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REVIEW ESSAY

Deaton: A trilogy

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Deaton Angus, *The Great Escape: Health, Wealth and the Origins of Inequality*, New Jersey: Princeton University Press, 2013, 360pp.

Case Anne & Deaton Angus, *Deaths of Despair and the Future of Capitalism*, New Jersey: Princeton University Press, 2020, 312pp.

Deaton Angus, *Economics in America: An Immigrant Economist Explores the Land of Inequality*, New Jersey: Princeton University Press, 2023, 271pp.

This essay reviews three books spanning a decade, written by Angus Deaton, the 2015 winner of the Nobel Prize for Economics. The second was co-authored with his wife, also an accomplished Professor of Economics. Deaton was brought up in Cambridge, England, 'in the shadow of Keynes'. Nick Stern was a friend and fellow undergraduate at Cambridge. Deaton was primarily influenced by two sources at Cambridge. First, there was the work of Amartya Sen, Anthony Atkinson, and James Mirrlees on the various dimensions of inequality, redistributive taxation, and broader notions of well-being, including health and education. Second, there was Richard Stone who was his mentor and from whom he learned about measurement. What distinguishes Deaton is his very careful attention to data, including data deficiencies, how data is assembled, how reliable is the data, and its appropriate interpretation – what it does and does not show. In particular, he warns that statistics are the numbers of the state, and politics determines every detail of how they are collected (2023, 73). It is the meticulous analysis of data that is the hallmark of all three books.

The Great Escape (2013) is a positive and hopeful story of how over the last 250 years there have been great improvements in human life, including longevity, and material living standards. Indeed, the historical interaction between progress and inequality is a constant theme in Deaton's writings. The 'escape' of the book's title is from poverty, deprivation, and early death. Economic growth, he argues, has on balance been enormously beneficial. Globally, average income increased between seven and eight times from 1820 to 1992 while extreme poverty fell from 84% to 24%. Globally, the number of people living in extreme poverty has fallen by half in the last forty years. However, this was accompanied by huge increases in income inequality, both between and within countries (2013, 167), although most inequality in the world is between countries, rather than differences within them. Another theme is broader, looking beyond wealth to

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conceptions of well-being, including health, education, freedom, dignity, and participation in society.

The main focus of *The Great Escape* is on the post-World War II period where nearly all countries have become richer, and health has improved substantially, permitting an escape from a world of sickness and material deprivation. People live longer, they are taller and stronger, and their children are less likely to be sick or to die prematurely. In the United States, post war economic growth was widely shared until the 1970s. Since 1980, the bottom 90 per cent of taxpayers have seen their inflation-adjusted pretax incomes grow at less than a tenth of one per cent a year. By contrast, the top one per cent have had their pretax incomes grow by 2.35 times over thirty years (2013, 205–206). Jobs and earning opportunities have expanded at the top and at the very bottom of the income distribution but not at all in the middle. The interplay between technology and education has been the lead actor in the labour market, so that skill-biased technical progress has meant that middle-income jobs have been replaced by machines or outsourcing.

Chapter 7 of the book is the most contentious. Deaton, following a line of thought that starts from development economist, P.T. Bauer and goes through to William Easterly, believes that most international aid is doing more harm than good, and that it should be stopped (2013, 15). He says that giving overseas development assistance to governments in poor countries will perpetuate and not eliminate poverty. NGOs are also not the solution as they cannot scale up or be easily transferable to other countries. Aid is guided less by the needs of the recipients and more by the donor's domestic and international interests. Indeed Deaton asserts that seventy per cent of American aid does not reach recipient countries (2013, 278). Much overseas development assistance does not even go to low-income countries and half goes to autocratic regimes that have little interest in the welfare of the people. The World Bank itself found that aid disbursement was associated with accumulations by elites in offshore accounts, with around ten per cent siphoned off on average. He concludes that the record of aid shows no evidence of any overall beneficial effect (2013, 306). The exception is primary health care where external aid has brought antibiotics and vaccinations to millions of children, the elimination of disease-bearing pests, and valuable oral rehydration therapy.

He ends the book by saying that there are major threats to continued progress such as climate change, wars, new infectious diseases, and great concentrations of wealth undermining democracy, but concludes on an optimistic note that he 'suspects those setbacks to be overcome in the future, as they have been in the past' (2013, 329).

In contrast, his second book is far gloomier as can be guessed from the title, *Deaths of Despair*. It documents the decline of white working-class lives over the last half century. Inequalities of income and wealth are higher in the US than in other rich countries but the deterioration in opportunities for less-educated Americans is the primary focus: 'Our main argument in this book is that the deaths of despair reflect a long-term and slowly unfolding loss of a way of life for the white, less-educated, working-class' (2020, 146). Deaths of despair via suicide, drugs or alcohol all show gross unhappiness with life. It is a uniquely American calamity.

Good jobs and wages for blue-collar workers have disappeared as manufacturing work has been replaced by inferior service jobs and precarious employment. Good jobs are a source of money, but enable so much more. Work is itself a source of satisfaction and meaning for many people. Good jobs bring dignity self-respect and community acceptance, as well as being the basis for marriage and families. Once meaningful work is destroyed, working-class life cannot survive (2020, 8). Globalisation and technical change have reduced the value of uneducated labour. Additional earnings of those with a bachelor's degree or more, above what is earned with a high school diploma, doubled between 1980 and 2000 from a 40 per cent pay difference to 80 per cent (2020, 153). Other rich countries

have not seen the long-term stagnation of wages nor an epidemic of deaths of despair that has occurred in America.

Detachment from meaningful employment has led to more mid-life whites dying, and those who are not are reporting worse health. Pain is highly correlated with mental distress and use of pain-killers. People turn to drugs or alcohol to seek refuge from pain, loneliness, and anxiety. Suicide rate of US whites is a global outlier. Detachment from the labour force has been accompanied by rising mortality rates and falling life expectancy rates of low-skilled white Americans, sharply contrasting to what is happening in other rich countries. Deaton explains why suicide rates among middle-aged white Americans is rising rapidly, and they were reporting more pain and overall poorer health (2020: 72). There is an epidemic of deaths from opioids while deaths from alcoholic liver disease have also risen rapidly. The increase in deaths of despair was almost always among those without a four-year undergraduate degree. African Americans were the first to suffer, less educated whites have now followed, and distress moving to highly educated groups may be next.

For Deaton, the leading villain for this American calamity is the healthcare system (2020, 186), which he describes as a 'cancer at the heart of the economy' (2020, 10). More than a third of all American adults were prescribed opioids in 2015 (2020, 113). Ninety per cent of overdose deaths involving legal and illegal opioids, have been Americans who do not have a bachelor's degree (2020, 121). The less-educated white working class with distressed lives was 'fertile ground' for pharmaceutical industry greed, a dysfunctional regulatory regime, and a flawed health care system. The American health system – 'the exorbitant cost of which is doing immense harm to the health and wellbeing' of its citizens (2020, ix) - could cut back its costs by one-third without compromising health outcomes. Pharmaceuticals in the US are far more expensive than in other rich countries, and American healthcare providers receive far higher salaries than health professionals in other wealthy countries.

Large parts of the American economy have been captured to serve the wealthy, with the consent and connivance of government (2020, 213). Government helps rich predators make ordinary people poorer. Rent-seeking behaviour, political lobbying, and the increasing concentration of industry have all forced down wages to enrich a minority. The pharmaceutical industry is a prime example. Deaton believes Americans should have universal healthcare and stringent controls on healthcare costs.

Some of his other judgments may be more contestable. He judges that immigration did not play an important role in the long-term decline in wages of less-educated Americans (2020, 217). He does not believe that there is any general case that American industry has become less competitive and has raised prices to the detriment of consumer welfare (2020, 235). Indeed, Deaton is not disturbed by inequality in and of itself, only if it comes through theft and rent-seeking. He is against high marginal tax rates on top incomes. While he believes that those in distress deserve priority, he does not think that there should be any decline in priority regarding income or wealth generation among those who are not in distress (2020, 146). He does not favour a universal basic income but does support a modest increase in the minimum wage.

The last book, *Economics in America*, elaborates on the previous themes but is not of the original and substantive quality of the other two books, having been written for a wider audience focusing on topical issues. Deaton returns to inequality saying that inequalities of all kinds are wider in America than anywhere else on earth. The top ten per cent of income earners account for nearly half of all income (2023, 88), while the median net worth of white families is nearly eight times that of black households (2023, 115). Moreover, the 'War on Poverty' has become a war on the poor (2023, 67). The percentage of poor people in the United States and China is almost identical (2023, 68).

Unlike other rich countries, America does not have generous safety nets for those adversely affected by globalisation, while technical change has devalued low-skilled labour and favoured the well-educated. The lack of a safety net has much to do with race. There has been a longstanding unwillingness of white Americans to pay for the healthcare of African Americans. As Deaton notes, 'The patterns of inequality and health across the United States are mostly driven by race and by policies associated with race'. and 'America does not have a European welfare state because of its history of race and racism' (2023, 118–119).

While national income per head in the United States has more than doubled in real terms in the past fifty years, this growing prosperity has not been shared among working people. The economy was not delivering a good life for the two-thirds of the population without a four-year college degree. The labour market increasingly excluded those without a college degree from good jobs.

> Our own story sees the decline in good jobs for less educated Americans as the key. This decline, in response to globalisation, and, more importantly, technical change (robots), is made much worse in the United States than elsewhere by the grotesquely exorbitant costs of healthcare (2023, 222).

Moreover, the outrageous and escalating health care costs have been a major limitation on the growth of median wages (2023, 38). Most working Americans' health insurance is provided by employers, money that would otherwise be available for wages.

Less well-educated Americans have seen little or no improvement in their material circumstances for more than fifty years. For men without a college degree, median real wages have tended downward since 1970 (2023, 52). Precarious alternative employment lacks meaning and leads to a less dignified life. As a consequence, morbidity has risen alongside mortality. Life expectancy in the US is among the lowest of all rich countries, and still falling. Working-class people are dying from an epidemic of suicides, drug overdoses, and alcoholism (2023, 41) – the deaths of despair.

While the transition, over this trilogy, from hope to despair is disheartening and screams for remedial action, readers may not agree with all the author's recommendations, irrespective of the dire straits Deaton so vividly chronicles.

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