Mark Corner

Will Robots Take our Jobs?

And other questions in economics

OWL PRESS

INHOUD

PREFACE AND ACKNOWLEDGEMENTS

Books may start in someone's head, but they develop from circumstances in life. This book started from having to teach a course to more than 700 international students and keep them interested.

It was a useful challenge. Academics who teach should write books to improve their teaching; academics who spend their days writing research papers should teach to improve their research. I would therefore like to begin by thanking all the students who by coming to lectures and asking questions helped me to improve what I've written.

I would also like to thank Inge Verhoeven, my colleague on the course, who had many useful suggestions about what to read and what to add to the text. We were jointly delivering lectures to a mass audience in a large, windowless underground hall that felt like a mausoleum. At any moment I expected economists and philosophers from times past to rise through the floor and wag disapproving skeletal fingers at me.

Thanks are due to Nigel Hawker, an accountant, linguist and friend of several decades, who helped both with the style and the content. I would also like to thank Marie Vanhoutte and the incredible team at Owl Press for agreeing to take this on and steer it to publication.

INTRODUCTION

WHAT IS THE BOOK REALLY ABOUT?

This book emerged from a course that has traditionally been called ‘Introduction to Philosophy’. Anyone seeing a course with such a title might reasonably ask: ‘What’s a course like that doing here? We’re students of economics and business studies. We don’t want a course in philosophy. What will we have next? A course in how to study veterinary medicine!?’

But ‘Introduction to Philosophy’ has never been a course that looks in detail at all the great philosophers of the past or at the basic topics that feature in most philosophy courses.

Anyone who taught the course in this way might try to argue that the skills used in understanding philosophy can help in approaching economic issues. Tackling questions like ‘How do I know anything?’ or ‘Do I have free will?’, they might say, helps to develop an analytic and creative mind that can then turn to economic questions or even practical business matters with a fresh attitude prepared to ‘think outside the box’.

There may be value in such an approach, but ‘Introduction to Philosophy’ is different. It is geared towards looking at economics itself through the eyes of philosophy. As with any other course in an economics or business faculty, its focus is upon the topics that arise when teaching economics. It is less a matter of ‘philosophy *and* economics’ than ‘philosophy *of* economics’. It does not attempt to teach philosophy as a separate discipline but rather to cast a philosophical eye upon some of the basic principles of economics.

It is worth pointing out that a lot of philosophers have had an interest in economics. Many have had an important influence on the decisions of governments, and some have written key works on economic issues. The British philosophers David Hume and John Locke, for instance, well known for their contributions to philosophy as part of the school of empiricism, also had a significant impact on economic decisions taken by governments. Locke persuaded the English government to revalue the coinage, an arguably disastrous move that encouraged Isaac Newton, more often known as the world's most famous physicist, to spend three decades as Warden, and later Master, of the Royal Mint in London. In that position he made sure that the recently formed (in 1694) Bank of England maintained a constant exchange rate for its 'fiat money' (banknotes) in terms of a fixed amount of gold.

The fact that top philosophers and physicists in the seventeenth and eighteenth centuries took an interest in economics is important. Barriers between disciplines were not as fixed as they are now. You might even say that minds were less warped by specialisation.

David Hume, perhaps Britain's greatest philosopher (he was Scottish, and a friend of the 'father of economics' Adam Smith), made a decisive contribution to economic thinking with his refutation of mercantilism. The mercantilists, whose views anticipate some of the actions of President Donald Trump today, believed that a nation's wealth lay in its stock of gold or silver. The key to economic policy was to buy as little as possible and sell as much as possible, and that could be encouraged by imposing tariffs on imported goods, forcing people to buy locally. The mercan-

tilists failed to recognise that many imports were of necessary inputs – Niall Kishtainy (of whom more later) mentions the nails used to build carriages – so that restricting them would hinder economic progress and even hinder the exports (of carriages) that the mercantilists supported (precisely the same argument is used to criticise Trump's tariff policies today). But Hume had another argument. He insisted that the mercantilist attempt to pile up a surplus of money was futile, because the surplus would mean extra spending, and that in turn would increase prices as extra demand put pressure on supply. The higher prices would then reduce demand, causing money to flow out of the country again. The money flows in and then the money flows out, Hume suggested, just as water that reaches the top of a container starts to flow away. Robert Skidelsky (another writer whose works will often be referred to) suggests that Hume's essay on the balance of trade was crucial to the later case for free trade developed by Adam Smith and David Ricardo.[1]

Even though there is the notion mentioned above that Adam Smith was the 'father' of economics in the eighteenth century, there had been what we would call economic discussions since ancient times. The word 'economics' itself comes from a Greek word referring to the management of a household, and it is an obvious matter of common sense that for thousands of years people have had to manage household affairs. Whether or not he, or a pupil of his, was the author of the book on economics ascribed to him, the ancient Greek philosopher Aristotle clearly wrote on what we should call economic issues. He made an important contribution to later economic thinking, for instance, with his notion that money was 'sterile' and unproductive. Unlike hens that produce eggs and chicks, it just lay in a pile. Why should someone who is given a pile of coins have to return a bigger pile later? Such an approach might be questionable in terms of modern thinking about finance, but it certainly influenced later prohibitions of usury during the medieval period (the implications of interest payments are considered later in the book). It would be reasonable to conclude that, whether they were right or wrong, discussions of basic economic tools like money were not absent in the ancient world, and nor were the practical necessities of managing the balance of payments within an ordinary household. Even though modern economists might like to distinguish between 'microeconomics' and 'macroeconomics', the latter sometimes said to have come into being about a century ago through John Maynard Keynes, this doesn't deny the fact that much of what is described in standard economics textbooks on the origins of their discipline goes back centuries before Adam Smith.

The fact that philosophers and physicists, among others, have been interested in economics may seem bizarre in the twenty-first century but it certainly wouldn't have been in the eighteenth. Since then, however, there has been a process of increasing ghettoisation of economics, which has retreated behind mathematical ramparts that exclude not only the philosopher but also the sociologist and the historian. One has only to look at the marginalisation of economic history in economics courses to see how this dangerous process has been taking shape.[2] Safely ensconced behind a shield of equations and models, the economists feel increasingly confident about their subject matter without realising that they are in fact becoming more and more confident about less and less, like those who move happily onto firm ground further up the beach without realising that they still face the menace of an incoming tide. A century ago, it would have been perfectly reasonable to say of the great economists, such as Max Weber and Karl Polanyi, that they were sociologists and economic historians as much as economists. Nowadays these disciplines often fail to communicate with one another at all.

The chapters of this book try as far as possible to avoid technical vocabulary and ask general questions, questions that tie the study of economics to developments in society that are of as much concern to the historian, the sociologist, the philosopher and the political scientist as they are to the economist. They are particularly indebted to the thought of one economist in particular, Professor Robert Skidelsky, whose writings and broadcasts are regularly referenced in the text. Skidelsky is best known for his biography of the great economist John Maynard Keynes, and what is notable about Keynes is his own eclectic thinking, influenced as it was by his close association with the writers, artists and thinkers of the early twentieth-century Bloomsbury Group. A similar eclecticism informs the works of Skidelsky himself.

It may be useful to provide a summary of the chapters that follow. Chapter One addresses the fact that many economists have seemed unwilling to deal with economic problems. They prefer to be observers than meddlers. They think that even if something goes wrong with the economy, it will somehow right itself. The chapter delves into the famous idea associated with Adam Smith that the economy is guided by a beneficent 'invisible hand'. Apart from the validity of the concept itself, it shows how a particular image can influence the way 'scientists' approach their task. The physicists have their worm holes, string and Higgs bosuns to guide them. The economists have their 'invisible hand'.

The dominant image of the 'invisible hand' has provided a strong defence against any kind of interference in the market economy. Chapter Two examines how this has influenced the principle of comparative advantage, which many would see as one of the 'basic laws of economics'. Has the power of the 'invisible hand' made governments resist the idea that they should protect infant industries that need some time to get off the ground? The Korean economist Ha-Joon Chang believes that it has, while William

Easterly takes a different view and thinks that governments only make things worse when they meddle. The chapter tries to set out both points of view and leaves you to form your own opinion. This is an important point to make, since philosophers often seem to question your answers more than they answer your questions. In reality, they are trying to make things as clear as possible for readers and listeners who will then make their own choices.

Chapter Three considers whether it makes sense to call economics a 'science' when what it identifies through its various laws depends upon human agents, and humans are prone to going their own way and acting in an unpredictable manner. It therefore asks whether economics understands the unavoidable level of uncertainty built into its laws. Does it try to avoid such uncertainty by fashioning a so-called *homo economicus* who never behaves in an unpredictable manner? *Homo economicus* is a Frankenstein's monster who doesn't so much reflect the skill of the scientist as seek to validate the science itself.

Chapter Four stresses the other disciplines – such as sociology, psychology and history – that economics needs to learn from if its understanding of people is to deepen as it should, but which it often neglects. It looks at the way humans are social animals who are formed in their individual choices through the world around them. It is a further strengthening of the eclectic approach that these lectures seek to support.

Chapter Five looks at how that changing social and cultural context has affected the understanding of value and has undermined any sense of a 'just price' or the 'labour theory of value', leading to a position where prices are determined by the clash between insatiable wants and limited resources. Yet the so-called marginalist revolution was not so much an example of 'scientific

advance' in the understanding of economists as a product of the social circumstances in which they found themselves.

Once we face this clash, we need some way of deciding how those wants can be satisfied – and that is a useful background for Chapter Six, which asks why we have money. Did it emerge 'from below' out of the needs of the marketplace, or 'from above' out of the needs of rulers to influence their subjects? And do we really need it? Is it a part of any life worth having, like the air we have to continue breathing? The chapter ends by reflecting on what might need to happen for money to become unnecessary.

Chapter Seven asks whether economics is bewitched by formulae and provides some bewitching examples that are tossed around in economic discourse. Chapter Eight asks why some truths of economics appear counter-intuitive, again with several examples. Both these chapters raise issues that will occur in many of the courses any student of business and economics will have to confront. Terms as varied as 'deadweight loss', 'Phillips curve' and 'Stability and Growth Pact', which pop up in a variety of places in economics courses, make their entry here.

Chapter Nine asks whether robots will take over the jobs currently done by humans, and whether the humans should mind too much if they do. It suggests that there are many unnecessary jobs in society and also many jobs in desperate need of people to carry them out. In fact, it believes that there will be no shortage of jobs for humans in the future, and tries to defend this positive conclusion (at least, positive for those who prefer the idea that work is available to the idea that they might be paid to enjoy a lifetime of lesisure).

Chapter Ten tries to sum everything up.

It can be seen even from a cursory summary that this is a book that asks general questions about the fundamentals of economics, always trying to analyse those fundamentals from a practical point of view. It is a series of philosophical reflections about economics that will hopefully prove relevant to a variety of courses in economics and business and even to the process of working in the business sector later in life. It may also help to prepare students for other courses in their studies and encourage them to recognise just how broad a spectrum economics needs to cover.

Being a book about several basic questions in economics rather than one or two, the hope is that this book will at least help students to steer their way through the study of economics. There are one or two works, however, that deserve a mention at the start as useful companions to the book. One is by Robert Skidelsky. The ideas in his book *What's Wrong with Economics*?, subtitled rather worryingly *A Primer for the Perplexed*, are explored in a series of over twenty short YouTube presentations organised by the Institute of New Economic Thinking (INET).[3] Some of the presentations are by Skidelsky himself while others are discussions of his ideas with students. Anyone who watches the discussions or reads the book will recognise many of the arguments in this handbook. After individual chapters there will be a reference to the relevant talks by Skidelsky to be found on YouTube.

A second book worthy of mention is Niall Kishtainy's *A Little History of Economics* published by Yale University Press in 2018.[4] This book contains about forty bite-sized accounts of the major economists any student will have to deal with and gives a sense of how the discipline itself has developed through the centuries. Bite-sized means six or seven pages, each one a thought-provoking essay that can be read in about twenty minutes – i.e., during the average bus, tram or metro ride or the length of time for which psychologists say students are at their best when

concentrating hard at a desk. It is a wonderful excursion through the major figures of economic history, with relevant titbits about their lives and (often) eccentricities together with a precise and clear account of their thinking, one that is free of graphs, formulae and equations. It reinforces the point made earlier, that despite the idea of Adam Smith as its 'father', people were doing economics hundreds of years before he lived. Indeed, the very term 'economics', as Kishtainy points out, comes from the Greek word *oíkonomía*, which is made out of *oíkos* (house) and *nomos* (law). The word originated from the need to manage household affairs, a task going back millennia.

REFERENCES

1. Skidelsky, Robert. *Money and Government: A Challenge to Mainstream Economics* (London: Allen Lane, 2018), pp. 35–8. The section 'The Demand for Money' covers the contributions of Hume, Locke and Newton.
2. Cole, Diane. *What's the Use of Economics? Teaching the Dismal Science After the Crisis* (London: London Publishing Partnership, 2012).
3. Skidelsky, Robert. *What's Wrong with Economics? A Primer for the Perplexed* (London and New Haven: Yale University Press, 2020). The contents of this book are summarised in a series of short videos produced by the Institute for New Economic Thinking: https://www.ineteconomics.org/perspectives/videos/how-and-how-not-to-do-economics
4. Kishtainy, Niall. *A Little History of Economics* (New Haven: Yale University Press, 2018).

CHAPTER ONE

THE OBSERVERS AND THE MEDDLERS

Why are so many economists in favour of looking rather than doing?

In her book *What is Philosophy For?* Mary Midgley provided a useful way of describing the discipline she had worked in for about eight decades (philosophers are notorious for their longevity – Midgley died shortly after writing what turned out to be her last book at the age of ninety-nine). She described 'the subtle way in which our thoughts depend on a mass of unstated assumptions and images, very much as our physical life depends on the hidden shifting masses of the earth beneath us, of which we know nothing'. Then she commented:

> We didn't notice this background till things start to go wrong – until, so to speak, the smell coming up from below is so bad that we are forced to take up the floorboards and do something about it. This is why I have often suggested that philosophy is best understood as a form of plumbing.[1]

Does Midgley's image apply to the way things can go wrong in economics? The twenty-first century has already seen the global financial crisis, the eurozone crisis and the crisis caused by the economic impact of coronavirus. The last century also had its economic crises, most notably the Great Depression at the end of the 1920s. On many occasions the 'smell coming up from below', as Midgley put it, must have become overpowering, and the determination to do something about it overwhelming.

It would seem obvious in the face of these crises that, like good plumbers – or even good philosophers – economists should get to work tearing up the floorboards and finding out what's going wrong underneath, hoping to fix the pipes in some way and then replace the boards with the assurance that further trouble can be avoided. Yet when economic crises have appeared, many economists have appeared unwilling to do anything so drastic. There has always been a school of thought that effectively says that trying to take up the floorboards is bound to make things worse and they should be left in place while the problems underneath right themselves. Economic crises, according to this viewpoint, are like a storm that comes and goes. The best thing is to sit it out, knowing that no one can change the weather.

This may not be the only response to a crisis, but the economic historian could claim that it has been said many times in the past and sometimes in situations that have had dire consequences, including thousands of deaths.

Take the Great Depression a century ago. One of the most harrowing books ever written about the consequences of trying to survive as a farmer when faced with unsustainable levels of debt at that time is John Steinbeck's 1939 masterpiece about the Joad family during the Great Depression, *The Grapes of Wrath*. In Chapter Five it tells of how the owners of the land, or more often their henchmen, came to 'explain' to the tenants that they had to leave and that no alternative was possible:

> If a bank or a finance company owned the land, the owner man said, The Bank – or the Company–

> needs–wants–insists–must have–as though the Bank or the Company were a monster, with thought and feeling, which had ensnared them. These last would take no responsibility for the banks or the companies because they were men and slaves, while the banks were machines and masters all at the same time.[2]

Steinbeck presents the bank as a monster that abides by its own rules – lives according to its own nature. It can't agree to wait till next year when the price of cotton might go up because of increased demand for explosives. It can't lend money either, because that's not the sort of thing that it was in its nature to do:

> And the owner men explained the workings and the thinkings of the monster that was stronger than they were.

There was always an assumption that the bank determined what the people could do, and never that the people should determine what the bank could do. They had apparently forgotten that the bank – and the banking system – was their creation. They made it, they could unmake it or remake it. They did not have to treat it as something that confronted them as a natural force, a monster or 'freak of nature', which they could only learn to accept and live with.

Yet as Steinbeck describes it, that was precisely the approach that people had fallen into at a time of economic crisis. They couldn't believe that there was an alternative to leaving the floorboards in place.

Is there a tendency among economists to adopt a fatalistic attitude towards things that in fact are well within their power to change? The charts and graphs and formulae multiply, a catch-all word like 'efficient' is rolled out to describe what must be done, and anyone with an alternative viewpoint is challenged with the notion that they are proposing an 'inefficient' way of doing things. But from a philosophical point of view, 'efficiency' looks very much like 'the way we're used to doing things'. It's one of those notions like 'common sense' that is always the last resort of those who've run out of any other arguments for resisting change. The real question is what lies behind the fatalism that seems to characterise many economists. The philosophically curious won't put up with fatalism and will not give up their search to find where it is coming from. They are like terriers, gnawing away at systems until they give way and confess their fallibility.

The mystery of the 'invisible hand'

The attitude that 'interference' is bound to do more harm than good is often associated with Adam Smith's notion of an 'invisible hand'. Since many economists like to think of Adam Smith as the 'father' of their discipline, it is not surprising that this notion has had enormous influence in the history of economics. It is also true that it has often been misinterpreted to mean that Smith wanted all government involvement in the economy to cease. Nevertheless, it is fair to say that in certain important respects he gave credence to the idea that, whatever the smell coming from beneath, the floorboards should be left in place rather than taken up. Taking them up would only mean dealing with a problem that wasn't there or trying to deal with an actual problem and in doing so making it worse.

There are two important mentions of this 'invisible hand' in Adam Smith's writings and it will be useful to examine them both.

In *The Theory of Moral Sentiments* (1759) he tells us that 'When Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out in the partition.' The language suggests that wealth and poverty are the product of divine planning, but that God in his wisdom has found a way of protecting the poor even though their place in society is as fixed and unalterable as that of the rich.

How can that be? Smith goes on to explain. He writes of a 'proud and unfeeling landlord' who looks out on his acres of property 'without a thought for the wants of his brethren'. However, 'the capacity of his stomach bears no proportion to the immensity of his desires', so that most of the huge harvest his lands produce has to be distributed among those around him. Then comes the reference to the 'invisible hand'. 'The rich,' Smith suggests, 'are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal proportions among all its inhabitants.' Thereby without either intending it or knowing it, they 'advance the interest of society'.[3]

With the 'invisible hand' at work, it is not necessary for the rich to feel concern for their fellows and give their money away. They can go on being rich and enjoying themselves. What the 'invisible hand' ensures is that simply by seeking to indulge themselves the rich will end up helping the poor. Things are so ordered by a benign Fate that the poor are well fed by the rich, even though the rich have no interest in helping them and they receive only the scraps from the rich man's table. For these 'scraps', given the rich man's limited capacity to gorge himself on everything set out before him, turn out to constitute a reasonable meal in themselves.