

Trump's Presidency & the Challenge Ahead

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The Wake-up Call

Trump's unexpected election and the Brexit vote were a wake-up call to many of us. It suggested that a significant portion of Americans and Europeans, not living in our bubble, believe the political-economic-cultural system we support is not working in their favor. And from the data, it appears that they may be right. Their incomes are stagnant; their relative economic position has deteriorated. The rewards of economic growth are going to the already rich; income inequality has exploded. They feel threatened by terrorism. They feel their values are under siege. They believe the Establishment, of which we are a part, has rigged the game to favor the wealthy, immigrants, minorities and not them.

Trump has given voice to their discontent. He has blamed their plight on free trade agreements, immigration, Obamacare, and the tax system. He has promised radical changes if elected. His first weeks of government suggest he is going to try to do this even if he has no clear blueprint of the needed change.

While I have opinions about Trump and most of the issues Republicans and Democrats debate, I am arguing here that both Republicans and Democrats are missing the most important challenge we as a society face. Failing to understand the real dynamics shaping our world, Trump and all of us are in danger of making things worse.

The Real Driver and some implications

Trump and most Democrats and Republicans, it seems to me, are largely oblivious that the true cause of the loss of good paying jobs and growing income inequality is **technology**, not free trade, not immigration, not taxes. As *The Second Machine Age: Work, Progress, and Prosperity in a time of Brilliant Technologies* by Erik Brynjolfsson and Andrew McAfee argues convincingly, the exponential growth of technology (not just digital, but biological and those producing materials and energy) is delivering enormous productivity gains and greatly increasing the goods and services available for the human race.

The positive implications of technology are obvious and all of us are experiencing them directly through our mobile smart phones and the internet. In absolute terms even the

poor on our planet enjoy more than kings had in the past. We are told this technological progress has the potential in this century to provide every family on the planet the equivalent of \$150,000 in food, shelter, clothing, material goods, education and health services.

Rapid technology progress is not just potentially beneficial to all, it is probably our only hope for cheap clean energy, for making life sustainable on the planet for a population of 10 billion people.

But this bonanza from technology also has negative implications for many. It is eliminating many jobs and changing the requirements of those jobs that exist. In economic terms the imbalance in the supply and demand for labor skills is driving both unemployment and income inequality.

And what we already see happening in the last twenty years is only going to accelerate in the future as the many potential uses of smart robots spreads through our life.

Technology will destroy far more jobs than it has in the past, even as it creates a bonanza of goods and services for the human race.

The Market (Say's Law) is Not Going to Solve the Problem

In all previous ages when technology destroyed old jobs, new jobs were made possible so that all workers shared in the benefits of the higher productivity. The theory in classical economics (Say's Law) was that "supply creates its own demand." The free market and innovation ensured that new jobs replaced those that were lost since human wants are insatiable. While technology brought disruptive changes in the job market, the ever-innovating market met the challenge of ensuring that more than enough new jobs were created so long as education prepared people for those jobs and the labor markets were kept flexible to move people to them. In theory, if not in practice, everyone could have a good paying job and thus participate in the benefits of technology.

As an example of Say's Law in action Economists described what happened when automobiles replaced horses in the early 20th century. A whole new set of jobs were created for workers who previously had worked with horses. They became factory workers producing cars, truck drivers, mechanics, car salesmen, and multiple other jobs required by the automobile. It is instructive, however, to note that while grooms had the capacity to learn the necessary skills for the new jobs, most of the horses did not and their numbers declined greatly.

When artificial intelligence and robotics can do virtually everything a human can do at a marginal cost that is less than what it takes to keep humans alive, you have to wonder if the great majority of humans will be more like the horses than grooms. Will everyone be able to find a job that justifies paying them a good salary? Many still argue that the future will be like the past: the market economy will generate the needed jobs, even if we cannot yet imagine them. My fear, however, is that the assumptions which implicitly support Say's Law will not obtain and the market will not create good paying jobs for a significant portion of humans.

Even if Say's Law should hold in the long run, I wonder whether the re-education required can be done fast enough to create the labor force needed. Many of the college educated people being laid off, even with re-training, are finding they have to take significant pay cuts to get the available jobs. Isn't it probable that technology's rapid growth will outpace human re-education capability?

If my fears turn out to be grounded, the negative implications are significant – more unemployment and greater income inequality. Unemployment not just for those without an education but for the lawyers, doctors, engineers, retail and restaurant workers whose jobs are affected by the new “Watsons” invading every area of the economy. And with an increasing segment of society feeling like the “losers” in the system, the danger of social disintegration and political conflict are greatly increased.

The Goal and Challenges Ahead

It is hard for me to imagine a future of realized technological promise benefiting everyone without significant changes in the way our culture, our economy, our government work.

The goal of these changes has got to be a system which takes full advantage of technology, creates a society in which the maximum percentage of people can and do make meaningful contributions to the production and welfare of the whole, and in which everyone shares in the bonanza, the material, educational, health, and artistic rewards which are generated.

Achieving this goal involves at least three major challenges.

The first challenge is to ensure that technology continues its exponential growth. That's essential if we want to produce the abundance of goods and services. If that were the only goal, an alternative, perhaps better for the planet, would be to create a utopian

society that recognizes happiness is not correlated with more and persuade everyone to accept much less.

However, we need to realize the full potential of technology just to solve the problems that will make it possible for 10 billion people to survive on this planet in a sustainable fashion. To date neither people in the developed or the developing world have shown a willingness to live with less. And our governments have shown no real capacity to make a dent in the problems. At this time only technology appears to have the potential to solve the serious problems of cheap energy without destructive climate change, sufficient water and waste management, and reduced population growth.

Realizing rapid continued technological progress means continued significant investment in science and technology by both government and the private sector. It also means considerable public investment in infrastructure, education and health. Not as obvious but equally important, it means ensuring that the incentives for creating new technologies remain in place, that an efficient market goads efficiency in the delivery of the benefits. And although globalization is currently being villainized, I would argue, that it means the globalization of information, the sharing of knowledge, trade based on comparative advantage, have to be continued and expanded.

The second challenge must be to develop mechanisms to ensure that everyone benefits from the technological bonanza and has a stake in protecting the society that created it. The vast majority of people must feel like they are and can be “winners” not “losers” in this new world, the changes they must make are worth it. If the market fails to create sufficient paying jobs, this probably requires some distributive mechanism of goods and services like a negative income tax or basic living allowance. It also means an expanded definition of the “public goods” citizens are entitled to: all the basics for a good life: shelter, food, health, education. In a society enjoying the unimagined bonanza, finding ways of distributing goods and services should be feasible.

The third challenge, in my opinion more difficult than the first two, is to find a way to help everyone, even if they can't have a paying job, live a meaningful life and be motivated to realize their full potential. It requires us to recognize that work for most people does far more than provide income. Training for a profession or job drives much of the climb through high school, college, and graduate school. It gives people a sense of identity. For many the work place is the principal community in which social needs are met. Feedback at work often smooths our rough edges and forces continued growth. What we produce and do for others gives a sense of usefulness to our lives. Not just our economy but our culture allocates status and rewards to job-related achievements.

It is therefore, not a coincidence that when a man is laid off from work and can't get a job, his status and relations in the family deteriorate. I have the impression (though I have not studied this) that many welfare distributive programs that provide for material needs, e.g. for American Indians or welfare mothers, don't create wellbeing, but lead to cycles of alcoholism, drug addiction, and depression down the generations.

The Task: A New Vision

I was raised on the saying, "Without a vision, the people perish!" If I am right about technology, its implications and the challenges ahead, the major tasks for us include the development of a "new vision" of what a good society looks like, a vision which identifies the changes need in our culture and civil society, in our economy, and in our government programs.

Task #1 is developing an accurate understanding of the dynamics of our world system and persuading the majority of people of its correctness. We can't afford to blame the wrong factors, create unnecessary enemies, make radical changes that aggravate rather than solve problems. Faulty narratives translated into faulty political action could cause us to stumble into trade wars, racial, religious and international violence. We cannot afford to get into the blame game, continue our divisive political gridlock. It is time in our polarized society to understand the dynamics that are providing us with smart phones, driverless cars, cheap energy, cures for cancer but are also destroying old jobs and forcing all of us into uncomfortable change. It is time to recognize we need a "new vision" and changes to our cultural-economic-political system that benefit all.

Task #2 is to get our best and most creative minds to generate the new vision and translate it into a Program of Changes for all the Sectors affected, a Program that can become a Political Platform. This "new vision" should unite rather than divide our people. It should guide the reform our educational system. It should reflect our values and harness the positive energy of our religions. It should guide our law makers in their public investments in infrastructure, education, health, security and science. It should guide the regulation of markets and the efficiency of public services. We need a vision that helps us create the physical and cultural ecology in which our children and grandchildren, in the midst of unimagined material bounty, can live meaningful lives.

Concluding Question

How can we, supposedly leaders and elders, help?