The Future of Society:
Rise of the Robot Masters

Robotisation means machines (including computers) will account for a growing proportion of economic output, displacing many jobs and concentrating wealth in the Robot Masters' hands. Growing inequality increases the chance of revolutionary societal change. What can the economic and political elite do to avoid disaster?

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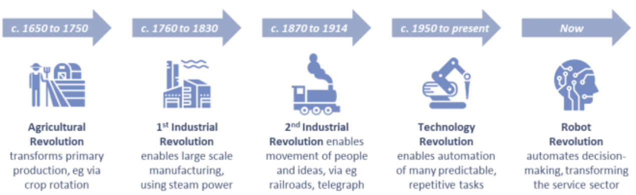
The previous four large scale revolutions resulted in almost no growth in median incomes for 50 years or more – ie new jobs did not emerge rapidly enough to offset automation.

The **economic and political elite** have the most to lose. They must act now to assure their own welfare

The solution is to **share productivity gains more widely** – this will underpin ongoing economic growth

Governments must act to address these challenges, with **vocal support from the private sector**

The Robot Revolution is here. Machines will progress from automating tasks to the automation of decision-making, with dramatic increases in productivity that may herald the dawn of a Utopian age. Meanwhile, the Robot Masters who design and control the robots will amass spectacular wealth, most likely exceeding the fortunes of the pioneers of the agricultural, industrial and technological revolutions.



Yet storm clouds are gathering too. Despite the significant growth, radical candidates on both sides of politics have achieved electoral success around the world, in part because many people feel left behind. Economic evidence bears out their fears: median wages have stagnated in the USA for decades and have remained stubbornly low in many other countries.

So why has this happened?

Wealth polarisation. In the West, the benefits of productivity have largely accrued to the owners of capital, resulting in dramatic inequality of both income and wealth. The rich have become richer and, as they spend proportionately less of their income, economic growth has slowed. Governments have borrowed to attempt to offset these trends, to no avail. In parallel, national economic and social infrastructure is crumbling. As examples, America's roads, bridges and airports are literally falling apart, and Britain's social services are close to breaking point. The contrast with newer economies in the Middle and Far East could not be greater.

Robotisation will only add to these trends. Productivity will increase significantly, as machines displace humans from a substantial proportion of existing administrative and management roles. Just as seen during the agricultural and industrial revolutions in the UK in previous centuries, new jobs will not be created quickly enough to offset the loss of employment. Wealth polarisation will accelerate, real wages will stagnate or even decline, and societal tension will grow.

Robotisation is thus one of the most fundamental challenges facing leaders today. With the right policy interventions in place, living standards could leap dramatically. But without such action, it is more likely that this next phase of global development will lead to widespread economic and societal disadvantage.

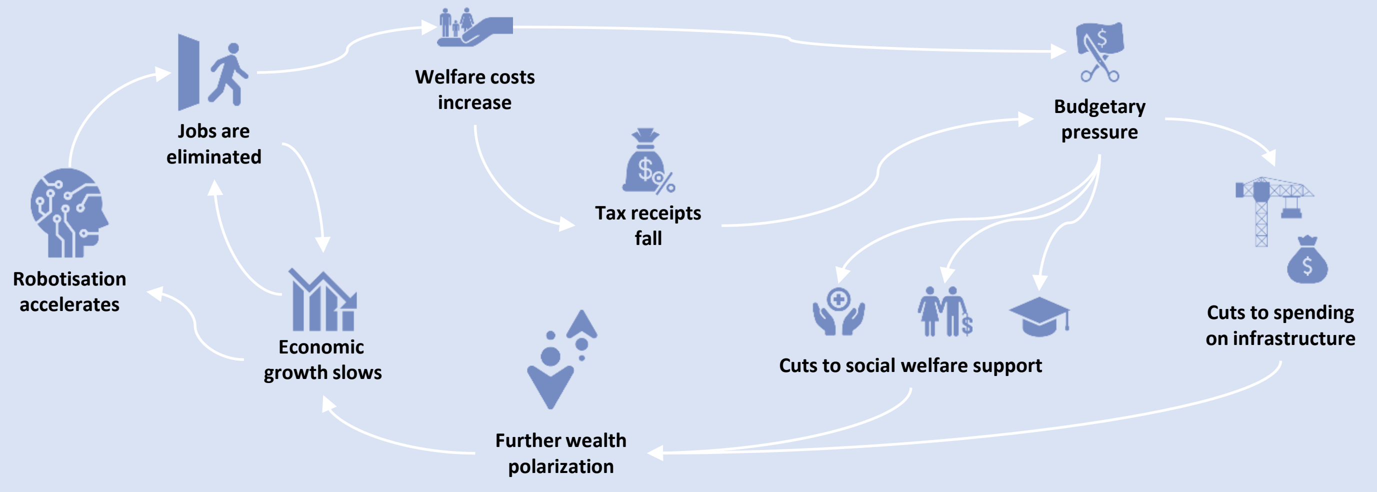
Where do we start?

First, the economic and political elite must recognise that they need to act to solve this problem.

If we fail to act, robotisation will result in a greater concentration of wealth, which will in turn reduce economic growth or even result in economic decline. Softening demand for goods and services will reduce investment opportunities available to the owners of capital, so investment returns will weaken too, exactly as we have already seen in many Western nations in recent decades.

Meanwhile, the jobs that remain will be those that have an intrinsic need for human interaction – typically caring, creative, cultural roles, ranging from health service providers and teachers to musicians and sales people and much in between. Many of these roles are already lowly valued (at least in Western society) and a steady influx of new workers seeking employment in these sectors will only exacerbate this.

These trends are already evident in some countries, where unemployment is approaching cyclical low points, and yet median real incomes remain under significant pressure.



As a result, the pressure on social welfare systems will grow, and the proportion of voters who feel left behind will increase. Governments will be severely challenged as they seek to balance fiscal responsibility with society's expectations. Heavier taxes on the most profitable companies and the richer members of society will become an increasingly attractive option.

In short, the economic and political elite have the most to lose if they ignore these challenges.

Second, we must recognise that the best solution is to share productivity gains more widely.

Hollywood has already played out many alternative futures in glorious technicolour, favouring dystopian worlds in which a tiny percentage live in luxury, fighting off an increasingly militant underclass. At the extreme, the choice is simple: welfare or warfare? You can invest in protecting your wealth, or you can invest part of your wealth in protecting the performance of the wider economy.

It was the latter which lifted America out of the Great Depression. As Robert Reich outlines in Saving Capitalism, a conventional response built around austerity failed. Rather it was the mindset of Henry Ford, raising wages dramatically so that his workers could afford to become customers, which powered the nation's development. Taxes on the rich were much higher – and so was economic growth.

Third, Governments must act to address these challenges, with vocal support from the private sector.

Our white paper The Future of Society (Nigel Lake/Prof Jorgen Randers, 2018) identifies a complete set of policy options which are adaptable across the political spectrum. Collectively, these are designed to enhance societal welfare and slow or halt the concentration of wealth, for the benefit of all.

To fund the cost of these policy measures, we advocate changing the tax system to reward organisations that create greater employment, and thus reduce the burden on the welfare state. Under this model, such organisations would pay lower sales taxes, and those that did not would pay higher sales taxes. We focus on sales or value-added taxes to minimise the risks of tax avoidance.

Care is required in implementing these measures, to ensure that economic incentives promote the intended consequences over the medium to long term. This will require fresh thinking and a longer-term mind-set. Our conceptual platform and the systems dynamics models allows risk and opportunity to be assessed for individual countries, industries or individual companies.

In considering these changes, it is critical to note that wealth polarisation is also occurring between nations. Countries such as the USA and China that host the leading technology companies of the 21st century will benefit, whilst others will be left behind.

Meanwhile, how will we track whether policy initiatives are working? New metrics of economic and social progress will be essential. Traditional measures such as headline economic growth and average GDP per head obscure the very risks we are trying to address, and thus increase the risk that the wrong near-term choices are made. This will drive poor longer term economic and social outcomes, increasing the risk of more dangerous revolutionary change.

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