Acemoglu's scientific palette and disruptive technologies

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Abstract

Acemoglu and the co-authors adopt a mainstream approach in articles. In their books, they exhibit a biased analysis by employing taxonomic structures, selectively choosing historical examples, and downplaying significant factors like globalization, status emulation, and collective consciousness. Their analyses, centered on individual decision-making, overlook the evolutionary perspective.

In this article, I argue that since the early 1980's, the new ICT-based wave of monopolization/oligopolization and globalization affected income distribution negatively within countries but positively between countries. The recent advancement of Artificial Intelligence (AI), which is also dealt with by Acemoglu and Simon Johnson in their book *Power and Progress*, seems to increasingly affect income inequality and to strengthen the power of Big Tech. An evolutionary institutional perspective, wherein the social selection mechanism itself adjusts to changing social conditions, might provide a counterbalance to anxious AI concerns.

Key words: Daron Acemoglu, Power and Progress, institutional and evolutionary economics, disruptive technology, productivity and inequality

JEL Qualification codes: B52, D63, O33

Acemoglu and the co-authors complement an abstract approach in articles with a narrative approach in books. With succeeding books, they seem to move gradually toward an OIE approach, but do not systematically apply an evolutionary theory. At least their approach differs from the evolutionary approach in Original Institutional Economics (OIE) (Veblen 1898/1912; Hodgson 1998; Commons 1934/1990).[1] See Table 1. Acemoglu and the co-authors might be criticized for this, because of: 1) Acemoglu's criticism on mainstream economics in the Alice Evans' podcast, 2) their knowledge of the existence of some ideas of John R. Commons (Acemoglu and Johnson (2023, 230, 234)), 3) their historic approach in books, 3) Acemoglu's and Johnson's (2023, 78) statement that social imitation has

an evolutionary logic, and 4) their (2023, 319) proposition that going just beyond correlations requires the right theory.

In their most recent book, Acemoglu and Johnson (2023, 319) acknowledge that human comprehension is based in the act of selectively imitating, communicating, and engaging in arguments among individuals. They mention the drive for status, but forgo systematically examining its evolution and relation with collective consciousness or the heavily cultural weighted human will and shared ideas (Commons 1934/1990). Striving for power and material goods and for surpassing the status of (richer) people (Veblen 1899/1991, 22-34, 84) have evolved toward striving for material to intangible and finally virtual property (Spithoven 2023).

Not only empowerment of individuals but also collective consciousness about system related injustice or crisis is vital for when and how institutions change due to the by Acemoglu and Johnson (2023) mentioned disruptive technological innovation, and vice versa. An evolutionary theory of changes in institutions and technologies might be instrumental in getting institutions in line with disruptive technologies and to bend them in serving public values. Generative Artificial Intelligence (AI) might assist societal problem solving.

The antecedents of Power and Progress

Acemoglu's basic stance to growth (Acemoglu, Johnson and Robinson 2005a; 2005b, 402, 421; Acemoglu 2009, 110-112) is that, given geography and culture (Acemoglu and Johnson 2023: 32-33), it is only luck and institutional differences that explain economic growth. Institutions influence economic incentives which determine the motivation to invest in technology and means of production, including human capital.

According to Acemoglu, social norms and values are not given enough consideration by mainstream economists,[2] because of their focus on materialistic factors, their tendency to conform to what is deemed acceptable by leading academic journals, and their preference for measurable variables (Evans, 2022). The neo-classical mainstream view on theory is the idea that theory should be communicated in mathematical form. This involves representing economic phenomena through a set of

simultaneous stochastic equations that reflect hypothesized causal connections (Koopmans 1947) and demonstrates a disregard for inductive investigation, explanatory analysis, and legal principles.

In *Economic Origins of Dictatorship and Democracy*, Acemoglu and James Robinson (2005, 57, 351, 358) state that the institution democracy and growth benefit from increasing human capital. More human capital may make the conflict between the elite and citizens "less charged and intense."

In *Why Nations Fail* (2013, 108-109), Acemoglu and Robinson address the question posed by North regarding the persistence of inefficient institutions. Acemoglu and Robinson focus on economic and political inclusive and extractive institutions as catalysts for change. They attribute the perpetuation of "bad" institutions to decision-making of autocratic elites while disregarding the role of geography and culture, and qualifying development of institutions as an at random process comparable to genetic drift, where mutations do not always build upon previous advancements.

In *The Narrow Corridor*, Acemoglu and Robinson (2019, xv, 64) aim to explain why democracy and liberty are not universally established. Their analysis expands to include society as a factor influencing institutional and societal development. The idea is that a too powerful state results in despotism and a too powerful society results in anarchy. Democracy and economic liberalization should reduce repression in autocratic regimes, while for democracy and freedom to thrive, it is crucial to have a robust state and civil society.

In *The Narrow Corridor*, Acemoglu and Robinson (2019, 40-2, 143-146) refer to the Red Queen hypothesis of an increased pressure on the state and society to adapt in order to stay in balance through inclusive political and economic institutions, the rule of law, and social norms. They hypothesize that, due to the presence of agency enabling collective efforts, institutional path dependency exists alongside sporadic shifts within society. Nevertheless, the analysis falls short in systematically and empirically elaborating the (co)evolution of anarchy, liberty, or despotism (Spithoven 2020). Thorstein Veblen already hypothesized that taxonomic structures tell "us very little about the specific conceptions or habits of thought, and thereby the likely actions, of the individuals involved." (Hodgson 1998, 418). Development seems more complex than can be revealed on the basis of taxonomic structures (Murphy and O'reilly 2023; Paul and Storchevoi 2023; Belyakov and Zhulikov 2023).

Finally, Acemoglu's and Johnson's book *Power and Progress* is an illustration of Acemoglu's and Pascual Restrepo's (2018) article which mathematically and graphically shows that there does not

exist a bandwagon effect of technology—that is, technology does not automatically benefit workers. The model assumes productivity growth due to new technologies and that workers have not enough market power to uphold their share. Furthermore, Acemoglu and Restrepo (2018, Assumption 1″, 1520) endogenize the growth of human capital in their production function with a "black box" Γ (the increase of productivity of low-skill workers over time with $\lim x \to \infty \Gamma(x) = 1$). The 2018 theoretical model is illustrated by Acemoglu and Johnson with anecdotical evidence from both the past millennium and the present day that progress—that is, shared prosperity.

Acemoglu's and Johnson's book: Power and Progress

In *Power and Progress*, Acemoglu and Johnson rely for the sake of focusing on main outlines on the taxonomic structure entrepreneurs and business tycoons versus people without college education. This conflict is similar to but differs from Thorstein Veblen's (1899/1991) structure workers versus idlers. Acemoglu and Johnson recognize that technological choices are value based. They propose a democratic system that empowers vigilant citizens to address unemployment and income inequality in the wake of disruptive innovations, especially automation, robotics, and AI.[3] Their analysis of historical facts is limited to illustrating the structure entrepreneurs versus the poorly educated with anecdotical evidence.

Power and Progress cherry picks the course of human history spanning the past millennium. It encompasses key events like the advancement of agricultural technologies, the Industrial Revolution, the post-World War II economic expansion, the onset of the digital age, and culminates with the emergence of generative AI.

Acemoglu and Johnson (2023, 145) ascribe the rise and fall of successive elites in Western countries to choices regarding technology. During the Middle Ages decision-making was predominantly controlled by religious institutions and the nobility. During the industrial revolution this was a small group of overly confident technology leaders. The elite imposed limitations on the introduction of efficient production and communication methods, prioritizing their own interests under the pretense of divine revelation respectively the common good.

For the post-industrial era, the authors focus on the political climate that prioritizes the market, cost-cutting measures, and admiration for large corporations (Acemoglu and Johnson 2023, chapter8).

They argue that this climate has led to an imbalanced investment portfolio, with a focus on assets that do not effectively enhance labor productivity. Acemoglu and Johnson delve into the rise of AI, its exacerbation of inequality, and the development of surveillance technology by autocratic regimes. They also address the negative impact of social media and its connection to undermining democracy, driven by the objective of maximizing advertising revenue by keeping users engaged online.

Acemoglu and Johnson (2023, 396-402) underline the importance of revitalizing countervailing powers. They emphasize the necessity of a democratic system that empowers vigilant citizens and propose that appropriate incentive policies should support initiatives to redirect surveillance, automation, advertising, and data extracting technologies toward benefiting humanity. They (2023, 324, 327-330) plea for investment in machine usefulness. To ensure that the potential benefits of technology are accessible to a wider population, they argue for regulations to curtail the dominance of a select group of arrogant and self-proclaimed visionary technology leaders who prioritize their personal agendas.

Productivity paradox and globalization

Acemoglu and Johnson (2023, 16) attribute the lack of a bandwagon effect of automation investment to a disproportional focus on assets that enhance labor productivity but not marginal labor productivity. To explain the rise of the unbalanced investment portfolio, they (2023, Chapter 8) elaborate the shift in type of narrative about the blessings of investment to improve marginal productivity toward the view that what is good for large corporations is good for society too, and toward the narrative about the benefits of "maximizing profits and shareholder values" and "globalization and automation". In this economic climate, American laborers pay the price of computerization (2023, 17), while this does not change the fact that some types of computerizations and automation also change labor and living conditions.[4]

The lack of a bandwagon effect of automation investment is possibly an illusion which is rooted in flaws in productivity statistics. Since the mid-1970's information technology is everywhere, but not in productivity statistics—this phenomenon became known as Solow's paradox. The productivity paradox is addressed by Acemoglu and Johnson (2023, 290-294) but unconvincingly explained with surveillance investment, and so-so automation since the early 1980's, that is investment that does not increase marginal labor productivity. The productivity paradox may have been rooted in, among other things,

insufficient countervailing labor power, short falling countervailing entrepreneurial powers, and extraction policies by the international collusion of energy producers in the 1970's (Spithoven 2003). The international oil crises of the 1970's, which marked a turn in productivity development, is a product of international collusion of energy producers. Oil oligopolies boosted energy prices which resulted in higher living costs for laborers and citizens and higher production costs for local producers. In the 1970's and 1980's, productivity gains might have been extracted by foreign oil companies.

Acemoglu and Johnson (2023, 333-336) provide anecdotical evidence that new technologies in the 1970's and 1980's, among which the Green Revolution, did not help poor countries, and, according to them, so will this be with AI. However, they do not elaborate if automation and globalization may have an international trickle-down effect. Data suggest that this might be the case. The proportion of individuals living in global poverty has decreased substantially, dropping from over one-third (38 percent) of the global population in 1990 to less than one-tenth (8.4 percent) by 2019. Additionally, there has been a significant reduction in income disparities between countries since the early 1980's, largely attributable to China's, India's, South Korean's etc. economic growth (Roser 2013; Niño-Zarazúa, Roope and Tarpe 2016; Heimberger 2020; The World Bank 2022, 2, 72, 83, 85). So, the lack of a trickle-down effect of investment in technology in several Western countries may partly be due to the "exportation" of incomes and employment—that is, due to a globalization effect and to a comparative advantage of low-income countries. Nowadays, the "honor" of causing a productivity paradox in Western countries, while outsourcing some income generating data labelling and other digital platform work (Berg et al. 2018) to low-income countries, is up to the AI supporting data extracting policies of self-enriching extractive Big Tech firms that operate on a world-scale.

AI is a global undertaking

The structure entrepreneurs and business tycoons versus people without college education is in essence the same as the structure of powerful versus powerless people in earlier times, but differs in historic context. Society and economy are entering a new reality associated with new conflicts because of: the phenomenon of virtual property which rises through the Internet, the Digital Game Industry, and

generative AI (Spithoven 2023), and; monopolization/oligopolization and globalization, which have resulted in a decline of countervailing labor power.[5]

With the demise of the two-pronged competition mechanism of capitalism (competition between laborers and businessmen, and competition between businesses), international cooperation[6] in and between geopolitical areas, while respecting competition, is necessary to address the powers of the elite. Though Acemoglu and Johnson (2023, 415) mention the necessity of global world policies to address wealth distribution (with regard to tax havens) they do not elaborate on world policies regarding virtual property in general and (generative) AI in particular. International organizations like the United Nations, and the World Trade Organization, have to step in to set (generative) AI rules and standards, to protect labor, and to reverse fifty years conventional market wisdom.

Acemoglu and Johnson (2023, Chaper11) recognize that new methods should be developed to rebalance investment in digital technologies. However, their guidelines, with exceptions such as the *Repeal Section 230 of the Communications Decency Act*, are stuck in superficiality.

Policies to improve social security and payment (especially regarding gig workers), to settle standards for all kinds of digital applications, data gathering and exploitation, and to redistribute income and wealth are urgent policies to mitigate the negative effects of digital platform economies and automation policies. Just as is the case with global warming, wealth distribution and money laundering, the respective policies can only be effective and fair within a strong worldwide cooperation.

Countervailing power to address the macro disbalances of tech investment in the form of big income and wealth differentials—which are built on the power of Big Tech to exploit extracted data from the users of digital products and services—is difficult to build, not only because of the necessary international approach but also because of, among other things,

1) the source of automation, surveillance, and advertising, namely data, is the processed ingredients of wanted products that are generated by digital and (generative) AI technologies—that is, addressing negative effects may also harm positive effects. Consequently, at a micro level there exists an uneasy balance between the users' enjoyment of digital entertainment, information, and provided audience, and payments to producers in the form of data,

2) while data are also extracted from third persons (data externalities (Acemoglu and Johnson 2023, 411)), the quality of social media depend on propelled network effects and contribute to the uneasy balance between users and producers,

3) (opportunistic) status seeking between and within different social groups of society[7] and emulation of the status of rich or popular people also occur in social media, for example, through displaying attention in the form of number of likes, contacts, followers, citations, or Wikipedia pages in different languages [8]. Unintendingly, status seeking might be a medium to conform to existing situations,

4) increasing power of Big Tech, bigger income disparities within countries and smaller income disparities between countries are interrelated and require to be addressed simultaneously,

5) digital platform workers and users of digital products and services are worldly spread, and consequently difficult to unite,

6) unknown problems may emerge along with the evolving transformative or disruptive digital and (generative) AI technologies as well as with the still unknown possibilities of applications of blockchain technologies, quantum technologies, satellite technologies, and the existence of the darkweb,

7) aging of population in wealthy Western and parts of Eastern Asian countries makes labor saving or production increasing automation through (generative) AI a welcome strategy,

8) AI is likely to have a widespread impact on work. Job perspective effects may vary among different workers, while AI may enhance the service quality provided by low and highly skilled workers (Miller and Cox 2023, 8), and, finally,

9) the message derived from history, whether considering steam power or the World Wide Web, is that a considerable delay exists between the introduction of significant disruptive technological advancements and their widespread embrace.

These issues blur the view on generative AI as a problem and the view on the necessity of actions. In line with this, they may frustrate the forming of counteractive powers to enforce a system change toward a “full frame” stakeholder capitalism.[9] What remains is piecemeal regulation of (generative) AI.

Preceding the choice in type of technology is still the fundamental choice that digital products or services are allowed to enter the market without being stringently screened and tested in advance. Nevertheless, specific policy lines must stand. For example,

1) the combination of globalization and monopolization/oligopolization of Big Tech, bigger income disparities within countries and smaller disparities between countries, and diminishing countervailing powers, require (inter)national cooperation,[10]
2) humans' creativity and AI's processing power must be combined, while humans maintain control over algorithms and ensure improving and maintaining justice through internationally establishing and enforcing reasonable values (Spithoven 2022, 542-543),
3) regulations of real harms must underpin human values not only regarding consumer rights (such as privacy protection) but also regarding producer responsibilities (such as auditing algorithms regarding their impact on democracy, and human values and users),
4) though vertical mergers are not directly anticompetitive, increasing input costs for competitors, engaging in (self-)foreclosure, or cross finance between sectors, might be detrimental to competition. Therefore, big Tech companies should be put through the antitrust wringer and they must require to meet uniform standards of social and transparency commitments and enforcement rules in developing AI, and
5) investigation agencies should respect in general end-to-end encryption and abstain of screening every client of specific apps.

Conclusion and discussion notes

Depending on the type of publication, Acemoglu's and the co-authors' approach to socio-economic issues varies. Though Acemoglu criticizes the mainstream economic approach for neglecting values, in mainstream journals, Acemoglu and the co-authors still use mainstream economic analyses. In books for the general public an historic analysis is provided by illustrating mainstream analyses with examples while values are not systematically analyzed.

The merit of *Power and Progress* is the underlining that economic development is not a law of nature but a matter of vision and choice. By cautioning against the erosion of prosperity and the dilution of democratic principles, Acemoglu and Johnson metaphorically express emotions and perceptions of

the present toward emerging technological advancements. However, while focusing on reviving competition between laborers and entrepreneurs, the authors seem to overestimate negative employment effects of AI and to underestimate, first, the resilience of people to find new employment and, second, the need for international cooperation to address problems caused by exploiting virtual property.

Footnotes

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1. Acemoglu did not clarify either his methodology or his approach to evolutionary thinking. In books, Acemoglu's approach takes on some appearance of similarity with OIE with a) the finding (Acemoglu and Johnson 2023) that there is a permanent conflict between greedy snobs and society, b) assigning a role to values, recognizing that institutions and ideas coevolve, and c) referring to the concepts collective action, collective bargaining, persuasion, status, and countervailing power.
2. The argument that values are essential for the choice of technology is in essence a cranking up of the power of the demand side of the invisible hand as elaborated in Adam Smith's *The Theory of Moral Sentiments* (Spithoven 1992) and implicitly revaluates culture as being relevant for economic analyses.
3. AI concerns computer programs which fulfil tasks such as navigation, automatic production, producing and reproducing possible untruths, communication, professional support, data extracting, data simulation, and data analysis, or generating charts and written, spoken, and sung texts, and generating moving or still photographs.
4. For example, with word processing and spreadsheet programs, scientific job tasks changed, but jobs did not disappear, and the robotization of dairy farms really improves the working and living conditions of farmers along with an increase in milk production per cow. However, with changing tasks, along with digitalization, problems may also arise because work and personal life become intertwined with the loss of tacit knowledge at work and burn out complaints as a result.
5. It is not only the development of digital technologies but also of other new disruptive technologies, such as deep-sea mining and 3D printing, that change the historical context of human relations.
6. Not only competition but also cooperation through reciprocity and selection is an outcome of evolution of life: the fight for survival is not only a competitive battle but in conjunction also an

embrace for survival in the form of cooperation through direct reciprocity, spatial selection (neighbors), kin selection, indirect reciprocity, and group selection (Nowak 2012, 20-4).

7. Individuals within each social stratum adopt the lifestyle and values of the stratum above them as their standard of decency, and strive to embody that ideal in their lives (Veblen 1899/1991, 84).
8. A special category is influencers. If an influencer can gather a significant amount of attention, the influencer has the potential to become financially sustainable.
9. Antagonism toward those in higher positions may arise spontaneously, but true collective consciousness among those in lower positions only emerges when the people lower in ranks recognize that their inferiority is a product of the existing socio-economic structure and when they see a collective opportunity to eliminate it—that is, when they have a realistic narrative to counteract the power of the elite. The upstanding slaves led by Spartacus did not develop collective consciousness of the possibility to abolish slavery or present an alternative social structure to Roman society. They individually accepted the existing system (Brenner 1979, 199). The abolition of slavery followed the gradually replacing of slaves by machines and contract labor in the nineteenth century (Brenner 1969, 106-107).
10. International cooperation implies an evolution of social selection mechanisms, starting from religious to secular regional, national, and international selective authorities. Eventually, generative AI might assist the selection process in an evolving society and economy.

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Table 1: Comparison of Acemoglu's approach and that of Original Institutional Economists

	Issue	Approach Acemoglu and Johnson	Approach OIE	Source Acemoglu	Source OIE
1	Mainstream economics	Mainstream economists underestimate social norms and values due to their materialistic background, due to what is thought to be acceptable by mainstream journals, and due to the norm of measurability.	Ethics has a place in economics.	What Did Acemoglu Get Wrong? ROCKING OUR PRIORS podcast (player.fm) Accessed July 27, 2022	Commons 1934/1990, 155
2	Type of analyses	Though Acemoglu underlines the necessity of including values, the analysis of historical facts is impartial or taxonomic. Examples are the dichotomies: supply and demand, inclusive versus extractive institutions, power of the state versus power of society, and capital and labor.	Economies are subject to a dynamic or selective sequence of economic institutions that are described in terms of a cumulative process of mutually influencing agencies and structures.	Why Nations Fail; The Narrow Corridor; Power and Progress	Veblen 1898, 393; Veblen 1899/1912, 13; Stanfield 2023, 693-710.
3	Decision making	The influence of influential individuals' visions significantly shapes both our	An economist should include conflicting reasons or purposes and	Acemoglu and Johnson 2023, 24	Commons 1934/1990, 719, 723

		utilization of current tools and the course of innovation.	values of people's activities.		
4	Choice	The essence of choice lies in its inherent power to influence and sway others' opinions.	Individual choices might be rational, habitual or accidental (that is emotional).	Acemoglu and Johnson 2023, 26	Commons 1934/1990, 306
5	Causation	Single principle of causation; the single principle is the institutional structure.	Multiple cumulative causation (holistic).	Acemoglu and Johnson 2023: 141-166, 172	Commons 1934/1990, 8
6	Driver of technology	.	Predatory powers/ monopolists; interdependence and conflicts of interest; the environment of the conflict between workers and idlers differs from earlier civilizations.	Acemoglu and Johnson 2023,	Veblen 1899/1912, first page of addition; Commons 1934/1963, 97; 1934/1990, 57
7	Equilibrium	When selfish short-term oriented businessmen and technology leaders are held accountable by opposing forces, the likelihood of	Collective bargaining resembles a structured state of balance in the form of reasonable	Acemoglu and Johnson 2023, 29, 33	Commons 1934/1963, 73

		achieving shared prosperity increases.	values, aiming for equality among the participants.		
8	Empowerment	We need to use digital advances to create useful and empowering tools.	Empowering of citizens.	Acemoglu and Johnson 2023, 37, 324, 327-330	Commons 1934/1990, 654-655
9	Evolution	We learn from others; Institutions and ideas coevolve.	Because of including purpose into the instinct of workmanship, Veblen also seems to allow some artificial selection comparable to Commons' cumulative causation through purpose-oriented selection. Action is influenced by an intricately irrational and intricate array of expectations that face those involved in transactions.	Acemoglu and Johnson 2023, 67, 87-88	Commons 1934/1990, 657, 661, 683

10	Status	"Respecting social status and imitating successful people has clear evolutionary logic."	Individuals within each social class embrace the prevailing lifestyle ideals of the higher stratum and strive to align their efforts with those ideals.	Acemoglu and Johnson 2023, 77-78	Veblen 1899/1912, 22-34, 84
11	Persuasion	Persuasion is the device in modern western societies to making technological and social decisions.	Persuasion is central in managing transactions.	Acemoglu and Johnson 2023: Chapter 2	Commons 1934/1990, 67
12	Power	The ability to achieve objectives. This might be money, coercion, or persuasion (social power).	The ability to withhold that you have and others want.	Acemoglu and Johnson 2023, 68	Commons 1934/1990, 302-303