Transcript of IMF podcast:

**Divided by Degrees: Angus Deaton on how More Americans Without B.A.’s are Dying of Despair**

Angus Deaton:

It's not the inequality that's causing people to die. It's the process whereby people are being allowed to get rich by harming other people.

Bruce Edwards:

In this program, Nobel Laureate, Angus Deaton on how mortality rates among white middle-aged Americans have stopped their century-long decline and why those without a bachelor's degree are much more likely to die of despair.

Angus Deaton:

Inequality is deeply involved, but we see inequality in deaths of despair as the joint products of a system that's really working very badly.

Bruce Edwards:

Welcome to this podcast produced by the International Monetary Fund. I'm Bruce Edwards.

Bruce Edwards:

With progress and development comes longer lives. That's what should happen and has happened in most advanced economies. But in their latest book titled Deaths of Despair, Princeton economists Angus Deaton and Anne Case describe how mortality rates in the US have flattened—even increased for non-Hispanic whites in middle age. More Americans between the ages of 45-54 are dying from suicides, drug overdoses and alcohol-related diseases, with the largest increases in mortality happening among people with lower education levels.

Bruce Edwards:

Angus Deaton is a Professor Emeritus at Princeton, as well as a Presidential Professor of Economics at the University of Southern California. He was invited by the Institute for Capacity Development to present his research to IMF economists. Professor Angus Deaton joined me after his presentation to talk about the B.A./non B.A. divide in the United States.

Bruce Edwards:
So, you started this research with a hunch that the woes of the middle-class in the U.S. were somehow different than in other countries. How did you come to zero in on bachelor's degrees as being the culprit or at least a culprit?

Angus Deaton:

Yeah, it wasn't really a hunch. I mean we were playing with data, and then something jumped out of the data that we didn't understand, which was this long-sustained decline in mortality in midlife and suddenly stopped and partially reversed itself. And this was among white non-Hispanics. And we looked around, of course, for what was causing that, which is what led us to the deaths of despair, meaning the causes of death. But also we compared it with other countries, and we saw that it wasn't happening in other countries. And then we looked around for what information we had on those deaths... who they were or where they were or what sort of people they were. And of course, we're working at this point with individual millions and millions of death certificates, 20 or 30 million death certificates, and there's not a lot of information on those death certificates. You know the time and place of death and all that sort of stuff, but they do have education on them.

Angus Deaton:

So we just took what we had, essentially, and discovered that the split between a bachelor's degree and a not bachelor's degree was incredibly important for these rising deaths, and they were basically confined to that group. So that was just what was on the certificate, what information we have and you use what you have. But then when we went on to look at other related things like morbidity and pain and church-going and wages and employment, all of those seem to be just very strongly structured by whether or not you had a BA or not.

Bruce Edwards:

And as you just mentioned there, that the impact of this goes way beyond just the economics of it. It's a human tragedy in that people are dying from the sheer lack of prospects and hence the title of your book, Deaths of Despair. How specifically are people dying, generally? And what percentage of the working population are at risk?

Angus Deaton:

Well, I mean, at risk, of course, there's the whole population. We don't know if- it's like with suicides, you don't know who didn't kill themselves, except you know who did. So you can't really tell who were the people who almost did it, but it's clearly at-risk populations, people without a BA. We spent a lot of time looking across the country, and it turns out that these deaths of despair, as we call them, are rising in every state of the United States. And the decline in life expectancy, which happened between 1914 and 17 and will probably happen again in 2020, is widespread. There are a few places, a few states where death rates are not going up, but they're just like two or three of them, maybe New Jersey, California. And that certainly will be reversed, but it's pretty widespread. And so it seemed from the late nineties up until the mid-20 teens, whatever you call it, you've got a situation in which death rates really are really going up in midlife in a quite wide... geographically widespread way.

Bruce Edwards:

But in terms of lack of prospects for less educated people in a globalized world, the U.S. is not unique in that respect. Why are we not seeing the same phenomenon or those same trends in other countries?

Angus Deaton:

That was a big question right from the very beginning, because that was one of the first questions we were posed with. And if you look at figure one in our very first paper in the Proceedings of National Academy of Sciences, that's what you see that this is happening to less educated people in America, and it's not happening elsewhere. So what's the story? And throughout our research
that led up into the book, we were trying to figure out why America and why not elsewhere? And what you said, globalization, by the very definition of the word, is a global phenomenon, so are robots or automation or German robots as well as American robots. So it couldn't be that, or if it was that, there was something in America that was making it much worse than elsewhere. And there are, I think, three possible stories you could think about here, and they're not mutually exclusive.

Angus Deaton:

One is the sustained decline in wages for less educated people. It's much more sustained here than it is elsewhere. You've had more than 50 years of it now. Other countries have seen some of that, but for much shorter periods.

Angus Deaton:

The second thing is opioids. So we do not... We have not prevented the widespread prescription of what are essentially legalized heroin, and other countries have done that.

Angus Deaton:

Also other countries have a social safety net, which is much more complete than ours. So for the people in Britain, for example, whose market wages or market earnings have not done very well, their actual take-home pay has done much better, and there's no such compensation in the United States.

Angus Deaton:

So you can imagine all of these causes sort of intertwining. The big question, of course, is, and this is what the Europeans are most interested in: Is it just a matter of time before it comes there or is there sort of American exceptionalism?

Bruce Edwards:

So you point out there the issue of the healthcare system in the U.S. and, while your book was, in fact, published only weeks before the pandemic became a real thing, do you think this problem played on how prepared or ill prepared the U.S. was for this pandemic?

Angus Deaton:

I wouldn't exactly say that, because other countries, like Britain, which has a national health, a fully socialized healthcare system, didn't do very well in the pandemic either. They seem to have come through it, but their death rate per person is much higher even than what is happening in America. So you really can't say... I mean, no one was prepared for a pandemic that we'd not seen for a hundred years. And some people came through it very well. Some people came through it very badly. You can look ex post and see what helped, but it was much harder ex ante to say what would help. But as the COVID goes on, you can see the problems with American healthcare that we'd identified, and everybody's identified, really coming home to bite, because after all, in other countries, you don't lose your health insurance in the middle of a pandemic, because you lose your job. And that of course is a huge issue.

Angus Deaton:

And then there's the other shoe that has still to drop, which is who's going to pay for all of this. And the American healthcare is incredibly expensive. You may finish up with more than a million people having been in hospital with COVID in the next year or so. And that's going to run up enormous bills if they charge at anything like their standard rates. And someone's going to have to pay those. And I think that could cause severe social unrest and other problems.

Bruce Edwards:

Hmm. That's a good point. So where does inequality fit in into this story? I mean, we blame a lot of things that are wrong about society on inequality. Are these deaths of despair a result of rising
of things that are wrong about society on inequality. Are these deaths of despair a result of rising inequality in the end?

Angus Deaton:

No. We just don't buy into that narrative at all. And I know the IMF likes to do that and says that inequality is bad for growth and all sort of things like that, but I've never bought into that. Inequality is deeply involved though, but we see inequality in deaths of despair as the joint products of a system that's really working very badly. You know, I wrote a book called The Great Escape, which argues that it's precisely during periods of prosperity, periods of innovation, times when things are really going well, when people are discovering new things, that inequality expands. So that's good inequality. I mean that's inequality that's happening, because progress is happening, and progress never happens evenly.

Angus Deaton:

But there are other sorts of inequalities, and one of the big inequalities in the U.S. is that the people who make money out of the healthcare system... the providers, the hospitals, the CEOs, the pharma companies... they're getting rich on the backs of people. I mean, they're basically stealing stuff. So some people are doing very badly. Other people are dying, and out of that, people are getting rich. So in some sense, the pharma companies who make OxyContin are a poster child for this whole thing.

Angus Deaton:

It's not the inequality that's causing people to die. It's the process whereby people are being allowed to get rich by harming other people. So that's the central way that I, we, I think, think about this, which is that inequality is being produced by a process and it's the process that's bad. You can have processes that produce inequality that are good processes. And I think it just makes no sense at all to think of inequality as cause of anything. Inequality is an outcome.

Bruce Edwards:

And so you do speak a lot about rent-seeking in this book. Remind us of what rent-seeking is exactly and how it plays into this story.

Angus Deaton:

Right. So rent-seeking's a fairly old term. I think it goes back to Gordon Tullock, who probably used it first. It's been around in development for a long time, too. And the idea is... Well, one way of putting it as people say, There's two ways of getting rich. "You can get rich by making stuff, or you can get rich by taking stuff." And rent-seeking is using the government, using political connections to take stuff. And so if you're a firm and your manufacturing stuff, if the markets are right and they're working properly, you follow the profit motive, and it makes... it helps make you rich and benefits lots of other people... You know, Adam Smith's key insight.

Angus Deaton:

On the other hand, you might discover it's much more profitable to go and make a campaign contribution or send some lobbyist down to Washington. And then they give you special regulations, which help you at the expense of your competitors or your consumers or your workers and so on. That doesn't produce anything. In fact, it's likely to destroy GDP, but it benefits you at the expense of other people. So that's the sense... That's rent-seeking, which is you go and try to seek for rents from a government, which will help make you wealthy. And that's quite common in politics around the world, but some systems have much more of it than other systems. And the rent seeking story in Deaths of Despair is sort of at the key of what we're doing. So inequality is just incredibly important in this, because rent-seeking causes inequality. But the answer to that inequality is to stop the rent-seeking, not trying to tax it away.

Bruce Edwards:
So rent-seeking is not something that we hear a lot about in terms of systemic risks. And there seems to be a convergence of pressures on society now, like artificial intelligence, health education and this political lobbying... things that economists have not traditionally focused on. Is the field of economics entering a new era, do you think?

Angus Deaton:

Well, I think it's been entering a new era for a long time. One of the things that's always encouraged me to like economics, and sometimes I get infuriated by some of the silly things that are going on, is that it is very open and it changes very radically. And it's changing now. I mean, one of the things that's always interesting, the American Economic Association has this list of terms it uses to categorize its literature, and they're always miles out of date compared to the best work that's going on, and the best work is different, and it's changing.

Angus Deaton:

So I think, too, the big trends in economics over the last 20 or 30 years. One of them has been to incorporate politics in economics much more closely. So Alberto Alesina, who died a few weeks ago very sadly, was a leader in that and bringing politics into economics. I don't think it's an accident that he was Italian. You know, Luigi Zingales, who's another Italian writer, who writes a lot about rent-seeking and political economy.

Angus Deaton:

So thinking about the problems, many of the problems being political problems rather than economic problems, I think there has been a huge change and a huge move for the good in economics. The other side is sort of behavioral economics and thinking about people as not behaving as fully inter..., you know, fully rational, intertemporal maximizers and having all sorts of biases of one sort. And those two things together, I think, have been a very powerful set of improvements. And certainly in my previous book, in The Great Escape, in thinking about economic development, the last chapter, which is about why aid doesn't generally work, is all about rent-seeking and political economy.

Bruce Edwards:

So in this latest book, you, you speak of the longterm benefits of going to college, but in the world of COVID-19 with the classroom teaching a thing of the past, at least for now anyway, and affordable internet connectivity, a lifeline for students, do you worry that people's ability to pursue an education will be further hindered by corporate interests and their lobbying power in terms of making affordable and adequate internet available to everyone?

Angus Deaton:

I'm not... Yes. I mean, the simple answer is "Yes, I worry about those things a great deal." And those will be the lasting inheritance of this pandemic, and they'll be very serious ones I think. I'm not sure the corporates are particularly at fault here. So let me take that out of the equation for a minute. There are all sorts of things where it intersects with corporate behaviour... But just the two things... I think university education is going to be very severely disrupted. And I don't think we'll go back to where we were before. I don't know. It's too soon to see where it is we're going to go as part of this, but I think lots of colleges are going to go out of business in the U.S. There are about a million foreign students here. We're already seeing the Trump administration fighting over that. There are about 300,000 Chinese students in U.S. higher education. It's a little hard to imagine that number not falling pretty rapidly over time. That'll put a lot of universities, colleges out of business.

Angus Deaton:

But I'm most worried, I think is the school kids, and the ones in the less economically-favored families for whom Zoom learning is no learning at all. And I think there's data showing that, and it's quite terrifying. And I think we know from the research that sociologists and economists and
psychologists have done over the last 20, 30 years, that these childhood-losses you lose in childhood are incredibly difficult to make up. It sort of lights your life. So this could be a situation in which long after the virus has been forgotten, we're still suffering the consequences of it, or some people are. And that will certainly widen inequality, because it's not the people on top who are suffering under this.

Bruce Edwards:

So you're a busy man with lots of demands for your time. Why did you feel it important to talk to a group of IMF economists about this book? You know, an international institution whose main focus is essentially financial stability. What can these deaths of despair in the U.S. teach us about the global economy?

Angus Deaton:

A lot, I think. Let me start with the question. I discovered that I've done this a few times before, and I certainly didn't do it... I discovered that there's always a good lunch. There was no lunch I discovered, but I wasn't doing it for the free lunch. It's a real treat to be able to talk to a bunch of people who are very skilled, very smart and who have a lot of influence in the world. And so just getting the message out there, that's what we're really concerned about. I imagine a few of them even bought books yesterday, but that's not our main concern. I think one of the big things that we talked a little bit about was let's hope that this marks the end of austerity, for instance. And austerity has been very, very bad for less educated people in rich countries. And Britain, which I know best as being a place where there's been a terrible hollowing out of public services on which ordinary people really depend. And at the same time, well-off people were doing really very well indeed.

Angus Deaton:

I think the healthcare thing is very important for people in the IMF to know, but because you guys go around the world, people come to you in times of distress and say what we can do. And it seems to me, healthcare expenditure is an item that ought to be on the agenda. It's perhaps most seriously on the agenda in the U.S., and maybe the IMF is only occasional influence the U.S, but it does have some. Right now, it's not clear who you talk to in Washington to have any impact on anything at all, right?

Angus Deaton:

I was contrasting that I was talking to my friend, Tim Besley the other day, and he was talking about how—he's not in power in any sense—and I was talking to Nick Stern, who's a Crossbench Lord in Britain—he's not in any political party, and they were both talking about how much influence their work and other economist's work was having on what's happening in Britain, and you just don't see that happening here at all, which is very sad. So let's talk to people who have influence when I can and the IMF is certainly way up there.

Bruce Edwards:

Professor Angus Deaton, so great to talk to you, and thanks so much for joining us.

Angus Deaton:

Thank you. It's been a real pleasure.

Bruce Edwards:

Angus Deaton is a Professor Emeritus at Princeton, as well as a Presidential Professor of Economics at the University of Southern California. He won the Nobel Memorial Prize in Economics in 2015 for his work on consumption poverty and welfare. Deaton spoke to economists at the IMF's Institute for Capacity Development about his latest book with coauthor, Anne Case, titled Deaths of Despair.
Bruce Edwards:

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