



New Challenges to International Cooperation: Automation and Climate Change

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MacMillan Center

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Last class: technological change

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 - ▶ Displacement effect.
 - ▶ Reinstatement effect.

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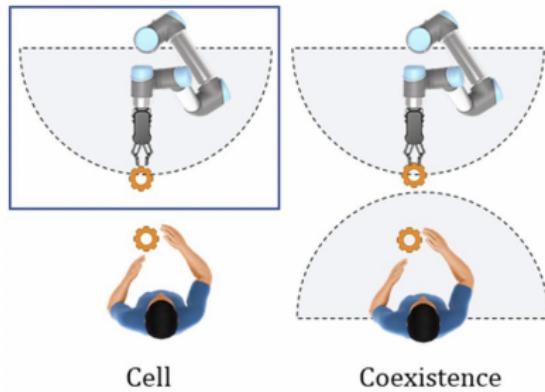
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- ▶ People don't blame machines for unemployment + low wages :
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 - ▶ Oppose migration, promote nationalism.
- ▶ Do the decline in union power explains this?
 - ▶ Unions provide information and promote redistribution.

Understanding why does automation affect politics



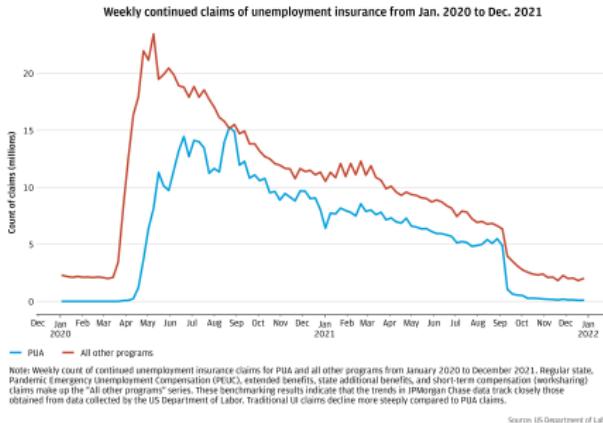
- ▶ Automation creates winners and losers.
 - ▶ Winners: skilled labor + owners of capital.
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- ▶ Strains government + labor markets + welfare system.
- ▶ Strong welfare system is needed.

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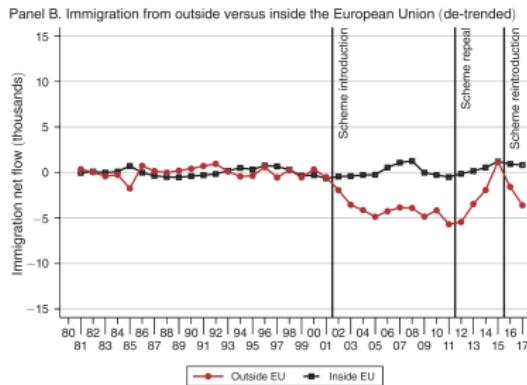
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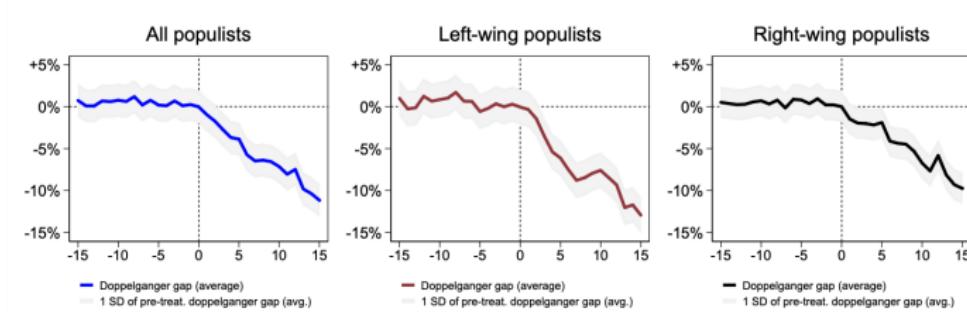
Why does this benefit (far-right) populists



Populists can advocate for:

- ▶ Selective redistribution - excludes minorities and liberal elites.
- ▶ Protectionism - even at the expense of growth.
- ▶ Reduces opportunity cost of extremism.
- ▶ Populists just need a scape goat - minorities and/or elites.

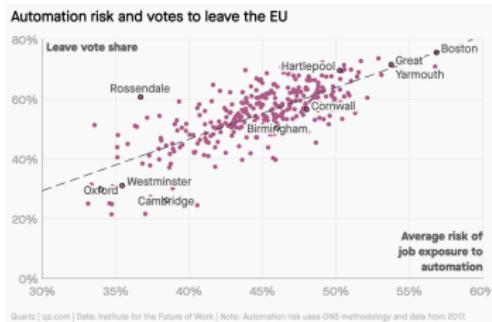
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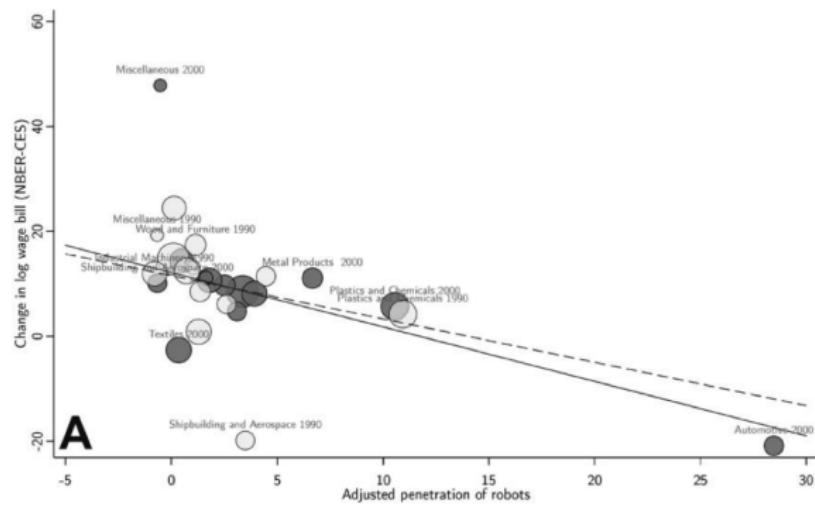
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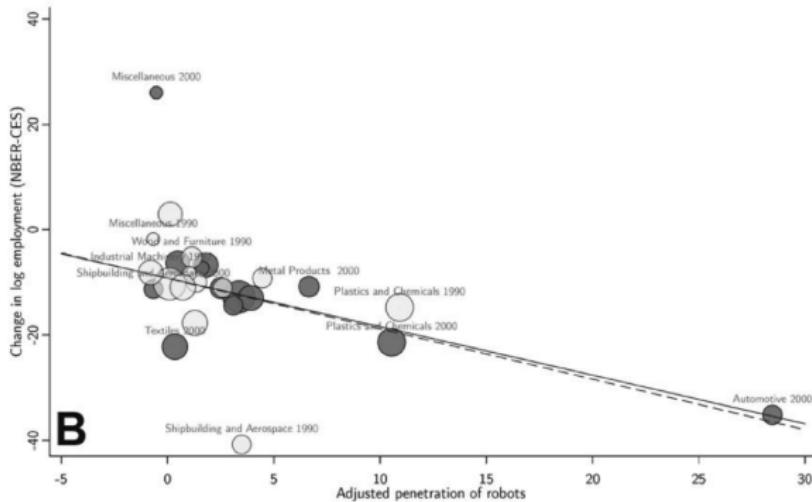
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Automation and support for Trump



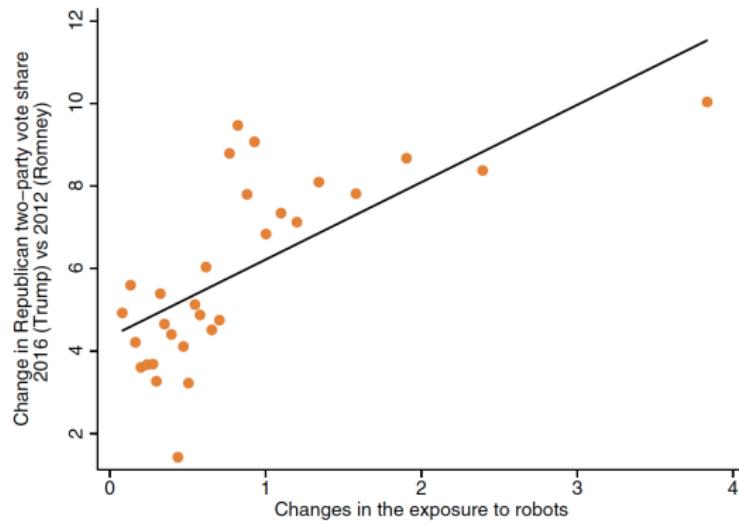
- ▶ Automation impacted negatively unemployment and wages.
- ▶ Higher vote for Trump in areas most affected by automation.

Automation and support for Trump



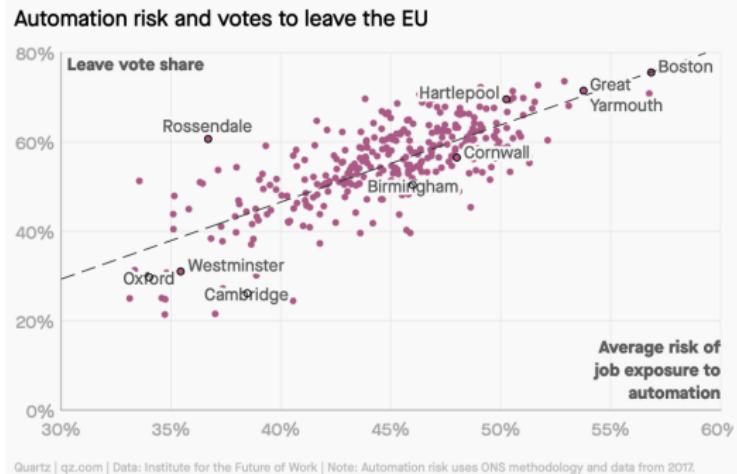
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Automation and support for Brexit



- ▶ Higher vote for brexit but...
- ▶ Strong support for (populist) protectionist right.

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Table 6: Extension: Party Families

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Individual exposure based on:	Frey and Osborne (2017)				ISSP			
Dep. Var.:	Protectionist Left	Pro-trade Left	Liberal Right	Protectionist Right	Protectionist Left	Pro-trade Left	Liberal Right	Protectionist Right
Robots Individual Exposure	0.087 [0.138]	-0.268** [0.130]	-0.269** [0.128]	0.451*** [0.142]	0.065 [0.077]	-0.142 [0.079]	-0.202** [0.081]	0.280*** [0.087]
Estimator	2SLS	2SLS	2SLS	2SLS	2SLS	2SLS	2SLS	2SLS
Country-Year Effects	yes	yes	yes	yes	yes	yes	yes	yes
Obs.	96,071	96,071	96,071	96,071	96,071	96,071	96,071	96,071
R2	0.14	0.19	0.22	0.16	0.14	0.19	0.22	0.16
Kleibergen-Paap F-Statistic	488.7	488.7	488.7	488.7	485.1	485.1	485.1	485.1

Standard errors clustered by region-year. *** p<0.01, ** p<0.05

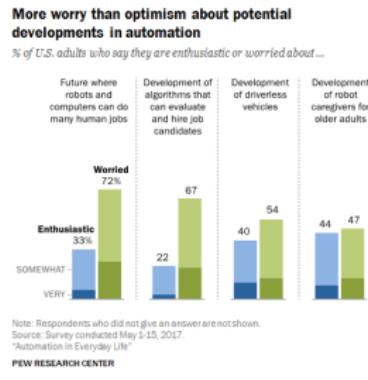
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Class exercise: Why those affected by automation choose protectionism?

1. Make groups of 2/3 people.
2. Can protectionism prevent automation?
3. Are those places affected by automation the same as those affected by import competition? Why (not)?
4. 5 minutes.
 - ▶ Feel free to use the Internet.

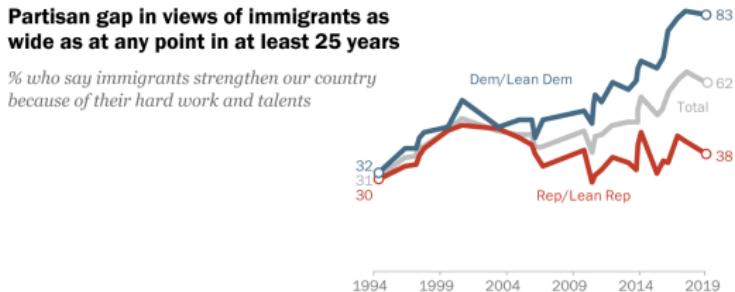
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Has there been a backlash against automation?



- ▶ No backlash against machines (Andrew Yang/no neo-Luddism).
- ▶ Migration not to blame; it has lead to task upgrading.
- ▶ Offshoring also leads to task upgrading among natives.
- ▶ Tax revenue collection coming from foreigners (income/VAT).

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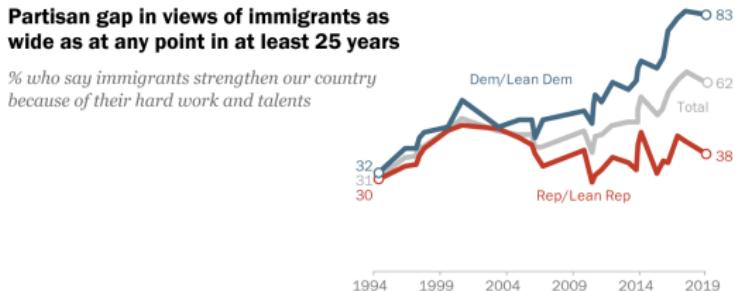
Source: Survey of U.S. adults conducted Jan. 9-14, 2019.

Pew Research Center



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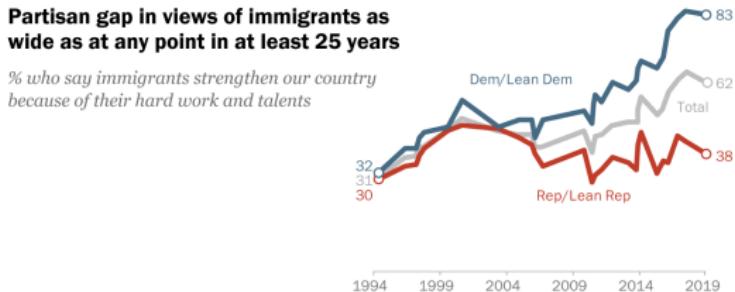
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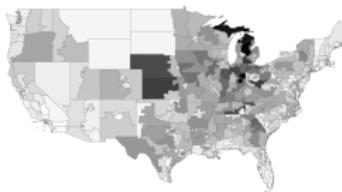
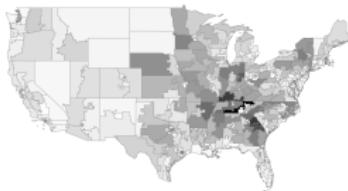
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- ▶ Provides more agency: us v. them (in-group v. out-group).
- ▶ Cost-effective to vilify the out-group (dissonance).
- ▶ Collective mobilization is difficult (e.g., we are the 99%).
- ▶ Foreign-produced automation can shift responses.

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	Labor (Imported)	Automation (Exported)
Foreign	Backpedaling Policy: 63.6 Transfers: 66.9 Difference: -3.2 95% Conf. Int. [-5.8, -0.6]	Backpedaling Policy: 56.7 Transfers: 64.7 Difference: -7.9 95% Conf. Int. [-10.1, -5.7]
Domestic	Backpedaling Policy: 58.3 Transfers: 65.4 Difference: -7.2 95% Conf. Int. [-9.7, -4.6]	Backpedaling Policy: 54.4 Transfers: 66 Difference: -11.6 95% Conf. Int. [-13.8, -9.4]

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Class exercise: could people start blaming automation?

1. Make groups of 2/3 people.
2. What must a politician do to use this issue to win elections?
3. Is this a winning strategy vis-á-vis advocating for nationalism?
4. 5 minutes.
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reset

The informational role of unions



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 - ▶ Advocate for policy that is relevant for workers.
 - ▶ Key for sustaining the social contract and compensate losers.

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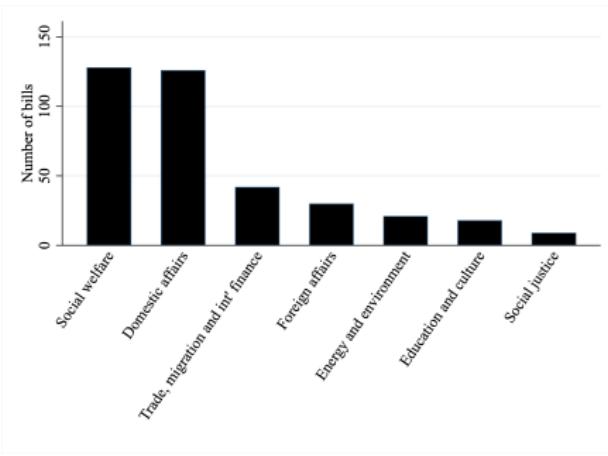
The informational role of unions

**AFL-CIO
2005 House Scorecard
109th Congress—First Session**

1. **JOB-TRAINING REAUTHORIZATION**—H.R. 27—U.S. workers have seen millions of manufacturing jobs shipped overseas—and now more and more white-collar and high-tech jobs are being exported. Overall, there has been a net loss of jobs since President George W. Bush took office in 2001. But legislation in the House cut overall funding for critical job-training programs, including the U.S. Employment Service and the adult and dislocated worker programs at the Department of Labor. The legislation did not strengthen job-training programs or enhance income support and job-search assistance for jobless Americans. The bill passed March 2, 2005, 224-200. (R: 220-8; D: 4-191; I: 0-1) AFL-CIO Position: Y=Wrong; N=Right
2. **PENSION PROTECTION/UNITED AIRLINES PENSIONS**—H.R. 3010—United Airlines filed for bankruptcy in 2002 and, despite more than \$13 billion in worker concessions, terminated its employees' pensions plans in 2005. The Pension Benefit Guarantee Corporation (PBGC) took over the plans with drastically reduced benefits for the airlines' 120,000 workers. Earlier, US Airways terminated its pension plans as part of its bankruptcy plans, and other airlines are threatening similar action. An amendment to the fiscal year 2005 Labor, Health and Human Services and Education appropriations bill would have prohibited the PBGC from spending money to implement its agreement with United Airlines to terminate the four pension plans. The amendment passed June 24, 2005, 219-185. (R: 31-185; D: 187-0; I: 1-0) AFL-CIO Position: Y=Right; N=Wrong

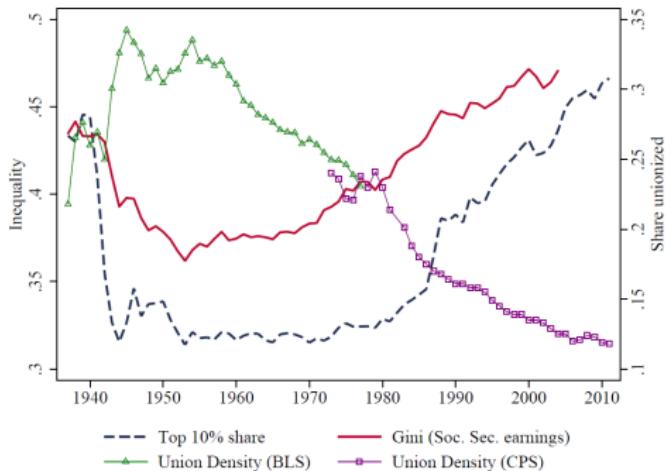
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- ▶ Key for sustaining the social contract and compensate losers.

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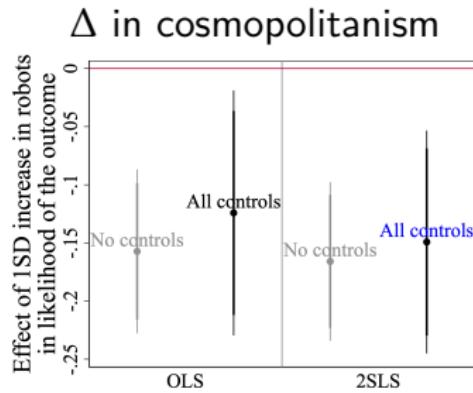
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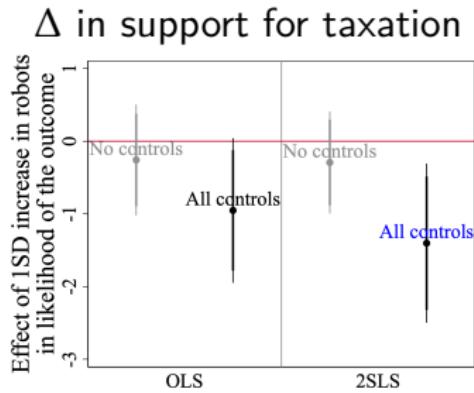
Unions and voter attitudes



Without unions, automation:

- ▶ Lowers support for cosmopolitanism.
- ▶ Lowers support for taxation.
- ▶ Lowers political participation.

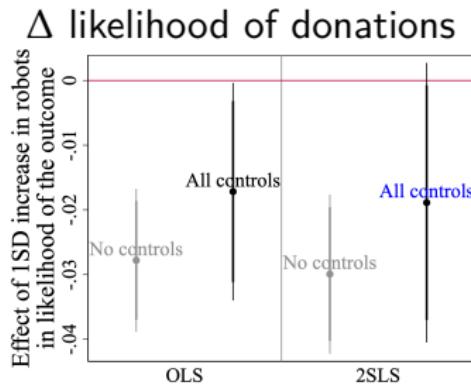
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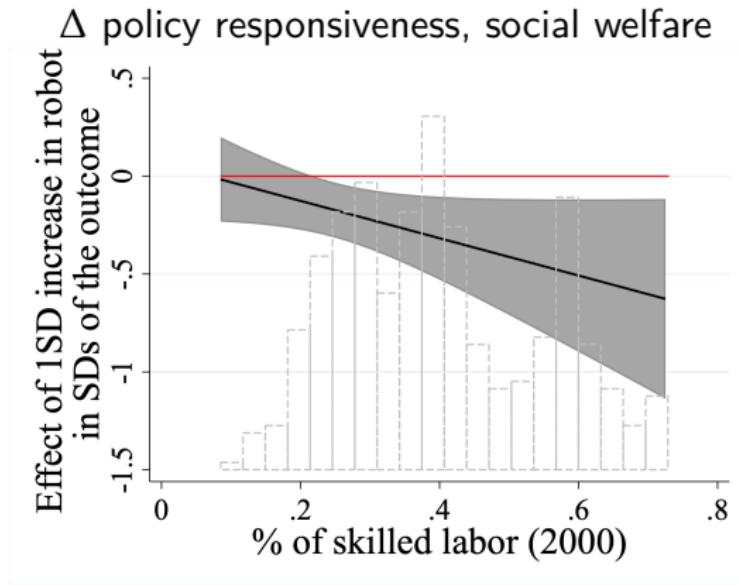
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Unions and policymaking



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Class exercise: alternatives to unions

1. Make groups of 2/3 people.
2. Are unions bound to disappear?
3. Can there be another group taking over unions' role in politics?
4. 5 minutes.
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reset

Next class...

What is the impact of artificial intelligence in society?