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The New Luddites

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We are currently witnessing an extraordinary contradiction. For influential economists such as Larry Summers and Robert Gordon, the ailing growth in developed economies after the great financial crisis of 2008 and the rock bottom interest rates dominating economies for several years now are the consequence of secular stagnation; i.e. a tendency for economic growth to gradually shrink as there are no longer any significant opportunities for technological improvement.

However, at the same time an idea is also spreading that new information and communication technologies will push artificial intelligence to hitherto unseen heights. To such an extent, it is argued, that this technical progress will make many jobs redundant, affecting intermediate skills since robots will be able to carry out increasingly complex tasks and not merely mechanical and repetitive ones. For many the social consequences of such advances would be disastrous as it

would polarise society even further since such improvements would be focused on the jobs and wages of the middle classes.

However, this narrative is relatively unsound and even misleading. If technological advances and technical progress result in employment problems they cannot, at the same time, also result in stagnation and economic paralysis. As the term itself suggests, technological «improvements» enhance our capacities. They amplify production potential. They allow us to do more with less. Or, in the jargon of economists, they expand the production-possibility frontier so that the same productive factors can generate more product; i.e. more income and ultimately more wellbeing.

The Dossier in this Monthly Report attempts to cast some light on this debate. Its main thesis is worthy of note given the growing presence of neo-luddite ideas in the media and some currents of thought. Technological progress is good for our societies and is also, ultimately, the only factor related to economic growth and to the generation of social wellbeing that is inexhaustible. Natural resources are finite, physical capital has diminishing returns but this is not the case of the capacity of humans to generate and spread new ideas.

The recent upsurge in this neo-luddite view can essentially be put down to political reasons. Firstly, technological advances are not neutral in terms of how their benefits are shared among society and even less so in terms of their adverse effects, as happened in 18th-century England with the introduction of mechanical looms that led to the Luddite movement which devoted itself to destroying the new machinery.

Secondly, the distribution throughout the economy of opportunities produced by technical progress depends largely on how society is organised. In other words it depends on society's economic and social institutions and whether these are flexible and dynamic enough to adapt to the new circumstances and help new jobs, companies and sectors to emerge that end up replacing the jobs and sources of wellbeing and wealth eroded by technological change. The rigidity or adaptability of these institutions is an eminently political question and often reflects the tension and opposing interests between different social groups, such as already

established groups which tend to be well-organised and oppose change and emerging groups that could take advantage of it, which can benefit from the impulse provided by new ideas and technologies but which often barely make up a homogeneous group with enough political clout to alter the status quo.

The huge challenge facing advanced democratic societies is to manage this great social debate and political combat in such a way that promotes technological change but at the same time ensures its benefits reach society as a whole.

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