersfield (United Kingdom). She won the Robin Cosgrove Ethics in Finance Prize in 2010, after that she became the leader of ECRI (Ethics in Finance & Social Value) Research group (www.ehu.eus/ecri), and she is Editor of the Springer Handbook on Ethics in Finance.

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Table of Contents

“FROM VIRUS TO VITAMIN” – JOIN THE DISCUSSION

The Observatoire de la Finance intends to seize this period of pandemic to step back and take a fresh look at our global economic system, dare to ask new questions which the current crisis brings to the fore and propose innovative ways to rebuild a more resilient and sustainable economy and society. In brief, we want to turn the virus into a vitamin for the future.

Our Discussion Board “From Virus to Vitamin” focuses on commenting issues relevant to finance and economy in relations to society, ethics and the environment from a variety of perspectives, of practical experiences and of academic disciplines. It has been designed to share and discuss information and opinions expressed in a short and concise manner.

Contributors (Discover the list of contributors) are invited to react on a question/issue that is submitted in parallel to a limited group of experts. This happens on a regular basis, through a dedicated mailing list. After the deadline for submission, the reactions are edited and published with signatures in one document on the website of the Observatoire de la finance and on its Linkedin page. If you would like to join the discussion, you may send an email to the editor, Dr. Virgile Perret <perret@obsfin.ch>.

OF Discussion Board – Questions addressed so far

- Question 10 : Does robotisation trigger redistribution?
- Question 9 : Scaling up industrial policy at regional level
- Question 8 : Stock markets and the real economy: dangerously skewed allocation
- Question 7 : Realigning international trade according to the full cost principle
- Question 6 : Indulgent creditors and industrial policy
- Question 5 : Caring for care
- Question 4 : The changing nature of GAFAs: global market players, national champions or public service providers?
- Question 3 : Squaring the circle between international good intentions and national (weak) institutions
- Question 2 : A simplistic and misleading trade-off but policy dilemmas are real
- Question 1 : Convictions rarely change… but they get refined

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