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Sympathy for the Luddites

By PAUL KRUGMAN

In 1786, the cloth workers of Leeds, a wool-industry center in northern England, issued a protest against the growing use of “scribbling” machines, which were taking over a task formerly performed by skilled labor. “How are those men, thus thrown out of employ to provide for their families?” asked the petitioners. “And what are they to put their children apprentice to?”

Those weren’t foolish questions. Mechanization eventually — that is, after a couple of generations — led to a broad rise in British living standards. But it’s far from clear whether typical workers reaped any benefits during the early stages of the Industrial Revolution; many workers were clearly hurt. And often the workers hurt most were those who had, with effort, acquired valuable skills — only to find those skills suddenly devalued.

So are we living in another such era? And, if we are, what are we going to do about it?

Until recently, the conventional wisdom about the effects of technology on workers was, in a way, comforting. Clearly, many workers weren’t sharing fully — or, in many cases, at all — in the benefits of rising productivity; instead, the bulk of the gains were going to a minority of the work force. But this, the story went, was because modern technology was raising the demand for highly educated workers while reducing the demand for less educated workers. And the solution was more education.

Now, there were always problems with this story. Notably, while it could account for a rising gap in wages between those with college degrees and those without, it couldn’t explain why a small group — the famous “one percent” — was experiencing much bigger gains than highly educated workers in general. Still, there may have been something to this story a decade ago.

Today, however, a much darker picture of the effects of technology on labor is emerging. In this picture, highly educated workers are as likely as less educated workers to find themselves displaced and devalued, and pushing for more education may create as many problems as it solves.

I’ve noted before that the nature of rising inequality in America changed around 2000. Until then, it was all about worker versus worker; the distribution of income between labor and capital — between wages and profits, if you like — had been stable for decades. Since then, however, labor’s share of the pie has fallen sharply. As it turns out, this is not a uniquely American phenomenon. A new report from the International Labor Organization points out that the same thing has been happening in many other countries, which is what you’d expect to see if global technological trends were turning against workers.

And some of those turns may well be sudden. The McKinsey Global Institute recently released a

report on a dozen major new technologies that it considers likely to be “disruptive,” upsetting existing market and social arrangements. Even a quick scan of the report’s list suggests that some of the victims of disruption will be workers who are currently considered highly skilled, and who invested a lot of time and money in acquiring those skills. For example, the report suggests that we’re going to be seeing a lot of “automation of knowledge work,” with software doing things that used to require college graduates. Advanced robotics could further diminish employment in manufacturing, but it could also replace some medical professionals.

So should workers simply be prepared to acquire new skills? The woolworkers of 18th-century Leeds addressed this issue back in 1786: “Who will maintain our families, whilst we undertake the arduous task” of learning a new trade? Also, they asked, what will happen if the new trade, in turn, gets devalued by further technological advance?

And the modern counterparts of those woolworkers might well ask further, what will happen to us if, like so many students, we go deep into debt to acquire the skills we’re told we need, only to learn that the economy no longer wants those skills?

Education, then, is no longer the answer to rising inequality, if it ever was (which I doubt).

So what is the answer? If the picture I’ve drawn is at all right, the only way we could have anything resembling a middle-class society — a society in which ordinary citizens have a reasonable assurance of maintaining a decent life as long as they work hard and play by the rules — would be by having a strong social safety net, one that guarantees not just health care but a minimum income, too. And with an ever-rising share of income going to capital rather than labor, that safety net would have to be paid for to an important extent via taxes on profits and/or investment income.

I can already hear conservatives shouting about the evils of “redistribution.” But what, exactly, would they propose instead?