

# Philanthropy Daily

## Angus Deaton argues for prioritizing local needs

Martin Morse Wooster

June 30, 2016

In fighting poverty, it's a long-standing question about whether or not it's better to help poor people at home or overseas. Angus Deaton, last year's Nobel Laureate in Economics, makes a forceful case that overseas aid is less effective and less necessary than aid spent in our country.

I heard Deaton speak at the Cato Institute in 2013, when he was promoting his book *The Great Escape*.<sup>[1]</sup> He came across as a relatively sensible market-oriented economist, and he said at his talk that he was a follower of Julian Simon. I respect what he has to say.

Deaton begins by critiquing what he calls cosmopolitan prioritarianism, “an ethical rule that says we should think of everyone in the world in the same way, no matter where they live, and then focus help where it helps the most.” I gather Deaton invented this phrase, but what came to mind when I read it was Peter Singer's argument that we need to help the most number of people we can with our aid, and thus foreign aid is better than domestic aid.

According to Deaton, while it's good that the number of poor people in the world has fallen from just over two billion in 1975 to around one billion today, that this is bad if it is due to free trade. “The globalization that has rescued so many in poor countries has harmed some people in rich countries, as factories and jobs migrated to where labor is cheaper.” Moreover, he says that he is a poor candidate to argue on behalf of globalization, since “I am among globalization's greatest beneficiaries—those who are able to sell our services to markets that are larger and richer than our parents could have dreamed of.”

Finally, Deaton agrees with research by sociologists Kathryn Edin of Johns Hopkins and Luke Shaefer of the University of Michigan that as much as four percent of the U.S. population lives on incomes of less than two dollars a day. (Edin and Shaefer's research, summarized in their book *\$2 a Day*, is discussed in interviews in *The Atlantic* and *the Washington Post*).

“We can think about these rights and obligations as a kind of mutual *insurance* contract,” Deaton writes. “We can refuse to tolerate certain kinds of inequality for our fellow citizens, and each of us has a responsibility to help—and a right to expect help—in the face of collective threats.”

Deaton's opinion piece is forcibly refuted by Sam Dumitriu of Britain's Adam Smith Institute who stresses the importance of free trade. Indeed, there are many subsidies that benefit rich Americans (including multinational corporations) and hurt poor farmers in the Third World. (I discuss the Acton Institute film *Poverty Inc.* here.) Does Deaton, for example, support farm subsidies that aid wealthy farmers in the U.S. and prevent farmers in Third World countries from being productive? How about sugar subsidies? Can they possibly be defended?

Moreover, Dumitriu links to a 2014 Brookings paper by Brookings fellow Laurence Chandy and M.I.T. graduate student Cory Smith (funded by that well-known tentacle of the vast right-wing conspiracy, the Hewlett Foundation) that suggests that Edin and Shaefer's claims about millions of desperately poor Americans are the subject of furious debate, centering on what Edin and Shaefer count as income and what they don't. That debate should probably be the subject of a future post, but Chandy and Smith persuade me that Edin and Shaefer's research shouldn't be unquestionably accepted.

That being said, I agree with Deaton that helping the poor should be the top priority of donors, and that helping those at home should be a higher priority than those overseas. But the reason should be that local aid, particularly to communities we know, should be of higher importance than aid to countries we have never visited, more than is given to people whose cultures we do not know and whose languages we do not speak.

Moreover, we should know *why* people are poor, and not just blindly assume that globalization is the only reason. In particular, we should know if there are moral or cultural reasons why poor people choose not to be part of the labor force. We need to learn the lesson the Victorians knew and we have forgotten: that we need to treat the poor as people, and our friends, rather than as faceless victims.

Of course we should worry about the millions of Americans who are struggling. But we can do our part to fight poverty *and* support free trade.