

Book review of Acemoglu, Daron and Johnson, Simon: *Power and Progress: Our Thousand-Year Struggle Over Technology and Prosperity*

New York, 2023 (560 pages, Public Affairs, hardcover, ISBN-13: 978-1541702530)

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Daron Acemoglu has been among noted economists to study the economics of automation. His latest book has received attention from prominent economists and academics such as Abhijit Banerjee, Esther Duflo, Angus Deaton, Joel Mokyr, and Michael Sandel, amongst others. The purpose of this review is to summarize his main thesis and situate it in the milieu of popular books on automation, artificial intelligence (AI) and synthetic biology including Susskind (2020) and Suleyman/Bhaskar (2023).

Acemoglu and Johnson contrast the narrative of shared prosperity from technology with the view that historically, power withheld the benefits of medieval technology from peasants, better ship design led to slavery, textile factories led to horrible work conditions, and advances in computers enriched a few entrepreneurs (pp. 3–5). They argue that shared prosperity of the past was not the automatic result of new technology but due to countervailing powers like labour unions and legislation that distributed gains and wrested the direction of technology from a narrow elite (pp. 6–7). Overall, they argue for ‘altering the narrative, building countervailing powers, and developing policy solutions’ (p. 38). Their book, which focuses more on Britain and the U.S., is partly a user-friendly version of Acemoglu’s prior academic work, which does not view AI as much of a threat based on the argument that the potential of AI to automate tasks is limited.

Indeed, their approach is less alarmist than that of Suleyman/Bhaskar (2023) who highlight catastrophic outcomes and authoritarian surveillance associated with AI and synthetic biology and who delineate steps towards the containment of technology. In contrast, Acemoglu and Johnson state that AI cannot perform tasks that involve ‘social interaction, adaptation, flexibility, and communication’ and that technologies like AlphaZero and GPT-3 cannot perform beyond their pretrained narrow tasks (pp. 315, 317). While chatbots and other AI tools seemingly communicate with customers, they argue that such technology does not have the ‘social or situational intelligence of humans’ (p. 317). They seem to believe that there will always be scope for human labour alongside machines. However, Susskind (2020) has argued that the displacing effect of automation will eventually overwhelm the productivity effect and that we will have to find purpose in a post-work future. As such, their work is focused within the confines of the labour economics of automation, whereas other authors adopt a more radical view of the coming wave of new technology.

Acemoglu and Johnson state that shared prosperity from technology is based on whether automation increases labour demand and whether this demand increases wages (p. 15). However, business-owners focus on automation and surveillance to control wages and weaken labour power (pp. 28, 33). Moreover, the U.S. tax system favours capital over labour, which fuels excessive automation (p. 287). They state that ‘so-so automation’ like self-checkout kiosks and technologies that focus on worker surveillance provide limited productivity benefits even as they displace workers (p. 19). This is because such automation shifts work to customers and causes delays as they wait for a human to provide help (p. 303). This emphasis on the capital bias in the U.S. tax system and excessive automation at the expense of labour-complementing technologies is consistent with the narrative weaved by Acemoglu through the years, including Acemoglu/Restrepo (2019) and Acemoglu (2021). Additionally, these arguments in the book are supported by a 50-page bibliographic essay that mentions ‘detailed sources for data, facts, quotations’ (pp. 423–473).

Acemoglu and Johnson state that new technology is aligned with the narrative of a narrow group of powerful people (pp. 24, 27). To illustrate, they mention that profit and shareholder value maximization was projected as the common good and labour was seen as a cost to be reduced (pp. 88, 255, 290). According to this narrative, automation is about reaching parity with humans and not complementing them (p. 311). They state that digital technologies have enriched entrepreneurs and investors but real wages for most workers have scarcely increased, which has led to a ‘two-tiered society’ (p. 13). These tiers are based on the narrative that the elite deserve their wealth based on their genius and the rest are error-prone who can be replaced by machines (p. 338). Thus, they suggest a three-pronged strategy to redirect technological change from the control of a narrow elite.

On shifting the narrative, they argue that instead of focusing on machine intelligence, we should focus on machine usefulness that complements worker capabilities (p. 37). Moreover, they call for democratic participation on questions like whether ‘new technologies will automate work or create more tasks, [and] whether they will monitor or empower workers’ (p. 393). Additionally, they call for shifting the narrative from profit maximization toward shared prosperity (p. 394).

On building countervailing power, they argue for empowering people to have a say in technological choices instead of a technocratic approach, which would ensure that diverse interests, perspectives, and voices are heard (pp. 92, 94–95). To illustrate, they state that in the mid-twentieth century, labour unions supported automation provided that new tasks were created for workers, they received training, and shared the benefits from ‘cost reductions and productivity increases’ (pp. 244–245).

On policy solutions, they suggest not enforcing patents on surveillance technologies (p. 403). However, they reject robot taxes, as that would neglect algorithms that instigate automation and instead support breaking up of Big Tech to incentivize ‘greater diversity of innovation’ (p. 405). Additionally, they suggest equalizing the tax rates on labour and capital to remove the bias towards automation by reducing payroll taxes, raising corporate taxes, and closing tax loopholes (p. 407). They also support subsidies for worker training, privacy regulation on data ownership that would limit Big Tech from collecting big data, and ‘digital advertising tax’ that would discourage ‘ad-based business models’ (pp. 408, 411, 413). They do not support universal basic income (UBI) because it is not targeted, and instead highlight that people’s wellbeing is based on their contributing to society (p. 416). Finally, they note the limits of education and upgrading, as their benefit is dependent on the limited demand from companies (p. 418).

To recapitulate, their thesis focuses on the importance of democratic participation and countervailing powers to the techno-elite. Their suggestions on shifting the narrative,

building countervailing powers, and policy solutions seem to be less consonant with free market economics and more aligned with alternate approaches as highlighted in popular work like Carney (2021) and Shafik (2021), both affiliated with mainstream institutions but who adopted perspectives that challenge the unfettered free market paradigm. However, some of their suggestions like breaking up of Big Tech and raising taxes on capital may be difficult to implement in places like the U.S. without a paradigm shift that views government as part of the solution and not the problem. Overall, Acemoglu and Johnson would seem less radical than Susskind (2020) and Suleyman/Bhaskar (2023) and tread familiar ground to those on board with alternate economic perspectives. However, by tempering the undue optimism on technology creating prosperity, they offer a welcome shift in the mainstream narrative on automation like that of Blanchard/Rodrik (2021) on economic inequality.

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