[IS] OPINIONS
Technology (http://www.insidesources.com/category/technology/)

Innovation Thrives When Government Stays Out of the Way

Posted to Technology (http://www.insidesources.com/category/technology/) July 11, 2017 by Antony Davies and James R. Harrigan (http://www.insidesources.com/author/daviesharrigan/)

Imagine if the government, in the name of saving jobs, had stepped in to manage the innovation brought about by Henry Ford's assembly line. In just a couple of decades, buggy makers, horse breeders, stablemen, and makers of whips, saddles and riding crops — jobs that had existed almost as long as civilization itself — disappeared, never to return. The government could have saved those jobs.

That's ridiculous, of course, but when we insert the words "Google," "Apple," and "Facebook," into the same argument, the experts claim that things are somehow different. Wendell Wallach, a scholar at Yale University's Interdisciplinary Center for Bioethics, goes so far as to say that we are in "an unparalleled situation," that "could actually lead to all sorts of disruptions once the public starts to catch on that we are truly in the midst of technological unemployment."

His recommendation? Significant welfare reform and job subsidies, paid for by redistributing profits achieved through increased productivity. In short, Wallach recommends taxing the very companies that have made our lives better in order to pay workers whose jobs we no longer need.

Perhaps a more recent object lesson is in order. Last month, within 48 hours of each other, the ATM turned 50 years old and the iPhone turned 10. It's hard to imagine two more disruptive technologies, yet the 21st-century luddites who seek to rein in innovation in the name of some misbegotten greater good tend to look right past them.

The invention of the smartphone destroyed jobs installing and maintaining hardwired telephones, and designing, building, and selling calculators, cameras, and stereos. But virtually no one today would give up this science-fiction level technology just to bring those jobs back.

When it comes to jobs, the only difference between iPhones and ATMs is that the good the iPhone has done for us is evident for all to see. With ATMs, it isn't as obvious.

Common sense says that ATMs put human bank tellers out of work. Except they didn't. The number of teller jobs continued to grow even as the use of ATMs exploded. Common sense, come to find out, doesn't always grasp economic complexities.

With the proliferation of ATMs, the average bank reduced its human tellers by almost 40 percent. But because a bank could be run with fewer tellers, it became cheaper to open new branches — and that meant that banks could afford to open branches in locations that were previously underserved. From 1970 through 2010, the number of bank branches grew more than 300 percent. And that wasn't the end of the story. ATMs required builders, programmers, installers and servicemen. ATMs not only created more jobs, they created entirely new job categories.

But then came the new century. Electronic banking, combined with retailers accepting credit and debit cards, meant that people didn't need to carry cash. Today, less than a quarter of Americans use cash for most of their purchases. Electronic banking is destroying the jobs that ATMs created at the same time that it is creating new jobs in web design, internet security and electronic transaction processing. And in a delightful twist of irony, some of the ATM-related jobs that are lost to electronic banking are offset by an increase in smartphone-related jobs due to mobile wallet technologies.

Were the government to manage innovation today, it could save jobs that are being lost to machines. But it's far from clear that's a good idea. This is because government-managed innovation doesn't protect jobs; it protects jobs we already have while preventing the creation of jobs we can barely imagine. The only people who are qualified to decide whether that trade-off in jobs is worthwhile are the consumers who pay for the products the jobs create.

Consumers got it right in choosing the automobile over the horse and buggy, and the smartphone over the telephone, and will likely continue getting it right if they are just left alone

---

About the Author
Antony Davies and James R. Harrigan

(http://www.insidesources.com/author/daviesharrigan/)

Antony Davies is associate professor economics at Duquesne University in Pittsburgh. James R. Harrigan is CEO of FreedomTrust.

More from Inside Sources