

Letter from America:

ANGUS DEATON

A Farewell Letter from America

After twenty-five years of writing for the *Newsletter*, Sir Angus Deaton contributes his final Letter from America, in which he reflects on past *Letters*, economics, and his life and times

When I was a Research Officer in the Department of Applied Economics in Cambridge in the early 1970s, I was befriended by Thelma Liesner, then Thelma Seward. When she became Editor of the *Newsletter* in 1995, and after I had moved to Princeton, she remembered me and, because she was a fan of Alistair Cooke's Letter from America on BBC Radio 4, she suggested I might write a *Letter* about economic events in America. She suggested the budget, which I never did write about, if only because, unlike Britain where the contents of the budget become law, the American "budget" is a fantasy wish list that the White House sends to Congress each year. But I did find other things to write about—this is my 50th letter—and found an ideal outlet in the *Newsletter*, always attractively produced, relatively short, and with news, professional information, and obituaries. I was always pleased when it landed on my desk and always looked at it, and others appeared to do so too.

Thelma retired in 1997, and since then I have worked with

the admirable Peter Howells, who has been a model of punctuality, encouragement, and appreciation.

The *Letter* helped me learn to write for a non-specialist audience, or at least a non-specialist audience of economists, a half-way house that is much easier than writing for newspapers. It allowed me to write about things that interested me but didn't always know much about, and I am grateful for my readers' forbearance. Writing the *Letter* has rarely felt like work, more often joy. Many have been kind enough to say nice things over the years, and it seems that many readers know of me *only* through the *Newsletter*.

I moved to Princeton from Bristol in 1983. I have never given up my British citizenship, and did not become an American citizen until 2012, in part because, until Obama became president, I was less than enthusiastic about swearing allegiance to the United States and its leadership. But as the years passed, it seemed perverse not to acknowledge that my home was here, not to mention the homes of my children and grandchildren

who had built their own lives in Chicago and New York.

More ominously, non-citizens have always been at risk in the US, especially after 9/11, even before the horrors of Trump. Under the Patriot Act of 2001 ("Inequality in America", April 2002), universities were commanded to hand over personnel files of non-citizens on demand, and prohibited from divulging that they had done so. In my own case, I (think I) suffered nothing worse than the boorish attentions of an immigration officer, who took a dislike to me, tore up my green card, and turned my life into a bureaucratic hell that lasted for more than a year. As President Obama writes in his autobiography, immigrants "are always afraid that the life you'd worked so hard to build might be upended in an instant." Even after that near upending, I was deterred from applying by the impossible requirement that I document every trip abroad for the last 30 years, until I eventually realized that, for the earlier trips, their records were no better than mine. And Anne found my old passports in the basement.



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Once I decided to apply for citizenship, the lights turned on, and the agency that I'd seen as a persecutor became my friend. The bureaucracy could not have been more helpful—votes matter—and I even qualified for a special old-age dispensation that allowed me to answer correctly only 12 out of 20 possible questions (instead of 60 out of 100), many of which had the same answer. (What is the capital of America? Who was the first president? Who famously crossed

the Delaware?) As a final hurdle, with no chance to prepare, on the day of the ceremony, I was asked at the door whether, in the two weeks since I had passed the test, I had worked as a prostitute. My late colleague, Uwe Reinhardt, claimed to have answered “I have long looked for something in that line of work, but so far without success.” At the ceremony, the immigration official who welcomed the new Americans began by telling us that voting was not an important part of citi-

zenship, something that I already knew to be false. I resisted the urge to raise my hand.

That I long did not become American reflected real ambivalence, admiring many aspects of American life while watching others with fascinated horror. Both reactions are well represented in the *Letters*. I frequently wrote about the immense prosperity of American institutions like Princeton, how their riches were put at the service of scholarship, but how wealthy universities, faced with (relative) adversity after the financial crisis, acted to protect their endowments, rather than using them to ride out the crash (“Moon over Texas,” October 2010). I wrote about some of the best of American economics, how immensely distinguished scholars—and others—served changing administrations in Washington (“News for parrots,” April 2001). About how the National Bureau of Economic Research, under its longtime president (the late) Marty Feldstein, generated a stream of invaluable externalities to the profession (“Economists without borders,” October 1998).

The *Newsletter*, with an audience of economists, was a venue where I could write about the American profession, again with both admiration and horror. Economics remains extraordinarily open to new ideas and to young people; in the US, there are still plenty of jobs, and talented people can still be tenured at top universities in their 20s. The American profession’s susceptibility to fads is perhaps a consequence, though at 75, I doubt that I am a good judge. If the profession does well by the young, it does much less well by women; as the number of female economists grows so, rightly, do the protests about how badly they are treated in seminars and in the refereeing process.

I have written (perhaps too often) about the publication process, which today seems badly broken. The dominance of the top



Anne Case and Angus Deaton (image: Rebecca Wilcox, Purdue University)

few journals, several not under professional control, gives great leeway to strong-minded and sometimes idiosyncratic editors who push their own views of what is good economics, regardless of whether the journals are owned by a professional association. It is hard to start a new journal, let alone a top journal, and the rents are sometimes subverted to idiosyncratic agendas.

In one *Letter* in 2007, I wrote positively about the extraordinary breadth of research by job-market candidates, in contrast to how economics had been in 1983 when I first arrived in Princeton, a time when theorists, empiricists and econometricians were all working on different parts of what was recognizably the same (price theory) elephant (“Random walks by young economists”, April 2007). Of course, it was a myopic elephant that knew little about poverty, inequality, race, or health, leaving such topics to other social scientists. Of those job market papers, I wrote that it was often hard to tell to which *field* of economics they belonged. Today, the divergence has gone further, so that, for example, looking at the contents of recent issues of the *American Economic Review*, it is

hard to tell what *subjects* they cover, or whether economics has a recognizable core. Perhaps that is all to the good.

The American profession can look after itself, but publication in these same top journals has increasingly been used to assess young economists around the world, risking the demise of distinct approaches and schools that one day will be necessary for economics to evolve or to save it from excessive American inbreeding. And even within the US, I wrote of my horror at being told in a post-job-market seminar office visit that, for the candidate, whose talk demonstrated great virtuosity but neither concern for nor awareness of previous scholarship or approaches, the main threat to productivity was the amount of top-journal refereeing graduate students were expected to do. In such an environment, fads spread fast, and knowledge cannot cumulate. In contrast, I told a story from the 1970s about an elderly Italian economist who, after several glasses of *brunello*, spluttered with rage (and wine) about a new journal (I suspect it was the then newly-founded *European Economic Review*) sending papers to “unknown readers,” a procedure that was an affront to age and dig-

nity, and indeed to the orderly production of knowledge. At the time, I thought our new world was better, that meritocracy (and unknown readers) were good things. Now, I am not so sure. (And I am increasingly fond of *brunello*.)

I frequently wrote about aspects of American inequality, not only in income and wealth, but inequality across race and citizenship, and my evolving understanding that the American government, unlike the British government, which my parents and I had confidently looked to for protection, was frequently an oppressor, more often redistributing up than down. One of my colleagues in 1983 liked to proclaim that “government is theft.” I was appalled, but have learned how often it is true. Members of Congress impeded regulators from stopping opioid manufacturers and distributors from addicting and killing tens of thousands of less-educated Americans, and they have consistently—across both parties—prevented attempts to rein in the depredations of a healthcare system that absorbs a fifth of GDP. There are five healthcare lobbyists in Washington for every member of Congress.

Many *Letters* were about American healthcare, whose horrors are an endless source of amazement and amusement to British eyes. Perhaps the highpoint was about my own hip replacement (“Trying to be a good hip-op consumer”, April 2006), trying to find a good surgeon in the first place (“He’s the guy who did the Pope, but he’s past it”) and being mistaken for someone else at 3.00 am by a terrifyingly insistent nurse armed with drugs and needles. The point of the piece was to document the absurdity of expecting consumers to shop for healthcare as they shop for other items, an idea then being pushed by the Bush administra-

tion, and still today an item of faith on the right, where free-market fundamentalists believe there is no problem that markets cannot solve. One of my ongoing sorrows about economics is that, amid the cacophony of our conflicting recommendations, we have not been able to help politicians and the public understand important, but perhaps not so obvious things, like the fact that free markets can’t deliver healthcare. The piece was picked up by one of the health columnists in the *New York Times*, and my hip became famous. At my son’s wedding, a guest asked who I was, and when told flashed immediate recognition, “aah, you’re the man with the hip.”

In one *Letter*, when I was President of the American Economic Association, I noted my surprise at discovering that the AEA was founded five years before the Royal Economic Society, which began in 1890 as the British Economic Association, and whose founding meeting was attended by Edwin Cannan, Francis Ysidro Edgeworth, Robert Giffen, Neville Keynes, George Bernard Shaw, and Alfred and Mary Paley Marshall. Richard T. Ely, a founder of the AEA, and its sixth president in 1900-1901, was a leader of the Progressive Movement, and wrote, as part of the AEA’s platform, that ‘the doctrine of laissez-faire is

unsafe in politics and unsound in morals.’ He was remembered annually after 1962 through the Richard Ely lecture at the annual meetings. In 2020, the Executive of the AEA removed Ely’s name from the lecture, not because of his views on laissez-faire, but because he “wrote approvingly of slavery and eugenics, inveighed against immigrants, and favored segregation,” views inconsistent with the AEA’s code of professional conduct. In “America wakes up to inequality,” April 2014, I wrote warmly about Woodrow Wilson, a contemporary of Ely, who struggled (in the end unsuccessfully) against inequality and privilege at Princeton, and (with more success) in the United States (he was President when the Constitutional Amendments for women’s suffrage and the income tax were implemented). He too was “canceled” by Princeton in 2020, in part for segregating the federal government’s workforce, and his name no longer appears on the School where I once taught and worked. America—at least in part—has come to understand that inequality is about more than money.

Anne and I spend a month every summer in Montana, a break that keeps us sane, and the state itself, where I usually write the fall *Letter*, has often made an appearance. The great cosmopolitan universities on the coasts (Atlantic, Pacific, and



The Madison Valley and Madison Range in Montana, sometimes mentioned in the *Letters*, including this Farewell Letter

Lake Michigan) are astonishingly disconnected from much of America, making it hard for those of us who work in them to sympathize with or understand the way that many Americans think. This includes their historically well-founded suspicion and detestation of the Federal Government. They often see federal regulations as attempts by outsiders to make them behave like extras in the theme parks where those outsiders come to play, outsiders who have little understanding of the ever more limited employment opportunities for them and for their children. You are unlikely to meet someone in Princeton who has had four children serve in the US military. I drew a parallel—that I continue to see as real—between the regulations that bother Montana farmers, and the increasing methodological regulation of academic research, from which economics is far from exempt (“Your wolf is interfering with my t-value,” October 2012).

My first *Letter*, in October 1996, was about the minimum wage, particularly the then new work of my colleagues David Card and Alan Krueger, and I returned to it two years ago after Alan died. I have never worked on the minimum wage, but the issues—how to do empirical work, how to bring evidence to bear on policy, the role of theory, and the potential for violent political controversy—are ones that I care about.

The minimum wage work, and its use of the natural experiment methodology, seemed like magic at the time, raising the curtain on new possibilities of investigation. As with all new methods, its problems became more apparent over time, but the history since 1994 is important and instructive. For many economists, the result that employment might go *up* with an increase in the minimum wage was *obviously* false. James Buchanan wrote that this was like claiming that water runs uphill, and was “equivalent to a denial that there is even minimal



Princeton University, home to Sir Angus Deaton since 1983

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scientific content in economics.” He went on to congratulate himself and the rest of the profession, but presumably neither Card nor Krueger, for not being “a bevy of camp-following whores.” Another notable economist, June O’Neill, noted, like a good Bayesian, that “theory is evidence too.” Of course, the profession, camp followers or not, understood that the empirical result made sense if employers had monopsony power, but that fast food restaurants could be monopsonists was itself seen as likely as water flowing freely uphill.

Jason Furman later wrote that Card and Krueger’s work changed the minds of half of the profession, still a good description. In my own judgment, the accumulating evidence supports their original results, as does the experience in Britain after 2000, and, as a result, the importance of monopsony is more widely recognized, if far from universally so. This is not just water flowing uphill, but a whole new world, in which the economy looks less like a benevolent market and more like a class struggle, in which working people

have good reason to mourn the decline of unions. The intense political reactions to the work from deeply interested parties, especially the fast-food industry, would have been no surprise to Adam Smith when he wrote about “The clamour of our merchants... for the support of their own absurd and oppressive monopolies.”

I also had the special pleasure of writing about the events around the Nobel Prize. One highpoint that stays with me (“Special edition from Stockholm and Washington,” April 2016) was an event that has not taken place since 2016, which is the reception in the Oval Office of each year’s American laureates. President Obama opened the door himself, and as I shook his hand, I gestured towards Anne behind me, beginning “I would like to introduce. . .” which was as far as I got. “Professor Case needs no introduction to me, and now we are going to discuss the paper that you have both written.” The paper—the first one of our “deaths of despair” work—had been published three days before, and he had read it carefully, and suggested that we draw a parallel with the catastrophe in the Black community forty years before, an idea we adopted in our book. There were no Nobel visits in the Trump years; I quoted the quip from a New York Times op-ed, asking what Trump could possibly learn from someone (Dick Thaler) who works on the lack of self-control. In the next *Letter* (“On becoming superannuated,” October 2016), I recounted the story of how the Nobel magic brought humanity and festivity to a dreary government benefit office. As my friend Danny Kahneman told me in 2002, the single best thing about the prize is, not the happiness it brings to the recipient, considerable though that is, but the happiness it brings to other people.

Writing these *Letters* has given me great pleasure, and I hope that it has brought pleasure to my readers too.

Letter from America: highlights

The Letter from America in Retrospect

We present highlights chosen by the Editor

On social security funding, April 1997

The [American social security] system could be made solvent for the next 75 years if the current social security payroll tax were raised from the current 12.4 percent to 14.6 percent, a solution that is about as likely as universal health insurance, gun control or the abolition of the death penalty.

On policy debates, October 1999

... given the quality of much that is published in both fields, it is hard to believe that peer-review in either economics or public health can bear the burden of certification. When the results of working papers posted to the web instantaneously become part of the policy debate, traditional procedures hardly seem adequate.

On economics and health research, April 2000

... it is no longer unusual for economists to be asked to team up with doctors who fear that their research will not be funded without the presence of economists and their insights about behavior, for example about smoking or alcohol consumption. These partnerships involve real mutual learning and are more evenly balanced than the much-noted imperialist excursions of economics into other social sciences. Economics may be the 600 pound gorilla in the social sciences jungle, but it's still a barely visible creature in the Bethesda zoo.

On the new George W. Bush administration, April 2001

[Larry] Lindsey has described the estate tax (referred to by Republicans as the 'death' tax) as 'the biggest impediment to capital formation on the nation's books.' This view

was immediately denounced by 120 billionaires (including George Soros, Bill Gates père, and Warren Buffett) in an advertisement in the New York Times...

From a letter on American development policy, October 2002

The book [by William Easterly] ... will be much enjoyed by professional economists for its exposition in intelligent lay language of how the technique of instrumental variables solves the causality problem. (The intelligent lay public is likely to doubt the sanity of economists even further.)

Peter Howells, the former Editor, writes:

When I took over from Thelma Liesner in 1998, the 'Letters from...' America, France and Germany were a regular and popular feature. I have lost count of the number of times, at various RES events, that readers told me they enjoyed the *Newsletter* and that it was worth reading for Angus's letter alone. (I took this as a compliment in spite of its ambiguity.) Dealing with his letter was certainly one of the easiest of my tasks as editor. It was always on time (one needs to have been an editor to appreciate what a rare and valuable quality that is); it never needed any work; and above all it was always interesting to read. I am pleased to see that Angus has mentioned some outstanding examples in his farewell letter. I couldn't have done that. They were, all of them, gems.

On the George W. Bush tax cuts, April 2003

In Washington, there will be deficits for many years to come, in part in response to a weaker economy, but mostly as the result of tax cuts whose beneficiaries are typically very well-off. In the states, most deficits will be closed in a way that protects those who are benefiting from the federal tax cuts. There is no such protection for the elderly, the poor, and the sick.

On American healthcare, April 2006

This situation has been compared by my Princeton colleague Uwe Reinhardt to shopping blindfold in a department store, and then months later being presented with a bill on which some items are charged at full price, and some at some fraction of full price, but with no advance knowledge of either what one has bought or what it will cost. And this is for those fortunate enough to have insurance.

On changes in economics, April 2007

If the typical thesis of the eighties was an elaborate piece of price theory estimated by non-linear maximum likelihood on a very small number of observations, the typical thesis of today uses little or no theory, much simpler econometrics, and hundreds of thousands of observations... The extent to which data can effectively be substituted for theory is clearly a topic that is being actively explored, at least empirically... In the end, it is hard not to think that the quality of research owes more to people than to methods.

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On climate change and the Stern Review, October 2007

If zero discounting (with perhaps a touch of paternalism) is the British vice, the refusal to consider ethical questions explicitly but to leave them to the market is surely the American vice. How do the preferences of unborn generations get expressed in the bond market? Do we really want to discriminate across people by their date of birth? ...

Zero pure time preference, if it is a vice, is surely a minor one. Relying on markets to teach us ethics is very much worse.

On the Economic Journal, as part of a letter on the AEA, April 2010

The first issue of the Economic Journal starts with a statement of purpose by the Editor, Edgeworth, proclaiming that the ‘difficulties of Socialism will be dealt with in the first number, and the difficulties of Individualism in the second.’

On economics and universities in recession, October 2010

...economics has failed to set any limits on the public debate about cause and effect in macroeconomics... what people think is well predicted by their political ideology... While I am not naïve enough to suppose that economics has a core scientific content that can be separated from politics, an outsider might wonder just what we have all been doing for the last eighty years.

On criticisms of economics, October 2011

Robert Zoellick... jibed that ‘in physics, Nobel prizes are awarded for being correct while in economics they are often awarded for being brilliant’. (It is an interesting exercise to list economics laureates, and allocate them to one or other of Zoellick’s boxes.)

On economics and other disciplines, also from October 2011

Behavioral economics and psychology are everywhere, and it is much harder than once was the case to see any real distinctions between what economists do and what is done by sociologists, psychologists, and political scientists. This is not the imperialist economic enterprise of 20 years ago, where economists set out to conquer their poor sisters – armed with rational choice and a self-proclaimed monopoly on the tools of causal inference... Instead, economists now believe that it is impossible to think about economic development, or about macroeconomic policy, without incorporating politics, and that sociology and psychology have serious things to tell us about human behavior.

On the costs of unemployment, April 2012

While there is endless speculation about the effects of unemployment and recession on the election prospects of President Obama and his opponent... there is little discussion of what the recession is actually doing

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to people. Apparently, the main effects of interest are those on the chances of politicians in the election... Jobs mean more than income, and the loss of a job brings a loss of structure and meaning and it is most likely this that brings the loss in well-being.

On economists and inequality, October 2013

Yet here are two areas [health and gender equality] where I believe that economists, not through any political commitment, but through their regular activities, have been helping keep inequality under control, and where, as is often the case, the realisation comes only when they stop doing so, or when the forces on the other side win a victory.

On winning the 2015 Nobel Prize, April 2016

As many previous recipients have told, the experience is both exhilarating and overwhelming; I have often thought of the story of the dog who liked to chase buses, but had little idea of what it would be like to catch one. The Nobel is not just catching the bus, but being run over by it.

On the American healthcare debate, April 2017

At the end of his [1963 AER] paper, Arrow wrote: ‘It is the general social consensus, clearly, that the laissez-faire solution for medicine is intolerable.’ This is perhaps one of the few sentences in the paper that has not stood the test of time, though there is nothing at all wrong with the last clause.

On personal memories of economists, October 2017

The first seminar I ever heard in economics, in Cambridge in 1969, was Tony [Atkinson] presenting his famous paper on the measurement of inequality. It made me think that economics was a pretty cool subject, I thought all economics talks were like this, and it ruined me for a lifetime of seminars.

On the minimum wage debate, April 2019

My friend Anthony Appiah, a philosopher who thinks about and comments on public policy, recently asked me, with some irritation, why economists had *still* not managed to settle what seemed like a straightforward question... But perhaps Appiah’s question is ill-posed and has no general answer? Why do we economists — as well as non-economists — suppose that the effect of a treatment should always be the same, or at least always act in the same direction?

On the Covid-19 pandemic, April 2020

But the truth is that no health system, however well designed and funded, could deal with the plague that threatens to overwhelm us. No planner would make preparations for something that we have not seen in a century, would construct intensive care units that are almost always empty, nor construct tens of thousands of ventilators that are almost never needed and would rust in place.

On multiple crises, October 2020

...it is hard not to infer that, so long as the elite are not suffering, and as long as the stock-market remains airborne, our current political system will not help those in trouble... I hope that I am wrong. Perhaps there is hope in the idea that it will take multiple crises to change a deeply broken but well-defended economic and political system.

The Letters from America

The RES has an online archive dating back to April 2013, at

<https://www.res.org.uk/news/newsletter/>

The full set of Letters, from October 1996 onwards, is available here:

<https://scholar.princeton.edu/deaton/letters-america>