

Post-Labor Economics Explained in 8 Minutes

Liberate humanity from drudgery

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I. The Catalyst

AI and robotics are going to nuke human labor as we know it.

Here's why:

1. Better
2. Faster
3. Cheaper
4. Safer

Whenever a machine surpasses humans in these four categories, labor substitution becomes inevitable and paying humans becomes ***economically irrational***.

Artificial intelligence and humanoid robots are rapidly surpassing humans on these four criteria across more and more economically valuable tasks.

Eventually, they will surpass humans on *all* economically valuable tasks.

When we look at “what do humans actually offer the economy?” there are four basic food groups of economically valuable traits:

1. Strength
2. Dexterity
3. Cognition
4. Empathy

Machines are usurping every domain.

II. Aggregate Demand

At first blush, automating away all labor is a necessary ingredient for a “hyper-abundant” future. If you want a relaxing utopia, then by definition you need to fully automate the economy.

The problem is that our current macroeconomic theory relies upon consumption-based GDP and aggregate demand mostly comes from household spending.

Household spending is predominantly driven by wage labor.

You see the problem. No labor, no wages, no demand, no consumption. Everything grinds to a halt.

The hydrological cycle of money goes something like this:

1. Production of goods and services requires labor
2. Labor pays wages and salaries
3. Wages and salaries drive aggregate demand for goods and services
4. Capitalists (ownership class) skims profits from this

However, the entire cycle (*as it exists today*) breaks down if you obviate the need for human labor.

Everyone loses.

- Aggregate demand dries up
- Consumer spending falls
- Tax bases shrink
- Quarterly statements plummet
- You get evicted

This outcome is, very obviously, not good. Some call this a ***deflationary death spiral***.

III. Household Income

Household income (*the smallest unit that is tracked by governments in aggregate*) is broken down into three buckets. In other words, all consumer demand comes from three sources:

1. Wages from labor
2. Capital returns
3. Government transfers

Every dollar you make and spend falls into one of those buckets.

As we established, wage labor is going the way of the dinosaurs.

By virtue of elimination, that means government transfers and capital returns **MUST** replace wage labor if we're going to shore up household income and therefore aggregate demand.

Government transfers are basically "tax and spend" programs. Take from someone and give to someone else. Or, if you have the ability to print money, you can just do that (but most governments cannot print money).

Most people's ideas center around "universal" programs like UBI, UHI, UBS, UBC, and so on. All of these are transfer-based programs. They propose funding them with things like wealth taxes, VAT taxes, and robot taxes.

But this is literally only half of the options on the table. Most people ignore capital, and also transfers aren't the silver bullet some people paint them to be.

There's a ton of reasons you do not want to rely on government transfers.

1. Market distortions
2. Price signals
3. Regulatory and elite capture
4. Perverse incentives and corruption

That's not to say "we should never have UBI ever!" Just that we need to "right-size" UBI based on risk profiles and market tolerance.

What we really need to do is boost capital-based income.

IV. Broadening Capital Participation

"It takes money to make money"

If you don't already have enough assets to purchase rental properties, stocks, bonds, and business shares, how the heck are you supposed to participate in this new hyper-capital economy?

This is where some level of collectivism can help us bootstrap the process.

1. Sovereign wealth funds such as Norway's Global Pension fund
2. State resource wealth funds like Alaska's Permanent Fund and New Mexico's land trust fund
3. Urban and commonwealth funds such as those in Singapore and other places

In other words, you capitalize an endowment fund by capturing some taxes, rents, or natural resources. Then, that warchest grows over time, and the dividends and gains from that wealth fund are then paid to citizens.

Another way is "UBC" (Universal Basic Capital) which is currently being trialed in the form of baby bonds.

Whenever someone is born, the government gives them an endowment of capital to appreciate.

Those are great starting points, but alone they will not be

enough. We will need more “capital on-ramps” for ordinary families.

1. Automatic investment and savings accounts
2. ESOPs and EOTs
3. Cooperatives
4. DAOs

Ultimately, your “job” will be more like a venture capitalist or hedge fund manager. You will always be seeking returns on capital and so you will spend your time either investing proceeds from UBI and other capital to maximize your portfolio, or more likely, stepping back and letting an AI manage it for you

After all, if AI is smart enough to be CEO then it’s smart enough to run your finances.

These ideas are just the tip of the iceberg.

V. Luddite Fallacy

Now, you might easily agree that “many jobs as we know it will go away” but you might also think “technology always creates new jobs!”

You can be forgiven for believing that.

Technology has *never created a new job*. Technology creates new **goods and services**. It just so happens that the provision of those new goods and services *required humans* to create them.

But there's no law of physics (or economics) which states that automation must create new jobs.

Free markets run on a two-by-two matrix:

1. Supply and Demand
2. Goods and Services

That's it. That's all you need for a market.

There is no third pillar that says "labor and capital" are necessary for markets. They *happen to have been historically necessary* by virtue of the fact that, until now, there was no viable replacement for human labor.

Historically, this was called either the Luddite Fallacy (that automation would nuke the jobs and nothing new would be created) or the Lump of Labor Fallacy (that there was a finite amount of labor to be done and then every can rest).

1. The Luddite Fallacy was only true when there was not a viable alternative to human brains and human bodies. We now have viable alternatives.

2. The Lump of Labor Fallacy remains true. There is functionally infinite work to be done. There is, however, no reason that humans ought to do that work.

It would represent a civilizational failure if we cannot conceive of an economic system that is not dependent upon wage slavery.

As the kids these days say "I do not dream of labor." And nor should they.

VI. Residual Labor

Markets are about supply and demand.

Up to this point, I've spoken mostly about "labor supply." In other words, "when machines can *supply* all the labor that humans might have done."

But what about the demand side?

There will likely always be cases where humans prefer (in the economic sense) that humans be involved. I break it down along two main axes where human preference (followed by economic demand) will preserve some jobs, possibly forever (or at least until we have Westworld style robots):

1. ***The Authenticity Axis.*** This breaks down into the attention economy (we prefer to form parasocial

relationships with real humans), the experience economy (we prefer embodied experiences mediated by other humans), the meaning economy (we prefer ontological and moral grounding from humans). You get the idea. This includes everything from celebrities to fashionistas and even baristas. Concerts and sporting events.

2. ***The Statutory Axis***. These are the human jobs that are required by law. It has to do with accountability, liability, and risk. Even if we end up with ASI running most of the planet, you probably will still want a "President of the World" because you can fire that president, jail them, and execute them if they misbehave. Likewise, judges, other public servants, and owners of capital (you need to be able to sue a human if their robot hurts someone). Someone needs to be on the hook.

These are what I believe remains of *paid residual labor*. However, there's functionally infinite *social work to do*. I don't mean "social worker" stuff like checking on child welfare.

I mean things like:

- Voting and civic participation
- Litigating social, normative, and more issues (culture)

- Signaling preference, taste, and attention
- Raising families
- Philosophical and intellectual exploration

Much of these latter ideas will be unpaid labor, but we have strong historical precedent for it. Any time a leisure class has emerged in history, they usually have outsized political participation, cultural work, spiritual progress, and philosophical contribution.

Thus, there will be plenty to do. Consider some of the greatest minds and contributors in history. They were members of the leisure class.

1. Charles Darwin
2. Socrates
3. Teddy Roosevelt

You get the picture. This is called ***cognitive surplus***. Any time someone or a group of people have ample leisure time, they put their brains to use.

VII. Labor's Leverage

There's a bigger problem behind the household income dilemma.

Leverage.

Without leverage, the civic equilibrium falls apart. This is what I call ***double bilateral dependence***.

For better or worse, the State has always been dependent on the People. And they have mutual dependence.

The State offers:

1. Physical protection (coordination of military, boundaries)
2. Enablement of prosperity (trade, commerce, innovation)

The People offer:

1. Production (taxes, labor, etc)
2. Soldiers (fighting bodies)

However, without labor's leverage, the State doesn't need the People anymore. The elites, the owners of capital, the military, the double bilateral dependence is broken.

History shows what happens when the State doesn't need people. You get gulags and pogroms and purges.

This is, arguably, worse than just a "high tech, low life" cyberpunk dystopia.

On the one hand, we *might* enter into a new stable attractor basin where consumer demand is shored up with transfers and capital, and we never get to a point where democracy is challenged.

But I don't want to bank on hopes and prayers.

VIII. Power and Elites

What do "the elites" do for us in the first place? Do property rights even make sense in a post-labor world?

When people are concerned about "the elites eradicating us" or "we all become a useless class" that begs the question "But wait, in a post-labor world when human labor becomes pointless, do the 'elites' serve any purpose either?"

There are a few dimensions to this:

1. There are more of us than there are of them
2. If the robots and AIs are democratized, leverage favors us
3. Therefore, ownership and coordination becomes our structural leverage

Which ties back to the "broadening capital participation" framework earlier. With broader ownership, we all become

“elites” and with participatory governances through vehicles like DAOs, ESOPs, cooperatives, trusts, and EOTs, then we have a gentle landing zone to move from a wage/labor based system to a broad capital based system.

This is why I often say “we’re not doing away with capitalism, we are *refactoring capitalism*.”

Get involved

Join Labor Zero.

Fund my book

The Kickstarter for my Post-Labor Economics book is live!

<https://www.kickstarter.com/projects/daveshap/labor-zero>