

A CRITICAL ANALYSIS OF ANGUS DEATON.
REVIEW OF ANGUS DEATON, *ECONOMICS IN AMERICA:
AN IMMIGRANT ECONOMIST EXPLORES THE LAND OF INEQUALITY*,
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TATIANA FLEMING*

ABSTRACT

The review of *Economics in America* by Angus Deaton examines the roots and impacts of inequality in the United States, highlighting systemic issues in healthcare, welfare, and wealth distribution.

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JEL Codes: E2, I3.

INTRODUCTION

The brilliant 2015 Nobel Prize in Economics laureate, Professor Sir Angus Deaton, presents us with his most recent book, *Economics in America: An Immigrant Economist Explores the Land of Inequality* (2023), following the great success of his 2020 work, *Deaths of Despair and the Future of Capitalism*. A professor at Princeton University, Deaton was born in Scotland, educated in England, and moved to the United States in 1983, drawn by the widely held belief that the U.S. was the land of opportunity and freedom. However, Deaton demonstrates that the U.S.'s claim to meritocracy, liberty and opportunity fails the vulnerable and the immigrant population, as the country lacks a robust safety net to ensure a minimum level of dignity for those in need. Without such a safety net to secure basic rights for the

* Economics Institute, Federal University of Rio de Janeiro, Brazil. Address for correspondence: tatiana.machado@ppge.ie.ufrj.br.

poorest and without strong regulations to curb financial speculation by the wealthy, the United States is increasingly one of the most unequal nations in the world.

Deaton highlights the shortcomings of American prosperity and meritocracy through various manifestations of inequality, emphasizing that citizens start from vastly different income levels. He further argues that it is not only monetary inequality that underpins the United States' flawed economic system but also inequalities related to gender, race, sexual orientation, and access to higher education.

Revisiting *Deaths of Despair*, Deaton provides data and evidence across several chapters on the stark disparity between individuals who complete four years of college and those who do not pursue higher education. Beyond lower wages, there is also a social stigma against the less educated in American society. Additionally, Deaton presents compelling data on professors, researchers, and high-achieving students at the United States' top universities, showing that a significant portion of these intellectuals are foreign-born.

Despite the U.S. attracting many foreign scholars due to its graduate programs, Deaton notes that American society is deeply anti-intellectual, a sentiment he has experienced firsthand since his arrival in the country. This anti-intellectualism creates a fertile ground for the proliferation of fake news, anti-democratic ideas, and fascist ideologies.

Deaton skillfully weaves his analysis of inequality in America, illustrating for readers how myths about attacks on individual freedom and the creation of "imaginary" national enemies take shape. Underpinning these anti-intellectual ideologies are economic and political debates, heavily influenced by the speculative financial system in the United States. This system, he argues, permeates everything from policy lobbying by major financial groups to the middle-class mortgage market, all fueled by the ethos of speculation.

Finally, Deaton shares intriguing anecdotes about his friendships with other prominent economists, expressing admiration for some while offering criticism of others. After all, not every economist is as brilliant and admirable as Professor Deaton. As in other professions, there are also charlatans in economics whose misguided ideas harm socio-economic development.

1. THE NOBEL PRIZE

The Nobel Prize in Economics was established after the prizes for Physics, Chemistry, Medicine, Literature, and Peace. The first Nobel Prize

in Economics was awarded in 1969 to Ragnar Frisch and Jan Tinbergen, pioneers in the use of econometrics. However, there is a significant backlog of unrecognized giants, such as Keynes and Joan Robinson, and the selection of winners is not immune to the current trends in the economics profession, despite the careful selection process conducted by Scandinavian economists.

The establishment of the prize was an attempt by Åsbrink and Lindbeck to push Sweden toward adopting a more market-friendly stance, as the period during which the economics prize was created was one in which Keynesian policies were more prevalent. Some economists skeptical of Keynesianism believed in the virtues of the market, dismissing the active and productive role of the state. A few years later, the neoliberal order emerged. Nevertheless, the prizes have been awarded to both left-leaning and right-leaning economists.

Deaton argues that not all of the award-winning works have provided benefits to humanity or proven effective for policy. An example of this is the 1976 Nobel laureate, Milton Friedman, whose theories prioritized economic efficiency over social welfare. Friedman's approaches to inflation and economic growth often overlooked human costs, such as rising inequality and the erosion of social safety nets. His unwavering belief in the "free market" as a foundation for policymaking proved flawed, contributing to financial and social crises, where insufficient regulation played a central role. Thus, the practical application of Friedman's theories has demonstrated significant limitations in fostering sustainable and equitable benefits for humanity.

Another Deaton's criticism is the lack of gender representation among the laureates. Elinor Ostrom was the first woman to receive the prize, only in 2009. The second woman to win was Esther Duflo in 2019, who was also the youngest recipient in history. A blatant case of sexism was reported by Justin Wolfers in *The New York Times*, including the extraordinary suggestion from Ralph Nader that Janet Yellen should sit with her prize next to her husband, George Akerlof, the prizewinner.

When Deaton discusses his own award, he mentions a splendid tradition (abandoned in 2016) in the United States of inviting American Nobelists to the Oval Office. In the year Deaton received his award, three of the four laureates were immigrants to the United States. This speaks volumes about the intellectual structure of the United States, which confronts the growing anti-intellectualism outside academia and the rise of charlatans within the profession. However, economics is not the only field with charlatans; all professions have both intelligent professionals and charlatans (who gain more visibility through fake news and cognitive distortions spread on the internet). As Deaton states, "Lest I am taken as

claiming that only macroeconomics is in trouble, there are other areas that are doing equally badly”.

2. THE LAND OF INEQUALITY

Inequality is often associated with wealth and income, and the United States ranks at the top for both types of inequality. Furthermore, the country implements policies that perpetuate and exacerbate these disparities. How can a nation that claims to be the land of “freedom” and prosperity condemn much of its population to poverty, insecurity, and illness?

Material or monetary inequality is evident through common economic indicators such as purchasing power parity (PPP), income concentration, and wage levels in the productive sector. However, a fundamental yet invisible factor in meritocratic narratives of wealth is inheritance. Elon Musk and Bill Gates, for instance, did not start their fortunes from scratch; they benefited from state-funded innovations that further propelled their wealth (Mazzucato 2018). Therefore, addressing monetary inequality requires a moral commitment to designing effective social, fiscal, and monetary policies.

A recurring theme throughout several chapters of Deaton’s work is the comparison of well-being and inequality between the United Kingdom and the United States. He highlights the bureaucratic and financialized nature of the U.S. social security system, contrasting it with the efficiency of the UK’s welfare mechanisms. Another striking contrast lies in the healthcare systems. While the U.S. healthcare system is privatized and dominated by pharmaceutical lobbying, the UK’s public healthcare system provides higher-quality services with lower moral hazard.

The structure of the United States’ social policies in healthcare and welfare exacerbates inequalities among its citizens. The claim that “the magic of the market can help make healthcare better and cheaper” is a fallacy, as there is limited transparency about actual medical costs and processes. Deaton notes that insurance companies negotiate “secret prices” with hospitals and doctors, leading to erroneous bills, and when contested, price corrections often involve prolonged negotiations with chatbots. As a result, patients in the United States are treated as customers – rather than as lives – and become easy prey for the speculative practices of large pharmaceutical and insurance companies.

The much-touted freedom in the United States is a perverse narrative that traps citizens in cycles of inequality. Ideological rhetoric about market freedom distracts from one of the state’s primary roles: ensuring fundamental rights for its citizens. The great irony is that far-right policies

are economically liberal but politically illiberal, as they fail to guarantee equality before the law for all citizens (Ikenberry 2018). This political illiberalism undermines democracy and creates openings for fascist ideologies to take hold, particularly among anti-intellectual segments of society. So, why is combating inequality important? To safeguard democracy. As Deaton (2023: 88) states, “Democracy is not compatible with inequalities”.

In the subchapter titled *Madmen in Authority*, Deaton (2023) discusses the Trump administration, supported by Republican majorities in both the House and Senate. During Trump’s first term, economists were largely excluded from positions of authority, and a genuine belief emerged that more market and less government would improve the healthcare system. The administration’s indifference to growing inequalities and its ignorance in managing social policies were symptoms of regression in U.S. healthcare and welfare systems. The consequences of this indifference are alarming: declining life expectancy, increased suicides, alcoholism, and drug abuse among citizens without a four-year college degree (Case and Deaton 2021).

The “normalization” of inequality is upheld by policies that shift focus away from concrete socio-economic development efforts and toward ideological battles against “communist enemies” and false moral narratives on religion and gender. Behind these moralizing and fear-driven narratives lies a robust military-industrial complex and financial sector profiting from overseas wars and rising domestic poverty. In the third chapter, Deaton argues that development can only occur when there are contracts between governments and citizens, especially in fiscal policy and public spending decisions.

The narrative against public debt and expenditure concerns, without considering the multiplier effect of public investment, leads to a spurious debate that only deepens cross-border inequalities. Currently, one of the biggest deficit-related concerns involves financing climate change mitigation and adaptation. As Deaton (2023) notes, the most pressing issue today is climate change and the integration of aid and climate policies. Poor countries will only be able to implement adaptation and mitigation plans if they receive substantial foreign direct investment (Hornberger *et al.* 2011). Deaton writes: “A dollar sent to a poor country does more good because the recipient’s needs are much greater, and because the magic of the lower price level in poor countries doubles or triples the value of money on arrival at its destination” (Deaton 2023: 51).

Deaton cites *The End of Poverty* by Jeffrey Sachs (2006) as an example of efforts to aid crisis-stricken countries and eradicate global poverty. He also favorably refers to Sachs’ ideas, which echo those of development pioneers such as Rosenstein-Rodan’s Big Push theory (1961). The Big

Push challenges comparative advantage theories, emphasizing the need for external economies or pecuniary conditions to attract capital in poor countries. For the Big Push, these nations will not industrialize naturally but remain specialized in low-knowledge-intensive products unless there is a requalification of their external integration to generate economic development. Maximizing external economies requires organized blocs; the more income and employment multipliers are leveraged through state action, the greater the sustained economic growth.

3. ECONOMISTS AT A CROSSROADS

Throughout the book, Deaton questions whether economists have taken the wrong path over the years, given the rise in social and economic inequalities. The Nobel laureate professor brilliantly presents arguments from both heterodox and orthodox economists to encourage reflection on this issue. The most captivating aspect of the book is how Deaton demonstrates his intellectual brilliance while remaining unassuming.

A recurring theme across several chapters is the contrast between economists from Cambridge (UK) and Chicago. Deaton raises the question of whether Chicago's neoliberal economists, followers of Milton Friedman, have taken their belief in free markets and the meritocratic ideals of the American Dream too far. These theories, supported by Wall Street, are not free from the influence of large corporations and politicians who claim to represent "the market". The endorsement of utilitarian ideas that condemn people to poverty is, as Deaton highlights, a moral problem.

Deaton discusses the ideas of Mirrlees (1971) and Atkinson (1970) on poverty and inequality. Mirrlees argues that pushing too hard for equality in real wages through taxes and redistribution may lead to reduced work effort and productivity. On the other hand, Atkinson, whose perspective aligns more closely with the core of Deaton's book, maintains that measures of inequality should not be detached from moral and political values. There is no definitive threshold of inequality that society should tolerate. As Deaton puts it, "Inequality is in the eye of the beholder" (Deaton 2023: 91), meaning that people recognize inequality when they experience and resist it – or turn a blind eye when it suits them and benefits from the poverty of others.

In contrast, Friedman and his followers theorize that inequality is "natural". They focus on the idea that everyone has equal opportunities and oppose taxation policies, particularly direct taxation. Whether due to naivety or malice this type of thinking remains prevalent today. As Deaton remarks, "utopian rhetoric about freedom has led to an unjust social

dystopia, not for the first time. Free markets with rent seekers are not the same as competitive markets; indeed, they are often exactly the opposite” (*ibid.*: 95). The reality is that economics is not politically neutral, as evidenced by Friedman’s influence on Nixon’s policies. Friedman proposed integrating markets with the military sector (Deaton 2023), supporting wars and military coups outside the United States, such as the military coups in Brazil (Fico 2008) and Chile (Márquez *et al.* 1974).

The central issue is that studying and addressing inequality is neither a priority in academia nor in U.S. politics. Ironically, the so-called “land of freedom” tends to listen more to market economists than to developmentalists, with the result being an increase in social vulnerability. Alan Krueger, in a widely publicized 2012 speech, presented data and evidence showing that countries with high income inequality also had fewer equal opportunities.

In the book’s final chapter, titled “Did Economists Break the Economy?” Deaton argues that the 2008 crisis was a pivotal moment for rethinking the purpose of both the American and global economies. Economists need to address the incompatibility between democracy and unregulated capitalism. The reckless enthusiasm for markets in general – and financial markets in particular – challenges the compatibility between American capitalism and democracy. There is an urgent need to restore the State’s role as a protagonist and prioritize policies that safeguard the lives of all citizens, breaking the cycle of growing inequality.

CONCLUSION

Economics in America is a masterpiece for our times, essential reading for anyone seeking to broaden their critical understanding of the economic system we live in. Professor Angus Deaton with meticulousness and intellectually honesty examines various challenges within the economy and the contrasts between academia and government in the United States.

Deaton highlights that the so-called “land of the free” is not as prosperous as it claims to be. The relentless market-oriented approach undermines crucial policies, such as healthcare and social security. Blind faith in the market exacerbates inequalities, as there are few safety nets, particularly for immigrants. A striking contradiction in the United States lies in its treatment of immigrants, even though many of the brightest minds at its top universities are foreigners.

Deaton also sheds light on a cognitive dissonance in the United States, where waves of anti-intellectualism have become increasingly prevalent. This anti-intellectual sentiment makes many Americans susceptible to

misinformation, fostering fear against perceived “enemies” of the nation. It is akin to telling a child a ghost story, as there is a lack of critical thinking and scientific rigor. As a result, far-right agendas gain traction, while democratic initiatives and efforts to combat inequality are weakened in the United States.

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