

Taxing Robots Is a Great Way to Make People Poor

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Noah Smith, September 10, 2019



Robots are our friends.

Photographer: Frank Barratt/Hulton Archive/Getty Images

Of all the ideas that presidential candidates are offering to address the country's economic woes, here's one of the worst: Taxing, or even outlawing, automation.

Many people worry about the prospect of automation causing mass unemployment. This might be justified in the science-fiction future, if machines learn to do anything a human can do. But there's no sign that the robot takeover is happening anytime soon.

First of all, despite rapid progress in industrial automation, most Americans still have jobs. This means that the economy is creating plenty of new jobs to compensate for those eliminated by robots. Such reallocation is the norm throughout history -- seamstresses were replaced by sewing machines, yet people who would have otherwise become seamstresses found something else to do.

Granted, the process can be disruptive for the workers involved. Retraining for a new career is difficult. That said, research suggests that robots don't actually displace very many people. Economists Lawrence Mishel and Josh Bivens, for example, have noted that the estimated impact in the manufacturing sector has been far smaller than that of trade with China -- and that information technology investment in general is *positively*

correlated with employment.

Beyond that, if robots were taking over, there would be plenty of additional evidence in the economic data. Businesses would be investing more, in order to build and install the robots. College-educated workers (who build and run the robots) would see a growing wage premium. And most importantly, labor productivity would be accelerating, as the amount of human labor shrank and machines assumed more tasks. Yet none of that is happening. Output per hour in the U.S., for example, has been growing more slowly than in the past.

Where's the Robot Effect?

If robots were taking over, productivity should be accelerating. It isn't.

Source: Federal Reserve Bank of St. Louis

There's not much evidence of the robot threat in other countries, either. Germany, South Korea, and Japan have all have strong manufacturing sectors, healthy employment levels and less economic inequality than the U.S. And -- guess what! -- they all have lots of robots:

Nothing to Fear

Some countries have more robots than the U.S., with no ill effects.

Source: International Federation of Robotics

Fears of a robot takeover are stoked by studies -- one from the Brookings Institution, and many others -- claiming to quantify how many jobs are at risk from automation. But these studies -- which mainly just ask engineers which jobs they think might be doable by machines -- don't say much about how automation will affect the overall job market. Nor, to my knowledge, does anyone check them to see if their predictions are borne out.

So a future of automation-induced joblessness is still very much science fiction. Sadly, policy proposals to counter this as-yet-nonexistent problem are very real. Some, like presidential candidate Andrew Yang's idea for a universal basic income, are benign: UBI is a worthy idea whether or not robots put humans out of a job. But Bill de Blasio's call for a robot tax -- which echoes an earlier idea from Microsoft founder Bill Gates -- could seriously harm the economy.

De Blasio wants any company that eliminates jobs through automation to offer the displaced workers other jobs at equal pay. This is not how a healthy economy works. When automation makes human labor easier -- as when sewing machines took over from seamstresses -- the new jobs are typically created at other companies, which benefit from the increased supply and demand generated by the technological

improvement. De Blasio's plan would prevent this beneficial adjustment, forcing companies to create jobs they don't need while starving other companies of labor they need.

Next, de Blasio would heavily tax on companies that invest in automation. This would put U.S. manufacturers at an even greater disadvantage to their global rivals in Germany, South Korea, Japan, and elsewhere -- including a fast-rising China. U.S. jobs would likely disappear as the country's manufacturing industry became inefficient and uncompetitive. It's not robots the U.S. should fear. It's the lack of robots.

In other words, the idea of protecting people from automation is a self-destructive response to an imaginary problem. There are plenty of good ways to reduce inequality and boost employment in the U.S. -- wealth taxes, basic income, and an expanded safety net, to name just a few. Focus on those, and leave the robots alone.

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