Obsolete industries won’t drive economic growth

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An article in the Associated Press, "Big Data and cloud computing empower smart machines to do human work, take human jobs [1]" (part of a three-part series), bemoans the loss of jobs to technology – a highly dubious assertion that crops up every generation like a broken record.

And like the damaged piece of vinyl, this argument is immune to logic and reason.

The AP report by Paul Wiseman, Bernard Condon, and Jonathan Fahey reeks of nostalgia like a crusty Luddite.

“From giant corporations to university libraries to start-up businesses, employers are using rapidly improving technology to do tasks that humans used to do. That means millions of workers are caught in a competition they can't win against machines that keep getting more powerful, cheaper and easier to use,” it says.

To marshal the reader’s sympathizes, the AP article discusses the plight of meter readers, telephone operators, typists, secretaries, and travel agents (yes, they still exist) – jobs made superfluous, or less relevant, by advanced technology or simple human ingenuity.

“In the U.S., more than 1.1 million secretaries vanished from the job market between 2000 and 2010, their job security shattered by software that lets bosses field calls themselves and arrange their own meetings and trips. Over the same period, the number of telephone operators plunged by 64 percent, word processors and typists by 63 percent, travel agents by 46 percent and bookkeepers by 26 percent, according to Labor Department statistics.”

And what about job growth within the technology sector?

“Does technology also create jobs?” it asks. “Of course. But at nowhere near the rate that it's killing them off - at least for the foreseeable future.”

Consumer Electronics Association President and CEO Gary Shapiro addressed these arguments in his book, "The Comeback: How Innovation Will Restore the American Dream [2]."

Shapiro excoriated both Democrats and Republicans for hindering job creation and fostering an atmosphere that's hostile to business.

But the central thesis of Shapiro's tome is that innovation drives the American economy forward – it always has, always will, and has the potential to rescue us from this long nightmare of an economic recession.

"Innovation creates jobs, markets, and new industries where none existed before," according to the description inside the book.

Shapiro attacks the crony capitalist mentality which clings to old industries and technologies for their short-term employment benefits and which uses the power of the federal government to destroy young rivals in their infancy.
Ultimately, this mentality serves no one, impedes economic growth, and ignores the explosive potential of new industries to create jobs (see: the Internet) … and I don't mean the dubious "green jobs" that were a central tenet of our president's economic platform. I mean the industries which rise up to make "travel agent" a relic of a bygone era.

I've never hired a meter reader, telephone operator, typist, or secretary (all of which seem at least mildly superfluous in our high-tech world), and my experience in those areas is limited. But I can definitively say I've never used a travel agent in my life. These days, Expedia (or a similar platform) allows me to customize my own travel needs, and before the glory days of the Internet, I just put in a bit more legwork.

New technologies and industries inevitably outpace older ones. When analog became obsolete, digital took over. LCD TVs gradually buried CRTs. And those who cling to obsolescence (beyond what the market dictates, that is – see the untimely incandescent ban) are left behind.

The December 2012 report "Technology Works: High-Tech Employment and Wages in the United States [3]," notes that "employment projections indicate that demand for workers in both high-tech industries and high-tech occupations will be stronger than the demand for workers outside of high-tech at least through 2020."

"Employment in high-tech industries is projected to grow 16.2 percent between 2011 and 2020," it says.

Moreover, jobs in the tech sector contribute to regional economic development and what could be called the "local multiplier," which estimates that "the creation of one job in the high-tech sector of a region is associated with the creation of 4.3 additional jobs in the local goods and services economy of the same region in the long run."

This is the most elegant manifestation of the free markets. The markets dictate the obsolescence of legacy technologies and industries (at the appropriate time, and not a second before), and savvy individuals climb aboard the train or get left behind.

What do you think? Should we fear the loss of manufacturing and obsolete professions to technology or embrace innovation and its potential for explosive economic growth?

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