

Promoting Resilience: How the Economic Development Administration Can Help Communities Make the Best of Automation

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Committee on Transportation and Infrastructure

“Building Prosperity: EDA’s Role in Economic Development and Recovery”

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Chairman DeFazio, Ranking Member Graves, and Members of the Committee:

Thank you for inviting me to testify today on the continuing importance of the Economic Development Administration (EDA) and, especially, on an important new role that it needs to shoulder.

As it stands, the agency plays an essential role supporting economic adjustment and resilience in local places large and small, urban and rural, and amid constantly changing conditions. For that reason, it not only merits reauthorization, but its budget needs to be massively expanded.

And yet, while the Commerce Department’s EDA remains invaluable in its current mission, it is my view that the agency’s reach and responsibilities also need to grow in response to a new issue: the opportunities and challenges for people and places associated with the spread of **powerful new technologies—particularly, automation and, increasingly, artificial intelligence (AI).**

Which is why I want to argue that in reauthorizing the agency, policymakers should also **broaden the EDA's mission and budget** to include a concern about the impact of automation on local communities.

Argument

The need for EDA attention to automation and AI follows from the breadth of the technologies' reach combined with their uneven impacts, which stem from their tendency to *amplify* the productivity of skilled work and "substitute" for rote or "routine" work.¹ These uneven effects across tasks, occupations, workers, and industries have hit home in disparate ways across communities, similar to such recognized EDA concerns as foreign competition, factory shutdowns, or corporate restructuring.

How is this playing out specifically, in places? Brookings' recent research and policy report "Automation and Artificial Intelligence: How Machines Are Affecting People and Places" shows how with both a "backward-looking" analysis of national occupational trends in the "IT" era of automation from 1980 to now and a "forward-looking" analysis of the coming "AI" phase of automation.²

Informed by data and procedures derived from those of MIT economist David Autor, our **backward-looking research** suggests that while the first era of digital automation from 1980 until now did not bring mass unemployment (in fact 54 million new jobs were created) it did bring traumatic dislocation to particular places.

Most notably, the period brought a painful "hollowing out" of the labor market, which resulted from reduced demand for "mid-skill," "routine," or repetitive work. This hit home in hundreds of communities across the country. Please check out my written testimony for maps and the statistical blow by blow, including for your districts!.

As to our **forward-looking analysis**, my group worked further with economist Ian Hathaway—a Brookings non-resident senior fellow—to analyze future trends using estimates provided by the McKinsey Global Institute of occupational susceptibility to automation over the next few decades.

Now what did we find? Again we found that the future shouldn't be cataclysmic in aggregate, given that only 25 percent of U.S. employment will face "high" exposure to automation (meaning, with 70 percent of their current tasks at risk of substitution in the next few decades).

However, even the 25 percent total job disruption figure amounts to 36 million jobs that will incur significant upheaval in the coming years. What's more, those dislocated jobs will often be in the kind of places the EDA serves.

¹ Muro, Maxim, and Whiton, "Automation and Artificial Intelligence."

² Ibid.

Specifically, the data for automation exposure in the coming years show that automation impacts could be quite disruptive in **Heartland states, smaller cities and towns, and in rural America**. We find, specifically, that the automation exposure of tasks reaches or exceeds 50 percent of all work in no less than 43 of the nation's metropolitan areas and in some 560 rural counties.

The upshot: While the technology will surely benefit the nation in aggregate and in its best-educated urban centers, its disparate local effects will likely hit home in disruptive, locally varied ways that roil local labor markets, depress hiring, or necessitate arduous community transitions. These likely local effects need to be recognized and addressed—and the EDA is better positioned than any other federal agency to take them on.

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So, what should you do as members of the committee?

To begin with, the scale of the existing and new needs highlighted here recommends not just that the EDA be reauthorized but that it be significantly expanded. Along those lines our research suggests that that the reauthorization should:

- **Make a major, comprehensive investment in the EDA by raising the agency's authorized funding level significantly, so as to increase its ability to support communities' efforts to build strong economies.** That the agency's 1978 funding level exceeded \$3.5 billion (equivalent to about \$14 billion in today's dollars) argues for a significant multiplication of the agency's current \$300 million authorization.

In addition, our research suggests that Congress should broaden the EDA's mission to include a concern about the impact of automation on local communities. Specifically, I recommend that the reauthorization:

- **Explicitly name automation as an economic disruption eligible for EDA economic adjustment assistance.** With automation more prominently named the agency would be more likely to respond to on-the-ground conditions in a more relevant way.

Beyond that, several other recommendations appear appropriate and call on the committee to:

- **Reaffirm the EDA's commitment to regional full employment, especially to facilitate worker-adjustment in hard-hit communities.** Specifically, the committee should approve, as it has approved before, the use of EDA funds as a locally targeted anti-recessionary or full-employment measure, including through

public investment in areas of crying need such as infrastructure, broadband, or housing.

- **Require all funded Comprehensive Economic Development Strategy (CEDS) plans to incorporate analysis of emerging technologies' impacts on local people, firms, and economy to set strategies to pro-actively embrace new trends.** CEDS are strategy-driven plans for regional economic development, which regions must update at least every five years to qualify for EDA assistance. These plans can nudge communities toward embracing new technologies while working to mitigate their harshest impacts.
- **Empower EDA to launch an interagency program to help communities implement strategies for automation, AI, and emerging technology adoption, with a focus on modernizing services and maximizing co-work with new technologies.** The nation and its communities will be unable to achieve its full economic potential without better coordination across the multiple agencies of government tasked with supporting workers, firms, and communities.
- **Expand the scope of the Trade Adjustment Assistance (TAA) for Firms program to help companies adapt to disruptive new technologies.** Government policies to embrace emerging technologies will create both “winners and losers.” Congress should look at reorienting TAA for Firms to help companies adapt to the disruptive effects of both trade *and* technology.

In sum, expanding the EDA's budget to expand all of these activities in automation-impacted regions would enable the EDA to continue evolving its work of helping communities retain existing jobs and generate new ones in the age of automation and AI.

Conclusion

Chairman DeFazio, Ranking Member Graves, EDA has steadily evolved during its lifespan to respond to an evolving series of national concerns ranging from the problems of depressed rural communities and the well-being of people in urban poverty to the local impacts of outmigration, military base closures, natural disasters, trade disruptions, and the sudden loss of manufacturing jobs.

Now, automation's inroads are hitting home with special force among many of the EDA's historic partners in Heartland America. Likewise, many of the agency's existing tools are highly relevant to helping such communities respond.

Given that, the upcoming reauthorization of the EDA holds out a signal opportunity for Congress to help America's people and places contend with the challenges of automation in local labor markets. I hope you seize that opportunity.

Thank you again for inviting me. I look forward to addressing these issues with you.