

BRIEFING: Summarising and signposting essential reading we've seen elsewhere...

A 'de SOTO EFFECT' IN INDUSTRY? EVIDENCE FROM THE RUSSIAN FEDERATION

Extending private land ownership has often been prescribed as a way to facilitate the flow of credit and private investment in low- and middle-income countries. But empirical research so far has struggled to test this hypothesis empirically.

- The authors take advantage of a particular set of circumstances in post-communist Russia to explore whether private land ownership increases access to finance and promotes investment.
- Privatisation in Russia in the 1990s applied to equipment and buildings, but the land on which they sat remained state-owned. Later, initiatives at federal and regional levels have promoted land privatisation. These circumstances allow the authors to isolate the effects of land privatisation from other factors unrelated to it.
- The authors survey a homogeneous group of 359 large urban industrial enterprises, dividing them into three groups: those which owned the land on which their capital sits; those which lease it from the government; and those which operate under the old Soviet system of land tenure.
- They find that plot ownership is associated with greater access to external financing and more intense investment activity. Notably, when surveying the managers of the firms studied, the latter pointed to land's value as collateral for loans as a major factor for purchasing the land.

ALEXEI KARAS

University College Roosevelt

WILLIAM PYLE

Middlebury College

KOEN SCHOORS

Ghent University

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WHY ARE THERE STILL SO MANY JOBS? THE HISTORY and FUTURE of WORKPLACE AUTOMATION

- Over the past 250 years, the world economy has grown and changed beyond recognition thanks to technological improvements. Each wave of technical innovation – from the steam engine to automobiles to the personal computer – has brought about fears that the potential to substitute for human labour might render labour obsolete.
- So far, this fear has not been borne out. The employment-to-population ratio rose during the 20th century. Moreover, there has been no apparent long-run increase in unemployment. Nevertheless, increased computing power, artificial intelligence and robotics have led some to believe that this time could be different.

The author challenges this gloomy view of the future prospects for human labour:

- He shows that tasks that cannot be substituted by automation are complemented by it. This means that the value of the remaining human tasks is enhanced by automation, since technology makes production cheaper, faster and more reliable.
- The author uses the example of ATMs and bank tellers in the US as an illustration. Far from leading to lower employment of bank staff, ATMs reduced the cost of operating a branch and thus led to a substantial increase in the number of bank branches, and an overall increase in the number of counter staff. Additionally, information technology in retail banking increasingly enabled counter staff to move from low-value-added tasks such as cash-handling to higher-value work such as selling additional bank services to customers.

How about the claim that automation may not affect the number of jobs available, but might affect their quality?

- Autor acknowledges that ever cheaper computing power has tended to substitute for human labour in routine tasks such as bookkeeping and clerical work. But many of the tasks performed by humans require judgement, flexibility and common sense – the kinds of qualities that cannot be easily transferred to computers. The implication is that computing power can only be expected to substitute for some types of work. Jobs requiring large amounts of analytical and communications ability – such as top managerial work – and jobs demanding adaptability, empathy and personal interaction – such as nursing – are unlikely to be automated.
- It emerges that the employment polarisation between high-skill, high-wage and low-skill, low-wage jobs that American and European economies have seen recently is likely to be a temporary phenomenon. While some of the tasks in middle-skill jobs can be expected to be automated in the future, middle-skill jobs themselves will not disappear but will evolve towards more productive tasks, focused on those things that only humans can do.

DAVID AUTOR

Massachusetts Institute of Technology

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