

Deaths of despair: A tale of two Americas

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Angus Deaton received the Nobel prize in 2015 for his work on consumption, poverty and welfare. In these edited excerpts from his keynote speech at the common good Summit, the celebrated Princeton economist hits out at the injustices of America’s deep educational divide. The current pandemic, he hopes, is an opportunity to protect the less fortunate from predatory corporate interests and labor market failures.

A bachelors degree has increasingly become a passport not only to a good job – that is worth doing and whose rewards have increased over the past half century – but also to good health, a long life, and a flourishing social life. Without it, you risk being a second-class citizen.

From 2014–2017, life expectancy in the US fell for three years in a row, something that had not happened since the last pandemic in 1918. Death is the last stop on the long road of despair. The starting point is the labor market that is increasingly failing those without a BA. The fraction of non-elderly adults who are employed has been declining for less educated men for half a century and for less educated women since 2000. In boom times, participation in work increases, but the rise in each boom never obtains the previous peak. The same is true for wages.

The failing labor market spills over into the rest of life. Unions not only raise wages, they also monitor working conditions and are often a center for social life. But unions are now almost non-existent in the private sector and have little power in Washington. Marriage has declined among the less educated. Instead, many Americans participate in serial cohabitations that are scarcely able to bring the support and contentment that can come from lifelong family commitments.

Morbidity has risen alongside mortality. In an extraordinary reversal of a law of nature, middle-aged Americans now report more pain than elderly Americans. Once again, this is true only for those without a BA.

Half of the increase in deaths of despair comes from opioid overdoses. For this, pharmaceutical companies, supported and defended by politicians, bear huge blame for addicting so many people in search of enormous profits. Meanwhile, suicide rates rose to levels that used to characterize the most dreadful societies on Earth.

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Despair is made worse by upward redistribution from poor to rich. The US healthcare system delivers the lowest life expectancy of any rich country but costs twice as much as it should. Hospital and pharma executives are paid huge salaries as they destroy low-education labor markets through the cost of health insurance. The excess costs of the American system over the next most expensive system in terms of share of national income, Switzerland, are enough to finance America’s military with money to spare.

“Remarkably, the rising epidemic of ‘deaths of despair’, now running hundreds of thousands of people per year above the rate in the mid 90s, is largely confined to those without a college degree”

The very richest people in America – Bezos, Gates, Musk, et al – are all men who developed companies that made new and useful things. If growth is driven by a Schumpeterian process of creative destruction, a case can be made that those fortunes contributed to the common good. That said, they might also owe much to the exercise of destructive market power. And nothing in Schumpeter tells us how large their rewards ought to be.

Then came Covid. Inequality shot up first in the labor market. Many highly educated people continued to work online. Some of the less educated stayed at work but risked contracting the virus, while others had no work to go to. Unemployment rose most rapidly for women, many of whom had childcare responsibilities. The Cares Act and later federal spending appears to have offset the financial effects of unemployment and kept up demand for essential production such as food. Because much of the federal spending was conditioned on low income, it is likely that income inequalities decreased. There is a well-justified concern about children’s education, especially for those without adequate internet access or with low levels of parental support and supervision.

Wealth inequalities, exacerbated by low-interest rate policies that inflated the value of assets, have exploded during the pandemic. One estimate is that American billionaires have added a trillion dollars to their net worth. Easy money and

the rising fortunes of capital have put the American stock market on steroids. Well-educated elites have seen their portfolios shoot up over the past decade, rocketing further over the past year, while they work safely at home on Zoom and WebEx. Meanwhile, at least 587,000 Americans have died of Covid.

What to do now?

The deficits necessarily incurred during the pandemic are already leading to debates. A British proposal for a one-time temporary wealth tax would be mostly borne by housing and pensions. The IMF has suggested temporary taxes – Covid-19 recovery contributions – on high incomes, profits or wealth. All such proposals face political resistance as well as the practical difficulties of evaluation and avoidance. But given the fortunes made during the pandemic and the many deaths disproportionately borne by those who did not benefit financially, failure would be a definitive sign that we are not all in this together.

The burden of taxation must be adjusted to be fairer, and to be seen to be fairer. Corporations need to be made to pay the taxes they owe, and international treaties need to eliminate the shifting of assets to avoid taxes. Power needs to be distributed back to labor, and away from firms. The long-term harassment of unions needs to stop and anti-trust should be reinvigorated. We need fewer ex-corporate lawyers as judges.

A single-payer healthcare system – that covers everyone from birth and enforces price controls – would remove a metastasizing cancer on American health and wealth that redistributes from poor to rich. The Biden administration is moving in the direction of the European welfare state, although it has not grasped the nettle required to finance it: a value-added tax that is the embodiment of widely shared contributions for widely shared benefit. It should.