



Job Destruction Makes Us Richer

Here's what President Barack Obama said about our high rate of unemployment in an interview with NBC's Ann Curry: "The other thing that happened, though — and this goes to the point you were just making — is there are some structural issues with our economy, where a lot of businesses have learned to become much more efficient with a lot fewer workers," adding that "you see it when you go to a bank and you use an ATM; you don't go to a bank teller. Or you go to the airport and you're using a kiosk instead of checking in at the gate." The president's statements suggest that he sees labor-saving technological innovation as a contributor to today's high rate of unemployment. That's unmitigated nonsense. Let's see whether technological innovation causes unemployment.



In 1790, farmers were 90 percent, out of a population of nearly 3 million, of the U.S. labor force. By 1900, only about 41 percent of our labor force was employed in agriculture. By 2008, fewer than 3 percent of Americans were employed in agriculture. Through labor-saving technological advances and machinery, our farmers are the world's most productive. As a result, Americans are better off.

In 1970, the telecommunications industry employed 421,000 workers as switchboard operators, annually handling 9.8 billion long-distance calls. Today the telecommunications industry employs only 78,000 operators. That's a tremendous 80 percent job loss. What happened? The answer: There have been spectacular labor-saving advances in telecommunications. Today more than 100 billion long-distance calls a year require only 78,000 switchboard operators. What's more is the cost of making a long-distance call is a tiny fraction of what it was in 1970. Can we say these technological innovations made the nation worse off?

Professor Russell Roberts, my George Mason University colleague, gives other examples in his *Wall Street Journal* article (6/22/2011) "Obama vs. ATM's: Why Technology Doesn't Destroy Jobs." He says that today just a couple of workers can manage the egg-laying operation of nearly a million chickens laying 240 million eggs a year, through a highly mechanized and computerized process. Thousands of toll collectors are replaced by E-ZPass machines. Autoworkers are replaced by robots. Fifty years ago, a typical textile worker operated five machines capable of running thread through a loom 100 times a minute. Today machines run six times as fast, and one worker can oversee 100 of them.

You say, "Williams, certain jobs are destroyed by technology." You're right, but many more are created. Think about it. If 90 percent of Americans still had been farmers in 1900, where in the world would we have gotten workers to produce all those goods that were not even heard of in 1790, such as telephones, steamships and oil wells? We need not go back that far. If there hadn't been the kind of



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labor-saving technical innovation we've had since the 1950s — in the auto, construction, telephone industries and many others — where in the world would we have gotten workers to produce things that weren't heard of in the '50s, such as desktop computers, cellphones, HDTVs, digital cameras, MRI machines, pharmaceuticals, and myriad other goods and services?

What technological innovation does is reduce the value of some jobs, raise the value of others and create many more jobs. Some workers are made better off through greater employment opportunities. Others are made worse off by having to accept less attractive employment opportunities, an adjustment process that can be painful. Since technological progress makes goods and services cheaper, and of higher quality, to stand in its way, in the name of saving jobs, will make us a poorer nation. What we're witnessing in our economy is what economic historian Joseph Schumpeter termed "creative destruction," the process in which something new replaces something older.

By the way, we can always count upon an infinite number of potential jobs. The reason is that human wants are insatiable. People always want more of something. That want will create jobs for someone else.

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