

Macro Roundup Article

Headline: [Learning From Ricardo and Thompson: Machinery and Labor in the Early Industrial Revolution, and in the Age of AI](#)

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Tweet: [@DAcemogluMIT](#) and [@baselinescene](#) cite 19th-century textile automation to argue that AI may raise productivity but fail to increase employment and wages as it displaces workers and degrades the quality of remaining jobs.

Summary: The dominant industrial fact of the late 18th century was that the use of machines to spin cotton greatly increased labor productivity. David Ricardo believed machinery would help workers but revised his opinion based on the impact of automation. As shown in Figure 3, from 1806 to 1818–1820 the real wages of cotton workers in factories barely increased, while there was a modest increase in employment in this activity. In 1806, 90,000 factory operatives earned a weekly wage of 121[pence], while in 1820, 126,000 workers earned 124[pence]. Productivity gains due to new machinery in cotton were not shared with the workers in textile production, nor were there compensatory gains in other sectors of employment. Today we are in a similarly transformative and disruptive process of technological change. New digital technologies, including robotics, automated equipment, and office automation, have led to declines in the real earnings and employment of workers who used to specialize in tasks that are now being performed by machinery and algorithms. In the meantime, AI and other new tools are also intensifying surveillance and shifting the balance of power from labor to capital.

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