

# Europe's Economy Today & Tomorrow

## Part 2: Artificial Intelligence, Uberization, & Capitalist 'Sharing Economy' Ideology

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### **Introduction**

*The Wall St. Journal page one article of November 18, 2019 broadcast: "Europe's New Jobs Stoke Discontent".*

*It asked: 'why are workers so angry', when millions more jobs have been created since Europe's last recessions (2008-09 and 2011-13), when millions more job openings remain, and when minimum wages have been raised in most countries'?*

The article then goes on to try to answer some of these questions. It suggested one problem is that the vast majority of new jobs created in Europe have been contingent (i.e. temp, part time, independent contractor, etc.). That has meant, in turn, lower aggregate pay and a lack of insurance, disability, pension (deferred wage) benefits. It also has meant less job security and longer total hours worked and more costs to workers trying to cobble together multiple part time jobs. Europe has developed a two tier labor force, of those that 'have somewhat' and those who 'definitely have not'.

These 2nd tier conditions afflict mostly younger, under 35 years old workers. Apart from the substandard wages and benefits, the contingent work has left them with a sense of hopelessness that they'll ever be able to get out of the '2nd tier worker' hole, a kind of 21st century indentureship, that they know prevents them from living a normal life, having a family, obtaining reasonable housing, and so on.

The condition is not picked up by mainstream media referring to economy-wide gains in 'average wages', which mostly apply to regular, 1st tier workers. Job creation numbers also do not distinguish between the two tiers and the low quality (contingent, precarious) jobs that account for the vast majority of jobs created in recent years in Europe (as well as in the USA and Japan). Nor are contingent jobs reflected in the large number of unfilled job openings, which are for the highly skilled, technical workers that capitalism needs in greater numbers today but which the educational systems have failed to produce. In short, the data that mainstream media articles like the Wall St. Journal keep referencing as indications of a strong labor force and good job gains are irrelevant to the growing problem of temp and part time jobs that official government data either ignore or don't accurately reflect.

Furthermore, the official mainstream press and media don't connect the mass protests and demonstrations breaking out worldwide to the growing problem of contingent employment and its discontent. Beneath the apparent causes of the growing mass demonstrations and protests lies the mass discontent and growing hopeless of young people over their

deteriorating work and living conditions.

Look beneath what's happening with Yellow Vests in France, Hong Kong demonstrations, mass demonstrations across the South American continent, in North Africa and the Middle East, and what you will find is young workers growing desperate over their working conditions, over income inequality, the lack of jobs that provide a basic living, and their sense of hopelessness of change any time soon. In other words, discontent over their fate in emerging 21st century capitalism.

But the worse is still yet to come. Contingent, or so-called precarious, work and its condemning of workers to a 'new indentureship'—a kind of 21st century capitalist serfdom—is now being intensified by new capitalist business models and technological change.

The new models are creating even more precarious work. They are what I call the 'Amazon Effect' and the 'Uber Effect'. But these new business models are not the worst of it. Overlaid on contingency, precarious work, and the intensification by these new business models is the even greater negative impact now just emerging due to Artificial Intelligence. AI promises to exacerbate the problems of low pay, long hours, job insecurity and general hopelessness caused by precarious work, and the revolutions in capitalist business models from Amazon and Uber that are making that precarious employment even worse.

Europe's economy has been even more devastated than America's by the recent contingent-precarious job trends of capitalism. And AI will prove even more destructive when it comes.

*This past spring 2019, this writer was interviewed for a book of interviews to be published soon in Poland. The following excerpt from the interview addresses the destruction of labor markets, jobs, incomes and lives of workers, going on in recent decades and coming in Europe in the decade ahead. Already reeling under the effects of precarious work and new business models, Europe's workers are about to be further impacted by Artificial Intelligence. AI will come later in Europe than in the US and Asia. Its introduction will therefore be more intense and its effects therefore even more disruptive.*

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**Interviewer:** I was talking with Aleksandr Dugin, he is one of the top ideologists for Kremlin right now and he told me something quite interesting. He said that, the problem in Europe is not so economical problem, there is a deeper problem. He said that firstly, the whole population of Europe will be replaced by people from Africa and Middle East, and all these people will be replaced by robots, the whole labor will be replaced by automation, what do you think about that.

**Dr. Jack Rasmus:** Yes, well I don't agree that you're going to have a mass immigration into Europe. Europe is already closing off its' borders in various ways from the immigration from North Africa and the Middle East. The problems in North Africa are part of the problems of global lack of real global economic recovery and the greater ease of transportation and communication of recent decades, so these folks are coming to Europe but that's a symptom of the bigger problem. Not the problem itself.

The second part of your point is much more fundamental and structural, and that is what we

are seeing now is changes in the labor markets and product markets globally and capitalist economies changing at a very rapid rate. What that means is that in order for capitalists to compete with each other globally and individually they have got to cut costs even more rapidly and the new technologies and business models are enabling it to do just that. Artificial intelligence is the next wave of massive change in the labour markets.

We've already seen the change in Europe where we've already had a shift to contingent employment, part time and temp jobs, in recent decades. Over the last ten years, most of the jobs created in Europe have been these second tier kind of jobs, part time, temp contingent jobs. Low paid, service jobs with no rights, less benefits than first tier. That labor market change is behind a lot of the yellow vests and protest in Europe. It's economic, it's jobs, hopeless jobs and hopeless futures and the elite's ignoring that as it erupts. That's already a big problem in Europe, where even in Germany 60% to 70% of the jobs created, according to data I've seen, have been these second-tier jobs and these second-tier workers are rebelling now.

Their unions are tied into the state apparatus, pretty much, so workers just expressing this individually, spontaneously. So that problem of widespread 2nd tier employment already exists in Europe, but now we're going to have overlaid on it this new wave of technology, driven by A.I. that will make it much worse. And what is Artificial Intelligence? It's simply eliminating decision making, simple decision making in the economy. More sophisticated decision making, more complex will still be there. In fact you'll see an increase in jobs in data science and statistical analysis and so forth but these are high level and highly skilled jobs and not everyone can do them. And the education system has not been preparing people to do those jobs. So we're going to see the jobs that were simple decisions jobs, a lot of these second tier contingent jobs, are even going to disappear.

A McKinsey report in the United States, McKinsey Consultants, recently came out this year and said in the U.S alone AI will mean 30% of the occupations will either be eliminated or significantly reduced in terms of hours worked. 30% of occupations, that's roughly of one third of 165 million jobs in the US, are going to be either eliminated or reduced in hours and therefore pay. The same thing's going to happen in Europe. This is artificial intelligence, which is simply large databases, massive computing power and statistical analysis to develop machine learning so that the machinery, the automation, makes the decisions and you don't need simple people making simple decisions. Well that's going to have a massive impact by the middle of the next decade to the economies. It's going to allow business that make this shift—those who don't will go under—to be more profitable and to survive the new capitalist competition that will continue to intensify. But it's going to wipe out a lot of businesses and a lot of jobs in the process. Now all that AI effect is coming on top of the crisis of slow economic growth since 2009 that already exists as well as the economic recession that's just around the corner. How will they deal with that, how will the elites of these countries in Europe, and the U.S and Japan, deal with this convergence of AI, slow growth, and recession is going to be interesting because we are going to have far more people unemployed and under-employed and we're going to be in a situation of very low growth in general with segments, pockets, of explosive economic growth by those companies and industries that are able to exploit these changes in technology. It will be a very 'dual track' world economy, with the gap between haves and have nots growing even more than today.

I: I'm still wondering what will happen with this working class in Europe, and basically

everywhere, who cannot compete with Artificial intelligence. Young people are going to study something, but they know they cannot compete in one decade or two decades, they won't be able to get any job in the market because the Artificial Intelligence can just replace you. So, I was talking with people who are involved deeply with artificial intelligence, they are building artificial intelligence at MIT or wherever and they just told me "OK, maybe the government will send you some money every month and that will fix the problem" but this from my perspective sounds like bullshit to be honest.

**DJR:** Well you know, there will be more chronic unemployment and especially underemployment. We will have a larger based of unemployed in relationship to the employed. There will be many more underemployed than we have now, that's going to get even worse. The question is how that affects the consumption potential of the system when we don't have job growth. We already see a chronic slow economic growth since 2010. It will mean there will be more debt-financed consumption. They will allow more people to survive more on borrowing, more on credit. Which is just a way of taking away your future wages, but they'll rely on debt much more. More underemployed, more unemployed, and more credit and household debt. Some people are talking that a universal basic income will have to occur.

I think that might be a partial solution in theory but it will never fly politically, at least not in the USA. The political forces will never agree to UBI, universal basic income, as long as they have control of the political system to the extent they do. So I don't see that actually happening over the next decade. Not in the USA. I think the recession is coming soon and it will accelerate AI. You know the McKinsey study predicted that by 2025 you're going to have maybe thirty to fifty percent of all the companies implementing some form of AI. And again, A.I. is just a new business model to reduce cost even more. That's what it's all about. AI is very much like Amazon and it's very much like the sharing economy. See this is the new product revolution in capitalism.

Capitalism is evolving and changing more rapidly than ever before. It's always been a dynamic system. But it's accelerating in its rate of change and we see this in the labor markets and we see this in the product markets and these new business models now emerging. And we see it in changes in fiscal and monetary policy and we're seeing it in trade policy. What is Trump's trade offensive all about? Well it's about positioning the U.S capitalist class, and U.S business elite, to maintain hegemony over the global economy as all these changes occur over the next decade. They are restructuring particularly the relationship with China, the biggest US competitor, so the U.S business elite can remain dominant and the dollar, the global trading currency, can remain dominant. They are preparing for this and that's how I see all this Trump trade war.

Trade is a response to capitalist restructuring underway. Changes in trade relations have to occur after we have had all these structural changes in the finance markets, product markets and the labor markets. Capitalism is changing.

Capitalist change means that if you're not a capitalist, you're going to make even less, they're going to squeeze you with these new business models, you the worker, and they're going to squeeze their capitalist competitors to whatever extent they can with these new business models. If you look at France, what are all the changes Macron is trying to do? Well he wants to change the product market, he wants France to become more like the U.S in terms of Uber, Amazon and A.I. and that's true for all of Europe.

They are all trying to do this. Germany is still based on the old business model largely, i.e. to make things, but it knows it's going to have to change more rapidly in the future. Europe knows this, they know they've got to make these changes and they know they are behind the global curve.

They're playing catch up to the USA and China. The changes are coming rapidly in China and in the U.S. Britain wants to attach itself more to the U.S, that's partly why you have this Brexit thing. It knows what the future is going to be, France knows, but they can't make the change fast enough you see because they don't have the banking system, the financial system, to pull off the financial restructuring. They don't have the higher education system to prepare the labor markets for AI and the new models, and to be able to do this on the massive scale necessary, that's already occurring in the U.S and China.

So Europe is the weak link, as I said, because it's not been able to make this capitalist evolution fast enough in product markets, and its attempts to radically change labour markets in favor of capitalists is producing blowback and discontent and creating working class eruptions both in the streets, like in France, and at the ballot box, like in Brexit in England and other places, in Italy.

**I:** Well it sounds like some dystopian movie from the future, so what do you think is inclusive capitalism is some kind of solution for this? For example, like Lynn Forester de Rothschild she's proposing inclusive capitalism as a solution for economy right now, so what do you think about that, is it a real solution or some kind of hoax?

**DJR:** Well I think that's an ideological phrase, we're all inclusive in capitalism, we're all a part of capitalism. If she thinks that the solution is to make everyone a capitalist, that's nonsense. That kind of ideology has always been around in one form or another, in other words. It's a way of deflecting the problem of capitalism itself by saying we're going to reform capitalism and you can all be capitalists. In other words you're all going to make more money. It's an ideological response to a crisis of the system itself in my view. You know, it's a phrase, sounds nice: inclusive. You don't have to be a worker and worry about whether you've got a job or you can feed your family, you can be a capitalist too. How that actually works, I don't know. It's more a way of deflecting discontent than any realistic solution.

**I:** What do you think is the real solution here, because people are proposing the sharing of the economy which is new.

**DJR:** Yeah, the sharing economy, or the gig-economy, whatever you want to call it, this is one of the new business models at the leading edge of capitalism. Whether or you talk about Uber or Airbnb or all the other "sharing". What is the essence of the sharing economy? Well it's a way of capitalist businesses to figure out how to pass their cost of production off to the work themselves. Let's take Uber. It's model makes them more profitable than other businesses models. With the changes of technology, we're getting new business models. Uber is an example of a new business model of the gig-economy. Amazon is an example of a new kind of business model as well.

Artificial intelligence, and the businesses and industries they will spin off, are the 'next generation' of the shift to new capitalist business models. The old industrial business model where you make things, make goods, where you have a chain of suppliers and you hire workers to make the things... that is dying. It is not dead by any means, but the leading

edge of capitalist evolution are the new business models. Take the Uber business model. Think about it right, Uber has software and Uber has control of the customer, but instead of Uber building a physical infrastructure or investing in physical capital, i.e. the transport equipment, it gets their worker to use his physical capital, his car and to use his working capital meaning paying for insurance and gasoline and so forth. So they are making the worker bear the cost of the physical and working capital, which reduces the money wage Uber pays the worker. It's a form of intensifying exploitation. Uber sits back, and it controls the cost, it has no cost of goods. It's a service that doesn't have to produce anything physical. It doesn't have to pay the worker a higher union wage, in fact the laws prevent the workers from organising as workers because they're supposedly small businesses themselves you see. It's a new form of more intense exploitation of the working class, that result in greater profits for Uber. Why do you think Uber is able to raise billions of dollars? Because investors know the business model is so profitable. And this is what all the sharing economy is about, whether it's Airbnb or whatever. In Airbnb, you get the homeowner to use his own physical capital, his home, as the hotel. The sharing economy company has the software that identifies the customers and puts the customer in connection with the 'worker', whether he is the car-driver or the homeowner, and reaps super profits off the top. You see it's a much more efficient, much more profitable business model and that's why it's booming.

We're going to see the same thing happen with Amazon where you've got a new business model as well. Where you don't have brick and mortar and no worries of the cost of facilities and so forth. You just have transport and moving goods around, that's another new business model that's already wiping out other big box retail stores and small retailers everywhere in the cities it does business. It will soon destroy millions of trucking jobs as well and automate out its warehouse jobs. That's a new business model. Then we're going to see newer business models with AI, because it's all software manipulation and eliminating the cost of production, the cost of goods, and putting that cost on the backs of workers, who are hired as small businesspeople. That's the AI model.

**I:** Exactly, so it is in other terms the person who is involved in that kind of sharing economy is in some way a capitalist.

**DJR:** Yeah, In other words you make the worker assume the worst part of being a capitalist, in other words, the costs. You don't let the worker, who becomes a kind of blended worker, part worker/part small businessperson, share in the profits. It's the company sitting on top of it all, the Uber, the Airbnb, whatever that skims off the lion's share of the profits, and you don't even allow the new worker businessperson to organize collectively amongst themselves to negotiate a share of the super profits for themselves. You use the laws to prevent that. Maybe that's what this other person meant by inclusive capitalism. The worker becomes a businessperson in the view of the law, and his exploitation is intensified in the process. You know it's simply a justification for the intense exploitation these new business models represent.

**I:** So what is the solution here for this sharing economy, to be shareholder of Airbnb or other platform or whatever it is, I'm not just a worker who is involved with Airbnb, I am a shareholder of this stock of this company, maybe this is the solution if you know what I mean?

**DJR:** Yeah, well I know what you mean but individual share holding of stock of a company doesn't give you any control over their business practices and strategies and policies of that

company. It just means you've given some of your money to someone else to invest somewhere. You need to have sufficient control of the stock, 5 or 10 percent to affect the business policies of the company. So just owning stock, if you're a small stockholder, doesn't provide any control, it's control that we should be talking about not ownership of a piece of paper and a formal, infinitesimal share of a company.

What needs to happen is that the laws need to change so that the worker-employee/small businessperson, whatever this new blend of worker is in the labour market, can organize collectively to get a collective voice to defend themselves. That hasn't happened yet, and you're not going to stop this new business model of capitalism, but the question is how vulnerable do you leave those whose are being exploited by it. I really think they need to unionize in a new form of union. Not the old form of union based on the old company structures, but some kind of new form. But the capitalist states are making sure that they block that by legal means. And as far as the rest of society is concerned, what we got in the 21st century here is the state, and the government, engaging increasingly in subsidizing business and capital incomes. Both with monetary and fiscal policy. With monetary policy they've bailed out the banks and investors, then they've given them free money for ten years now. Everywhere in the advanced economies, and especially in Japan, and to some extent in Europe, they're propping up bond and stock markets by central banks buying private securities. That increases the demand for bonds and stocks that keeps up the price of both that protects the wealth of investors.

Financial assets like stocks and bonds keep rising, but it's all artificial. They're being subsidizing more and more by the state. Fiscal policy in the form of tax cuts for corporations, investors, and the rich more and more. In the U.S in 2018 they've passed four trillion dollars in tax cuts for businesses and investors. So the state, fiscal and monetary policy and other forms of policy, like trade policy, are being employed by states to subsidize capital incomes like never before. we now see a trade war with Trump who is trying to restructure the global trading system for that purpose. The state is increasing propping up the capitalist economy and capital incomes.

Before, state policies would share with labor, and small businesses, but now you've got capital, big capital, particularly finance capital which has absorbed more and more political control, and thus we see fiscal monetary policies more and more reflecting the interest of corporations, professional investors, and the wealthy at the expense of the rest, until you get an eruption like the yellow vests in France. There the government had to back off a little, Macron backed off a little, threw a few crumbs to pacify it. Teresa May backs off a little bit, reduces austerity just a little, and throws a few crumbs, to the working classes of Britain. These responses are temporary responses, however, to relieve the pressure while the main policies continue to subsidize with monetary and fiscal measures, i.e. subsidize the business class. How long can that go on, well history will tell.

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**Dr. Rasmus** is author of the just published book, **'The Scourge of Neoliberalism: US Economic Policy from Reagan to Trump'**, Clarity Press, October 2019, available for purchase at discount from this blog. Click on the book icon.

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