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The Great Recession and Health: From Neoliberal Austerity to "Healthy De-Growth"

Abstract

In 2008, the world experienced the worst financial crisis since the Great Depression. The crisis is the cumulative effect of proximal factors such as the proliferation of risky loans and derivatives and distal factors including indiscriminate capital flow, excessive financial deregulation and high concentration of wealth in the top distribution. It is also a by-product of the global advent of the neoliberal policy paradigm and the diffusion of the "free market efficiency" ideology since the late 1970s.

Since the eve of the meltdown, global unemployment has increased by more than 30 million people, and according to the International Labor Organization (ILO) about 60 to 100 million people in low-income counties have been pushed into severe poverty. At the same time, a large number of people lost their homes and business activities because of the crisis. These macroeconomic shocks created important social disruption in both the EU and the US, but has the financial crisis also affected our health?

Evidence indicates that the Great Recession led to increases in unemployment and suicides rates both in Europe and in the United States. In Greece, a country hard hit by the crisis, suicides have increased by 17% from 2007 to 2010. In Italy, another country heavily affected by the Great Recession, between 2008 and 2010, there were about 290 suicides and attempted suicides in excess attributable to the crisis. The Anglo-Saxon world has also experienced the effects if the financial downturn. A study conducted in the US estimated that during the recessionary period after 2007, there were an estimated 4750 excess suicide deaths in the. In the UK, between 2008 and 2010 there were an estimated 846 more suicides among men and 155 more among women than expected based on historical trends.

These findings are consistent with previous studies that found similar associations after economic crises experienced in other wealthy nations, including Japan and New Zealand. Historical evidence also showed a sharp increase of mortality and suicides in Eastern Europe after the collapse of the former Soviet Union and the implementation of economic "shock" therapy, a particularly radical version of austerity and neoliberal economic reforms.

How has the Great Recession affected population health in the developing world where large proportion of population already live in poverty? Although little or no research has investigated the association between the 2008 financial meltdown and health in low and middle-income countries, historical evidence shows that economic shocks have increased adult and child mortality rates in Thailand, Mexico, Peru, Indonesia and other developing nations. Another review indicated that in developing regions such as Africa, low-income Asia and Latin America, recessions are associated with increases in infant mortality and worsening nutritional outcomes.

While financial crises are associated with rising unemployment, social instability and the rise of suicides, evidence also shows that they can generate positive health outcomes. Although the 2008 economic downturn led to increased suicides rates in Europe and in the United States, there has

also been an overall reduction of all-cause mortality rates, The crisis has been very harmful for those who have lost their jobs and businesses, but overall, at the population level, the negative effects of the crisis have been compensated by the positive effects in the average health of the rest of the population.

Several studies have reported an overall reduction in mortality during times of economic recessions, except for suicide rates. Similarly, a review of economic recessions in Europe between 1970 and 2008 found that, although suicides tended to rise, road traffic fatalities fell, producing a slightly favourable net effect on overall mortality. In effect, during economic recessions, health outcomes may improve, not only because of a reduction of road traffic fatalities, but also because of a decrease in exposure to dangerous working conditions, overwork and pollution. Recessions may also increase leisure-time that, in turn, can lead to health- and wellbeing-enhancing activities.

Favorable health outcomes in times of crises are more likely to be experienced by nations with stronger social protection and higher social spending. Access to social buffering mechanisms allows people to re-integrate into the workforce after job loss, through income subsidies and programmes. Evidence shows that these types of support decrease risks of depression and suicidal ideation. Furthermore, the association between unemployment and suicide varied according to the level of investment in unemployment and family support programmes: in countries with low investment such as Spain, there was a positive correlation between unemployment and suicide; in countries with high social investments such as Sweden, however, a sharp increase of unemployment resulted in suicide reductions. Similarly, from 2000 to 2010, unemployment and suicide rates were negatively correlated with levels of social protection across Italy. Across Italian regions, levels of unemployment correlated strongly with levels of suicides per 100,000 in the period studied. However, the temporal association between unemployment and suicides from 2000 to 2010 was not homogeneous across Italian regions and was negatively associated with per capita expenditure on social services. In Italian regions investing more than 135€ per capita on social services, each 1% rise in unemployment was associated with a reduction, instead of an increase of suicides.

Evidence also shows that recessions do not necessarily lead to worsening health outcomes when governments commit themselves to a more egalitarian distribution of resources. Notable examples of “healthy de-growth” - rising life expectancy in times of economic recession – include those experienced by Japan and Finland. In the 1990s, Japan suffered an economic recession that lasted for more than a decade, but experienced faster reduction in chronic diseases mortality than in preceding years of economic growth. As for Finland, the collapse of the Soviet Union in 1989, a nation with which Finland had strong economic relations and trade ties, caused the Finnish’s GDP to drop by a third. Surprisingly, the Finnish all-cause mortality rate also dropped - more sharply during this recession than in the subsequent economic boom. As incomes fell, alcohol consumption declined by more than 10% and road traffic injuries dropped by one-half. Another revealing case of “healthy de-growth”, has been experienced by Cuba after plunging into an economic crisis following “the special period” after the collapse of the former Soviet Union. Cuba faced an oil and economic crisis that severely undermined its food production system. In spite of the sudden deterioration of its economy, the health of the Cuban population actually improved. Between 1989 and 1993, while the Cuban Gross National Income (GNI) in international dollars per capita decreased by almost 20% life expectancy at birth steadily increased, and obesity fell along with death rates attributable to diabetes, coronary heart disease and stroke.

So far, policy responses to the crisis have failed to restore economic stability and address its underlying causes. They have consisted of large bailouts for the "too-big-to-fail" banks and austerity and budget cuts for the general population. If continued along these lines, these reforms risk hampering progress in public health worldwide, let alone the environmental destruction promoted by profit maximization and market deregulation.

Redistribution and new regulations at the national and global level are necessary to restore economic stability. These changes, however, require the abandonment of neoliberal policies and "free market efficiency" ideology to craft a new global political economy in which markets are means to human ends, not vice versa. The crisis is certainly not over, and prospects for economic recovery remain uncertain, yet evidence suggests that, even in the short-term, governments can achieve a regime of "healthy de-growth" if they adopt strong new macroeconomic reforms promoting strong social protections and a more egalitarian distribution of wealth.