

Taxing labour-replacing machines could have consequences for jobs

By Barrie McKenna

February 24, 2017 – *The Globe and Mail*

Donald Trump is convinced that building walls and raising tariffs will bring back factory jobs.

We know, of course, that automation is a far more significant job killer than trade. By badly misdiagnosing the problem, Mr. Trump is doomed to fail.

So let's assume automation – robots, artificial intelligence, data processing and the like – is destroying good-paying middle-class jobs, not trade.

What's the solution?

Simple: Tax robots, according Microsoft co-founder Bill Gates, who spent most of his career trying to automate people's lives. Governments impose income and payroll taxes, and they should impose similar levies on machines, Mr. Gates argued provocatively in a recent interview with Quartz, an online magazine.

“Right now, the human worker who does, say \$50,000 [U.S.] worth of work in a factory, that income is taxed and you get income tax, social security tax, all those things,” he explained. “If a robot comes in to do the same thing, you'd think we'd tax the robot at a similar level.”

Mr. Gates's idea is to recoup lost revenue from payroll taxes to fund vital societal needs, such as reducing school class sizes, caring for the elderly and retraining displaced workers. And he said the tax could have a positive spinoff effect – slowing down the pace of automation enough to figure out which industries and workers need help adjusting.

Other pundits have suggested going even further, even mandating that certain jobs must

be done by humans. Washington Post business columnist Allan Sloan this week urged Mr. Trump to “lean on companies” to save roughly 3.5 million U.S. cashier jobs facing extinction owing to self-checkout counters. He cited the example of his home state of New Jersey, where a long-standing law outlaws self-service gas stations.

At first blush, both ideas are seductive. They could also backfire. Reversing, or even slowing, the march of the machine will almost certainly make the economy less productive, accelerating job losses.

Automation is continually reshaping the world of work, as it has for centuries. And it's creeping up the skills hierarchy. A 2015 study by management consultancy McKinsey & Co. predicted that nearly half of activities now done by humans could eventually be displaced by robots and other machines.

Examples are everywhere. Amazon.com Inc. is experimenting with cashier-less stores and delivering parcels by drone. McDonald's Canada has replaced counter staff with self-ordering kiosks inside many restaurants. A San Francisco company has developed a hamburger-flipping robot. Home-improvement retailer Lowe's Cos. Inc. is testing an inventory-checking robot. The Associated Press uses software from Automated Insights to write baseball game summaries and corporate earnings reports.

Perhaps no sector has been more depopulated than the steel industry. The industry lost 75 per cent its work force from the mid-1960s to the early 2000s. But it still produces as much steel as ever.