

# Foreign aid doesn't do much good, says Nobel economist

A miner's son who rose to international acclaim tells **Alexandra Fearn** of his disdain for cash handouts over solutions

**A**ngus Deaton is an unlikely economist. The son of a Scottish miner was thrown off his mathematics course at Cambridge because he was "no good at it" and drifted into economics almost by chance because he didn't want to disappoint his father by dropping out. Once established in

the field as an expert on poverty, he has constantly confounded colleagues by questioning established theories. When awarding him the Nobel prize for economics this week, the Royal Swedish Academy of Sciences praised his work on "consumption, poverty and welfare". Yet in Britain, it is his scathing view of foreign aid that

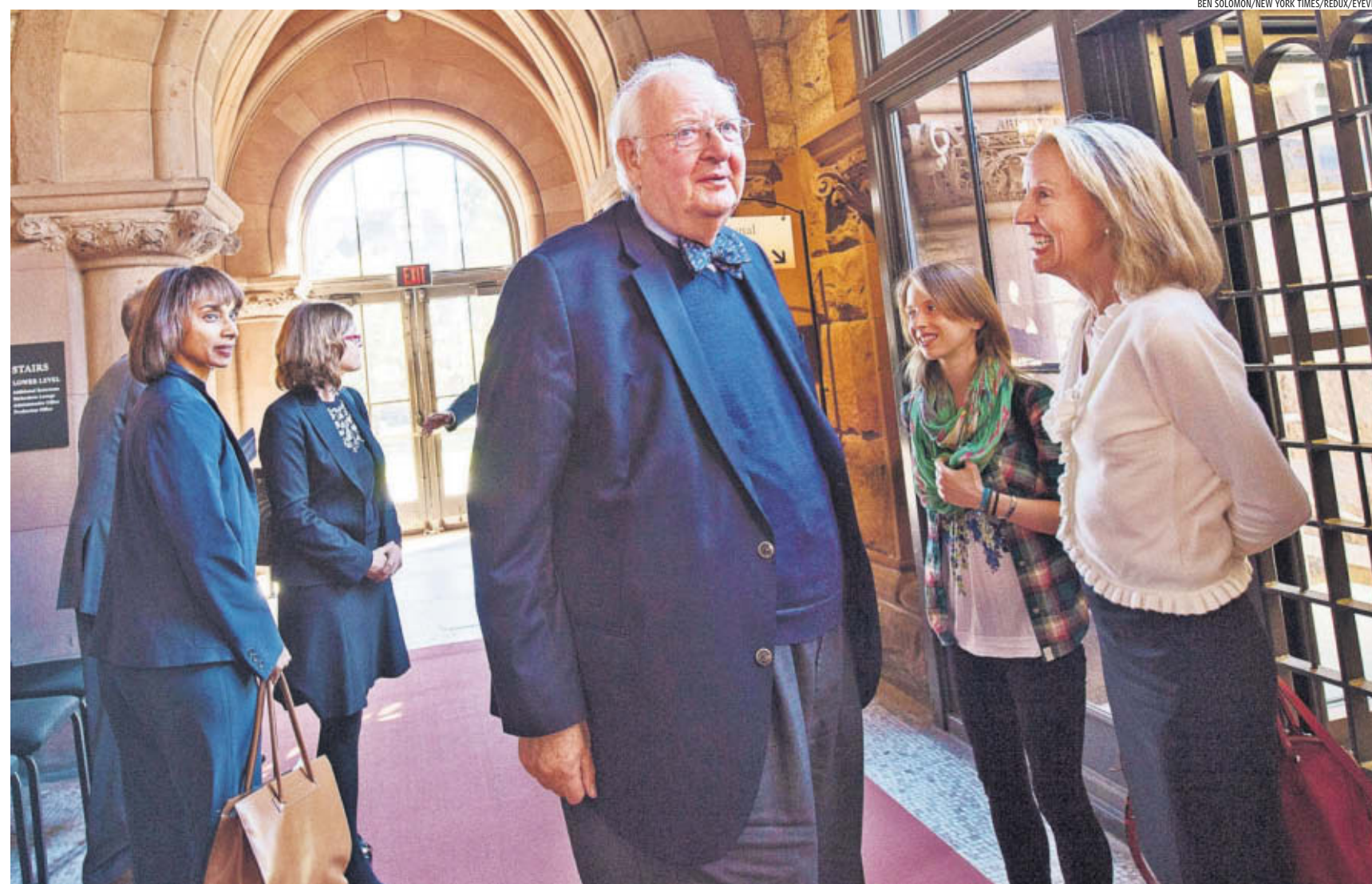
may make most headlines, given David Cameron's staunch defence of handouts for developing countries. Professor Deaton, 70, who has worked at Princeton University in New Jersey for the past 30 years, does not like the way countries such as Britain hand out aid, and is opposed to the UN's target for rich countries to give 0.7 per cent of their gross domestic product to poorer nations. "I'm certainly not claiming that all foreign aid harms people. But I do believe, on average, it's probably not doing much good," he says. "If there are targets they ought to depend on what the countries need — the needs of Kenyans don't suddenly change if British GDP goes up," he says from his modest office on the Princeton campus this week.

"If you set yourself a 0.7 per cent target, you have to get the money out there, you start making up things and hiring consultants or giving it to oil companies or something."

He is scathing about Tony Blair, who, he says, used foreign aid to burnish his reputation and boost his flagging popularity during the Iraq war. However, his main concerns are on the unintended consequences of foreign aid. "It breaks the links of responsibility between governments and their own people because the governments then finish up paying attention to aid agencies and not to what their own people need," he says.

Professor Deaton wants reform. First, he would like to see a ban on Britain giving money to the 20 or so countries where more than half of government expenditure comes from overseas donors. "You have these governments, many of which are pretty unsavoury, who are getting almost all the free money they have to spend from foreign aid," he says.

He would also like to see more aid money directed to western universities to help them to come up with better solutions to developing



From humble roots, Professor Deaton is

now getting calls from the White House. He is acutely concerned about the effects of the rapid accumulation of riches by the few

world problems and illnesses, such as malaria. He believes that no aid should go to countries to which the donor nation is also selling arms.

Professor Deaton's reputation belies a humble and gentle manner. Midway through his interview, the White House calls to congratulate him on his prize and to invite him to meet President Obama (of whom he is a fan). He is clearly delighted.

He is, he says, amazed when he considers the trajectory from his father's life in a Yorkshire pit village to the lifestyle enjoyed by his own grandchildren in the United States. "At a reasonable estimate, their life

## Mother's TV tears deepen Tory rift over tax credits

Francis Elliott Political Editor

Growing Tory unease over cuts to tax credits deepened yesterday as some of the party's MPs warned that a TV clash between a cabinet minister and a tearful mother presaged a political storm.

Michelle Dorrell, a mother of four from Folkestone, Kent, told BBC One's *Question Time* that she would struggle to make ends meet as a result of the withdrawal of in-work benefits.

Addressing Amber Rudd, the energy secretary, the 35-year-old nail bar worker described how she felt betrayed after voting for the Tories in May because she thought they would give her and her children a better chance.

"You're about to cut tax credits after promising you wouldn't. I work bloody hard for my money, to provide for my children, to give them everything they've got, and you're going to take it away from me and them," she said.

"I can hardly afford the rent I have to pay; I can hardly afford the bills I've got to do; and you're going to take more from me. Shame on you."

Her comments went unanswered.

Ms Dorrell, who receives about £240 a week in child tax credit, told the BBC yesterday that it would be the last time she voted Conservative because "they can't be trusted". She also said she had lost seven stone in three years after cash shortages left her without food.

Tory MPs pressing George Osborne to soften £4.5 billion in tax credit cuts



Michelle Dorrell said that she would struggle to make ends meet

received by more than four million households said her case was typical. A Commons briefing paper released last week shows the impact on single-earner couples with two children not in childcare, working 35 hours a week on the minimum wage. Their income this year of £21,699 falls to £20,322 in 2016-17 and does not recover until 2020-21, and only then in cash rather than real terms.

### Angus Stewart Deaton

**Born** October 19, 1945, Edinburgh

**Educated** Foundation scholar, Fettes College, Edinburgh; Fitzwilliam College, Cambridge

**Career** After a research post at Cambridge, he was appointed Professor of Econometrics at the University of Bristol. In 1983 he was recruited by Princeton, where he is the Dwight D. Eisenhower professor of international affairs, and professor of economics and international affairs at the Woodrow Wilson School and Department of Economics.

**Family** Married for 17 years to Anne Case, a fellow Princeton economist who has an office two doors down from his. She is his third wife. His first wife, Mary Ann, died in 1975 of breast cancer, leaving him with two children aged under five.

expectancy is that they will all live to be 100. My daughter, a pension planner in Chicago, is quite wealthy, and my son, a hedge fund manager in New York, is extraordinarily wealthy. They are used to things like, you know, if the surf looks good they go to the Maldives for the weekend. And there was my dad living in this dirty, infested, brutal place."

Yet Professor Deaton is also acutely concerned about the potentially insidious effects on society of the rapid accumulation of wealth in the hands of a few at the top, while middle-class incomes stagnate.

"What I'm worried about is that

people who make these huge sums of money turn round and start undermining the wellbeing of poor people," he says.

One of his biggest concerns is that the rich have captured the political process in America by pouring money into the campaigns of politicians, Democrats and Republicans, who support their low-tax agenda. In this light, he is enormously cheered by the fact that Donald Trump has disrupted this cosy relationship between candidates and wealthy donors.

"A crass multimillionaire on his own, who is out of the control of these vested interests, is disrupting the smooth process that all these rich people have been working on for years to buy and groom their favourite politicians. I love it," he says.

Professor Deaton credits his father, Leslie, with doing all the heavy lifting that raised the family from poverty to relative comfort. Believing passionately in the power of education, Leslie began his working life as a miner, but put himself through night school and earned a degree in civil engineering. Later, he ensured that his son won scholarships, first to Fettes in Scotland, where he had moved his family, and then to Cambridge.

In recent years Professor Deaton has turned to the study of wellbeing, or happiness, believing it may have far-reaching policy implications. He notes that in the US and Britain now there are more suicides than there are road deaths, yet governments spend a lot of money trying to reduce traffic accidents, but not suicide.

"Suicide is something you might get at by asking people whether they are miserable or not — you are not going to get that by asking people's incomes," he suggests.

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