

Superstar, scape goat, tax payer?

If they take our jobs, the least they can do is pay tax and pension contributions: that is not just left-wing politicians speaking, but also Bill Gates the world's richest man. However, the robot tax remains a controversial idea.



The fear of robots may be justified or it may be exaggerated – but there's nothing new about it: Title pictures from the German news magazine "Der Spiegel" from 1978 ("Progress creates unemployment") and 2016 ("You're fired! How computers and robots are taking our jobs - and which jobs will still be safe tomorrow").

"Robots will take half the jobs in the next twenty years."

"Robots can serve up to 360 hamburgers an hour."

"Robots do 90% of the work in Amsterdam's hotels."

The headlines on the upheaval of the digital revolution are incessant. A study by Oxford university¹ caused a major stir in the media: according to the authors about half of the jobs in the US will be taken over by robots or software over the next 20 years. Furthermore, no social strata are exempt from this automation revolution, not even the qualified professions, for example lawyers, financial specialists or doctors.

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Do we need a robot tax?

Not yet, there is still something utopian about the increasing role of robots in everyday life. However, Jürgen Schmidhuber, Professor of Artificial Intelligence at the University of Lugano warns: “Robots can learn just as much as humans – and more besides.” Schmidhuber therefore contends: “Robots and their owners have to pay commensurate tax, otherwise there’ll be a revolution.”

Xavier Oberson, a Law Professor in Geneva, is of the same opinion: “The growing tendency to replace human labour with robots will not only lead to a deficit in tax income but also in social insurance.” In addition, there is the growing cost of unemployment benefits to think of. There is no doubt in Oberson's mind: “It’s high time to table the issue of a robot tax.”

The robot taxation lobby is not just made up of left-wing politicians like the Austrian Federal Chancellor Christian Kern, Microsoft founder Bill Gates is in the same camp: they all advocate taxing companies which are making jobs redundant by producing robots. Gates even went so far as to comment provocatively to the online magazine “Quartz”²: “If such a tax slows down the automation process, then that's even better.”

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Xavier Oberson, Professor of Tax Law at the University of Geneva



Higher productivity through automation

Is the robot tax including social security and pension contributions a viable idea for the future or is it a knee-jerk reaction, borne out of the fear of the digital transformation, which threatens to fundamentally change the working world as we know it?

It’s still too early to say. There are strong arguments on both sides. The critics say that there is no risk of a shortage of work for humans. “More people than ever are in work in countries like Switzerland, Germany and the United Kingdom”, says Marc Brüttsch, Chief Economist at Swiss Life. “In the best-case scenario, automation will increase productivity and make everyone better off.” The state and employee benefits units would then benefit from the increase in tax income and social security contributions, argues Brüttsch.

A look back at history supports this view: technological advances have always improved the quality of work by moving it away from repetitive roles towards more highly qualified and creative positions – leading, at least in the long term, to more tax income. The economist Mathias Binswanger from the University of Applied Sciences and Arts in Northwestern Switzerland also subscribes to this view: “Robots are acquiring the capability to fulfil more advanced roles, but demand for advisors, therapists and experts is growing at the same time.”

Even the optimists admit that jobs will most likely be lost over the short term, but over a longer horizon digitalisation presents an opportunity, provided we form an intelligent political response: an excellent education system, a labour market with targeted incentives and a social safety net for those unable to keep pace with the rapid change. Moreover, as the German economist Stefan Homburg points out, prices fall when robots enable companies to lower production costs: “Real wages have increased by a factor of six over the past hundred years,” he points out.

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Marc Brüttsch, Chief Economist at Swiss Life



The ideal scapegoats

A strong majority of economists believe that a robot tax would reduce innovation in our economy and end up hurting everyone. The “Economist”, a well-respected British publication in economic circles, also believes robots are not the real problem, but instead the monopolistic power of global tech companies: “Robots are just the ideal scapegoats.”

Fear of humans becoming redundant has been with us ever since the steam engine was invented. Innovative leaps have always met with rejection from society. Even in the 1980s, there were serious attempts by the political community in Switzerland to prevent the use of PCs in the business world, Marc Brüttsch recalls. "But experience shows us that it's better to embrace progress than to stand against it", argues the Swiss Life Chief Economist, "otherwise it will just happen elsewhere".

Redefine the concept of labour

People against machines. This trade-off has always been a race against time; and people have always come first so far. Advocates and critics do agree on one thing: the massive productivity gains must not solely benefit the robots’ owners but the whole of society. In other words, whether robotisation is a good or a bad development depends on us.

The words of US President Franklin Delano Roosevelt come to mind. When people were concerned about technological progress causing unemployment in 1940, he called on society to: “Find jobs faster than technological advances take them away.

¹ "The Future of Employment: How susceptible are jobs to computerisation?"
C.B. Frey, M. Osborne (2013).
www.oxfordmartin.ox.ac.uk/downloads/academic/future-of-employment.pdf

² Bill Gates speaking to online magazine "Quartz":
<https://qz.com/911968/bill-gates-the-robot-that-takes-your-job-should-pay-taxes/>

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