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MEDICINE

Health in a time of financial crisis: Responding to the challenge

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European Observatory on Health
Systems and Policies

Budapest, November 2010

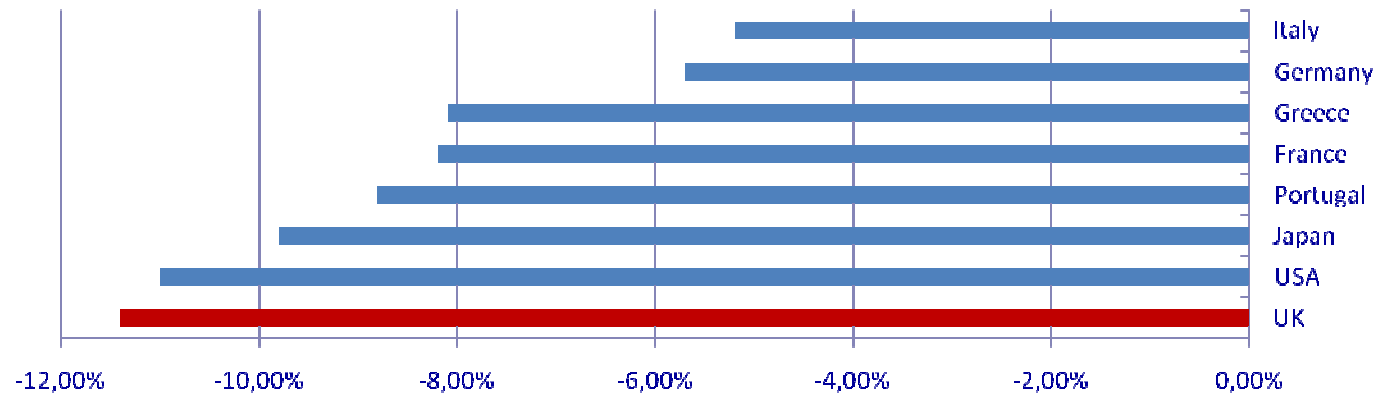
Definitions



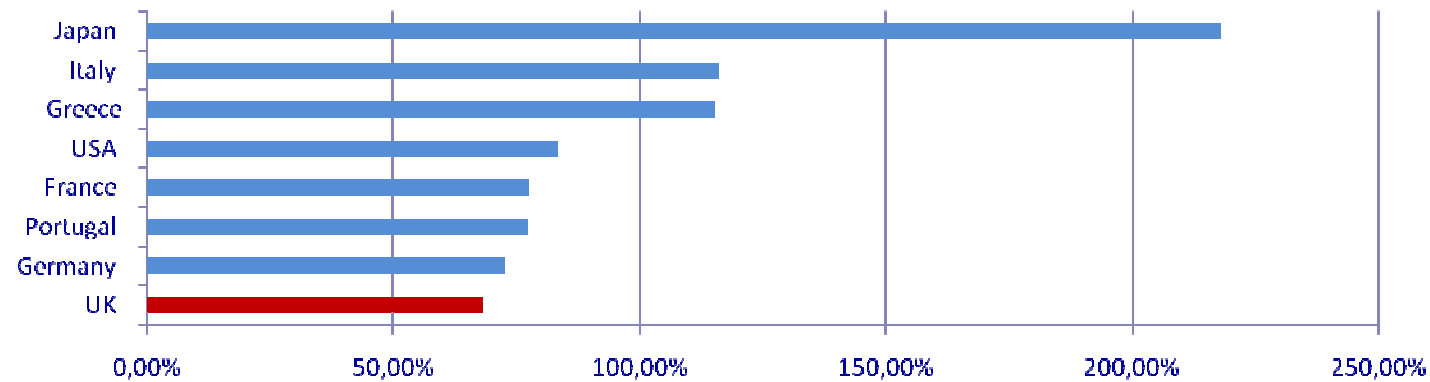
- Deficit
 - The gap between income and expenditure in a particular year
- Debt
 - Long term borrowing
- Maturity
 - Time to refinance
- Current account
 - Surplus/ overdraft
- Mortgage
- Mortgage repayment



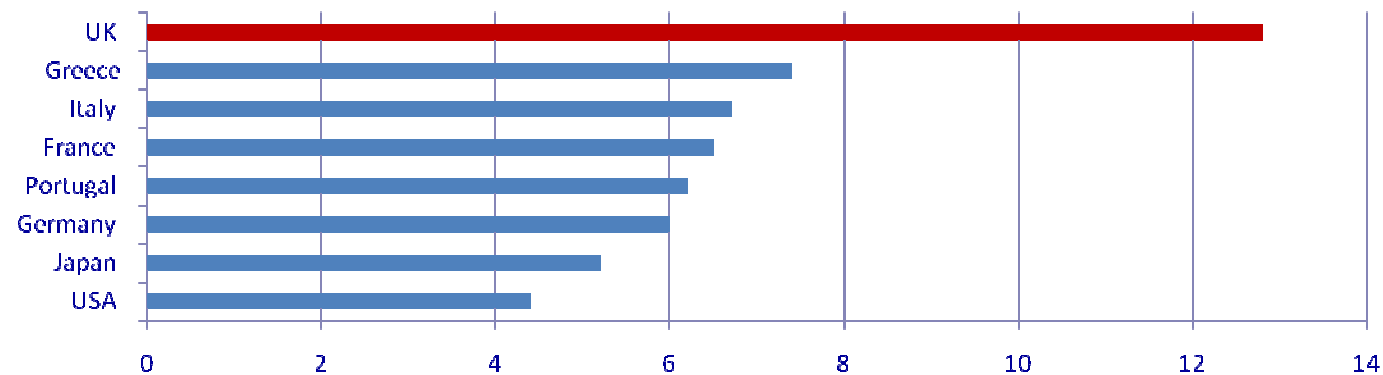
Deficit as a % of GDP



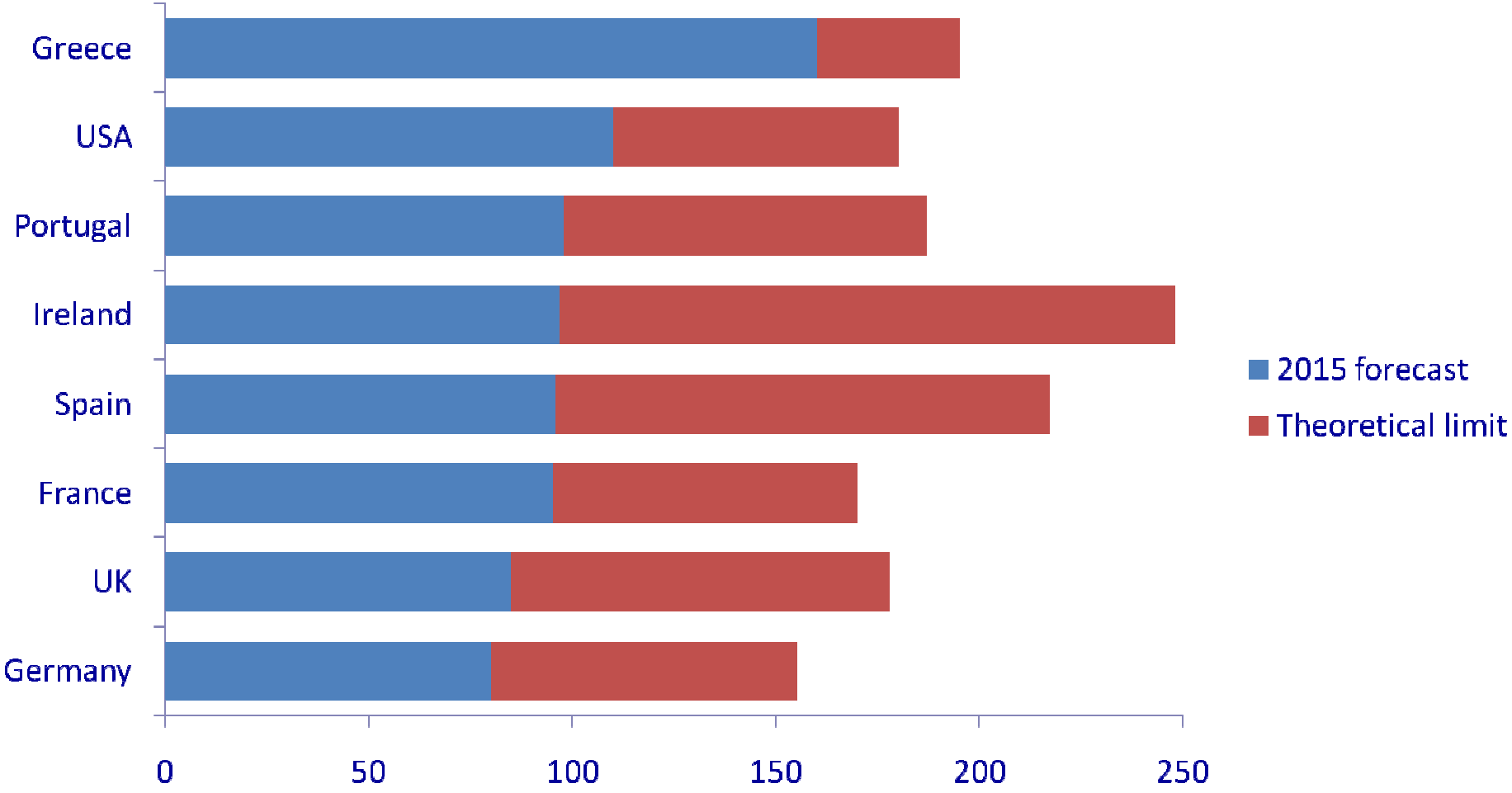
Gross debt level as a % of GDP



Maturity (average of government debt, years)



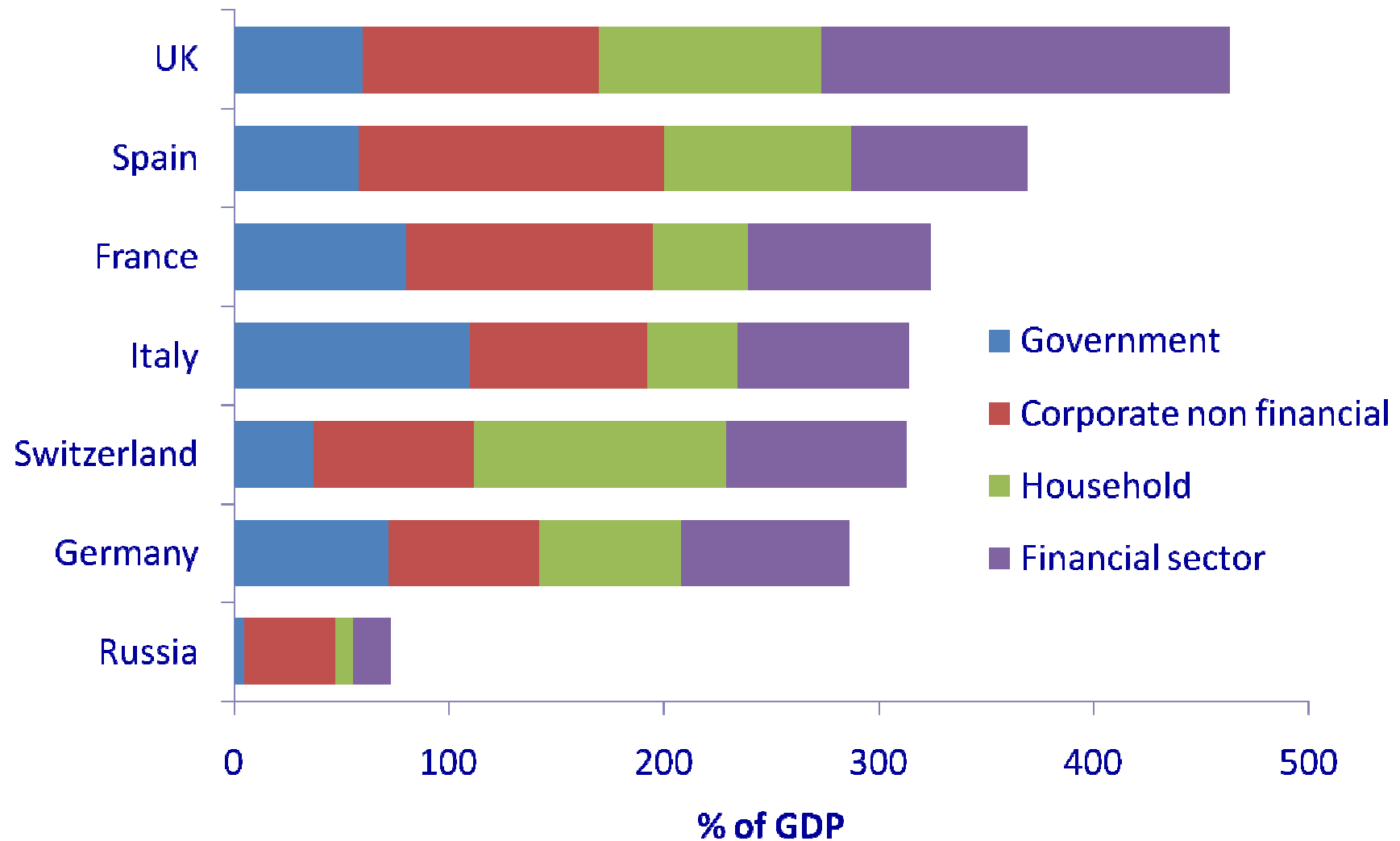
Sustainability



Source: IMF



Different debts



Source: The Economist

A (traditional) taxonomy of economists



- Monetarists
 - Support expansionary monetary policy, typically by lowering interest rates so individuals borrow more
 - If interest rates can't be lowered further, print money (quantitative easing)
- Keynesians
 - Support increased government spending to encourage growth
- Supply side economists
 - Support tax cuts to stimulate business

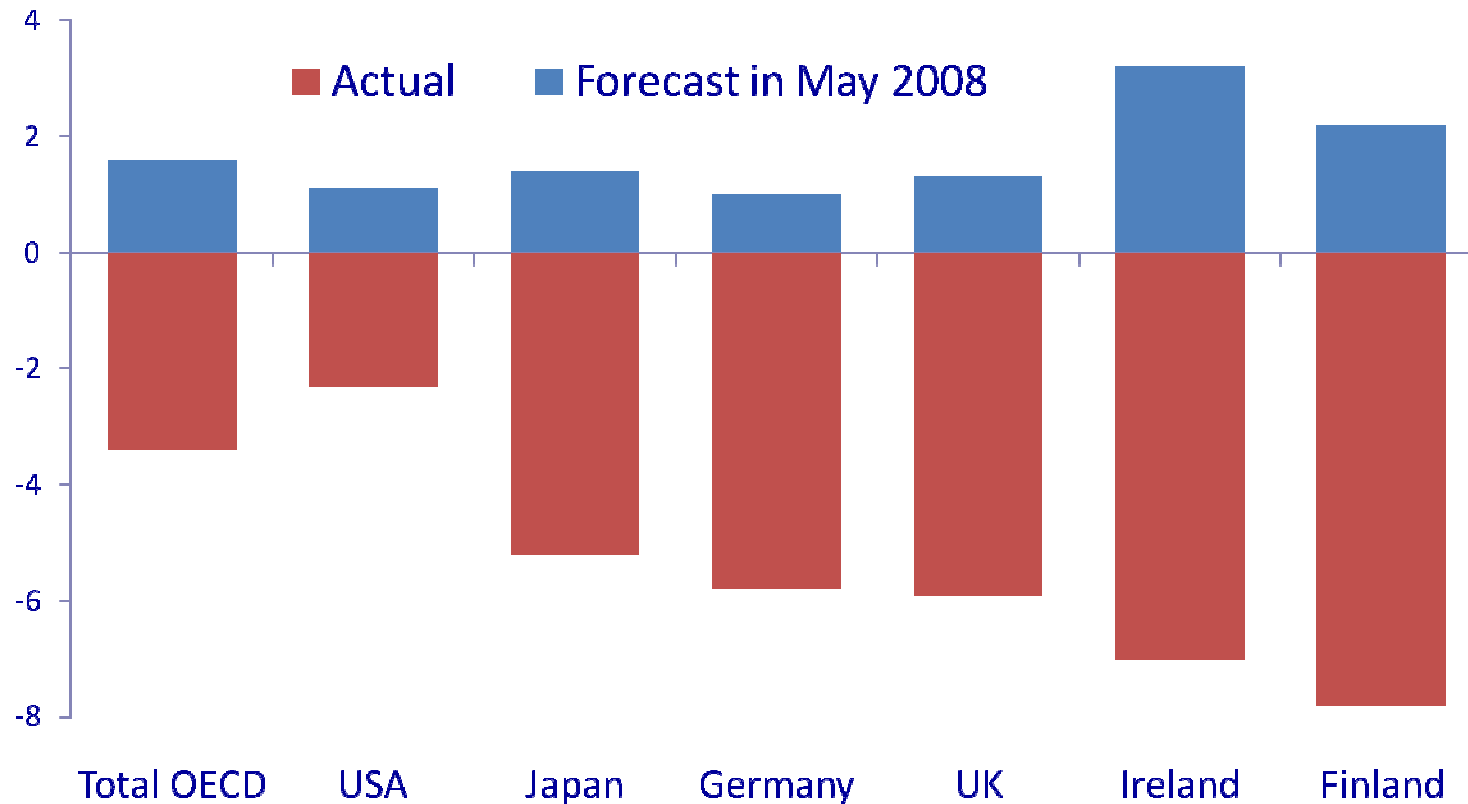


... and now joined by the “austerions”

- “... the next time you hear serious-sounding people explaining the need for fiscal austerity, try to parse their argument. Almost surely, you’ll discover that what sounds like hard headed realism actually rests on a foundation of fantasy, on the belief that invisible vigilantes will punish us if we’re bad and the confidence fairy will reward us if we’re good. And real-world policy — policy that will blight the lives of millions of working families — is being built on that foundation.”

Paul Krugman,
Nobel laureate in economics
NY Times, 3 July 2010

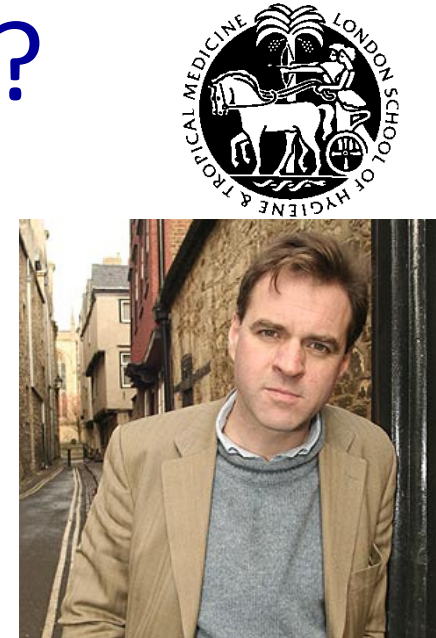
Economic forecasting: an art or a science?



So do public debts matter?

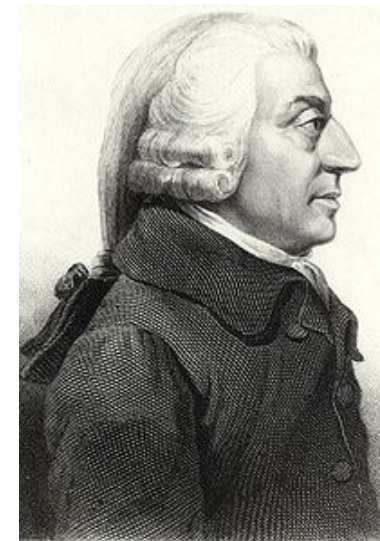
National specifics

“the long run experience – and especially that of Britain – would seem to fly in the face of all such rules”



Niall Ferguson

“Great Britain seems to support with ease a debt burden which, half a century ago, nobody believed her capable of supporting.”



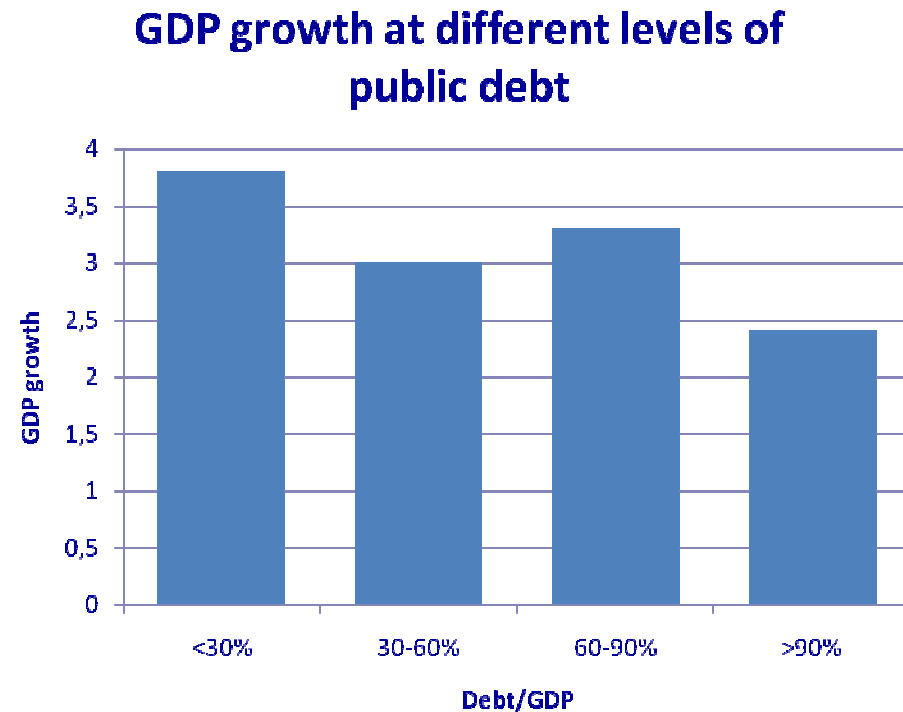
Adam Smith

So do public debts matter?

Empirical data



- The relationship between government debt and real GDP growth is weak for debt/GDP ratios below 90% of GDP. Above the threshold of 90%, median growth rates fall by 1%



Source: Reinhart and Rogoff (2010)

The choice of language is as much political as technical



Oct
1994



March
1995



May
1995



Headlines from the Clinton era, but strangely not from the Reagan era

Ireland: an empirical test



- Ireland has adopted the fiscal austerity measures that some economists have advocated elsewhere
- It has had precisely the opposite effect
 - Choking off growth
 - Threatening credit ratings
 - Increasing bond yields



Sources: European Commission; Bloomberg; Irish Central Statistics Office



Look and learn...



“What has caused this Irish miracle, and how can we in Britain emulate it?”

“In Ireland they ...have freed their markets, developed the skills of their workforce, encouraged enterprise and innovation and created a dynamic economy. They have much to teach us, if only we are willing to learn. “

BIFFO'S CELTIC TIGER TOURS

I DON'T GET IT -
- ALL I DID WAS TAKE OUT
A BIT OF STUFFING
AND THE BUGGER'S
SHRUNK!!



The public health effect of economic crises and alternative policy responses in Europe: an empirical analysis



David Stuckler, Sanjay Basu, Marc Suhrcke, Adam Coutts, Martin McKee

Summary

Background There is widespread concern that the present economic crisis, particularly its effect on unemployment, will adversely affect population health. We investigated how economic changes have affected mortality rates over the past three decades and identified how governments might reduce adverse effects.

Methods We used multivariate regression, correcting for population ageing, past mortality and employment trends, and country-specific differences in health-care infrastructure, to examine associations between changes in employment and mortality, and how associations were modified by different types of government expenditure for 26 European Union (EU) countries between 1970 and 2007.

Findings We noted that every 1% increase in unemployment was associated with a 0.79% rise in suicides at ages younger than 65 years (95% CI 0.16–1.42; 60–550 potential excess deaths [mean 310] EU-wide), although the effect size was non-significant at all ages (0.49%, –0.04 to 1.02), and with a 0.79% rise in homicides (95% CI 0.06–1.52; 3–80 potential excess deaths [mean 40] EU-wide). By contrast, road-traffic deaths decreased by 1.39% (0.64–2.14; 290–980 potential fewer deaths [mean 630] EU-wide). A more than 3% increase in unemployment had a greater effect on suicides at ages younger than 65 years (4.45%, 95% CI 0.65–8.24; 250–3220 potential excess deaths [mean 1740] EU-wide) and deaths from alcohol abuse (28.0%, 12.30–43.70; 1550–5490 potential excess deaths [mean 3500] EU-wide). We noted no consistent evidence across the EU that all-cause mortality rates increased when unemployment rose, although populations varied substantially in how sensitive mortality was to economic crises, depending partly on differences in social protection. Every US\$10 per person increased investment in active labour market programmes reduced the effect of unemployment on suicides by 0.038% (95% CI –0.004 to –0.071).

Interpretation Rises in unemployment are associated with significant short-term increases in premature deaths from intentional violence, while reducing traffic fatalities. Active labour market programmes that keep and reintegrate workers in jobs could mitigate some adverse health effects of economic downturns.

Funding Centre for Crime and Justice Studies, King's College, London, UK; and Wates Foundation (UK).

Introduction

Many commentators have expressed concern that the present economic downturn will adversely affect public health as a result of job losses, contributing to mental health or addiction problems, the adoption of less healthy lifestyles (such as increased consumption of cheap food with little nutritional value, or smoking as a response to stress), and poor disease management resulting from overburdened health-care services or delays seeking care for patients who are concerned about additional costs. WHO has warned that “it should not come as a surprise that we continue to see more stresses, suicides and mental disorders”; “the poor and vulnerable will be the first to suffer”; and “defending health budgets” will become more difficult.¹

Yet many analysts have argued that overall health might not be affected by economic downturns; indeed, some argue that a recession could lead to health gains. Studies undertaken in high-income countries have suggested that mortality has tended to fall when the economy slows down and conversely rise when the economy speeds up.^{2,3} These effects vary substantially for different age groups,⁴ sexes, and diseases,^{5,6} and the results are

somewhat sensitive to the indicators used to measure economic change.^{7,8} Although Catalano and Bellows⁹ have noted the counterintuitive nature of these findings, it has been postulated that recessions lead people to engage in fewer unhealthy, so-called affluent activities (overconsumption of food and alcohol) and spend more time in health-promoting activities (eg, walking instead of driving), which has led some to speculate that a recession might make you healthier.¹⁰ Which view of the effect of economic downturns on public health is best supported by empirical data?

Existing published work on the relation between economic trends and public health offers only an incomplete understanding of the present economic situation. Most previous studies have not analysed the effects of recession *per se* on health, but instead have assessed the static effects of routine peaks and troughs in total economic output (gross domestic product [GDP]) or GDP per person. These measures can ascertain whether death rates are relatively high when GDP is relatively low, but do not assess whether death rates rise after GDP falls, as in a recession. Other studies have recorded trends in mortality during periods of recession,

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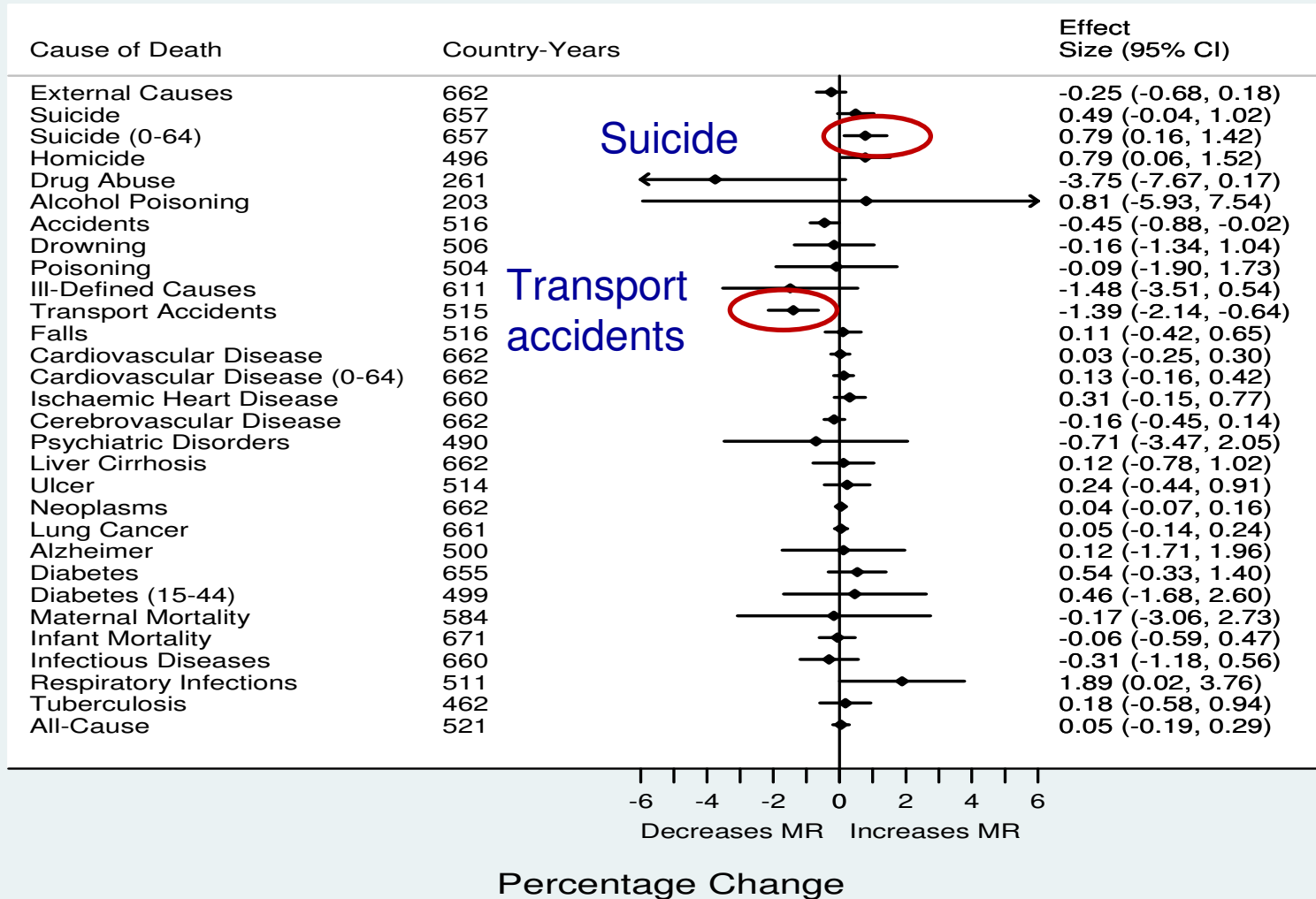
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The impact of a 1% increase in unemployment on mortality



Protection

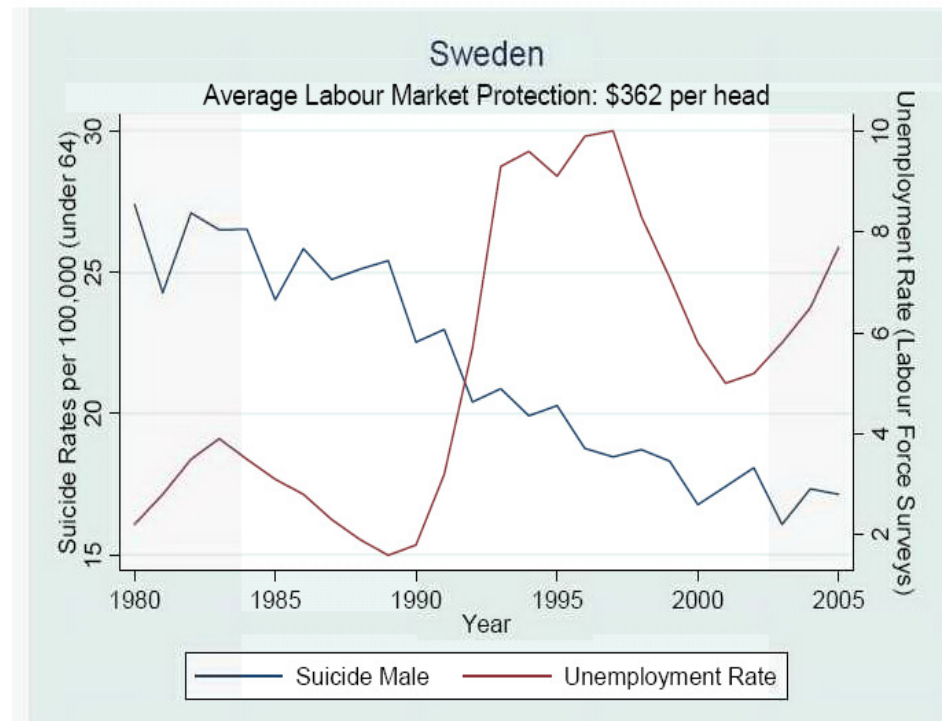
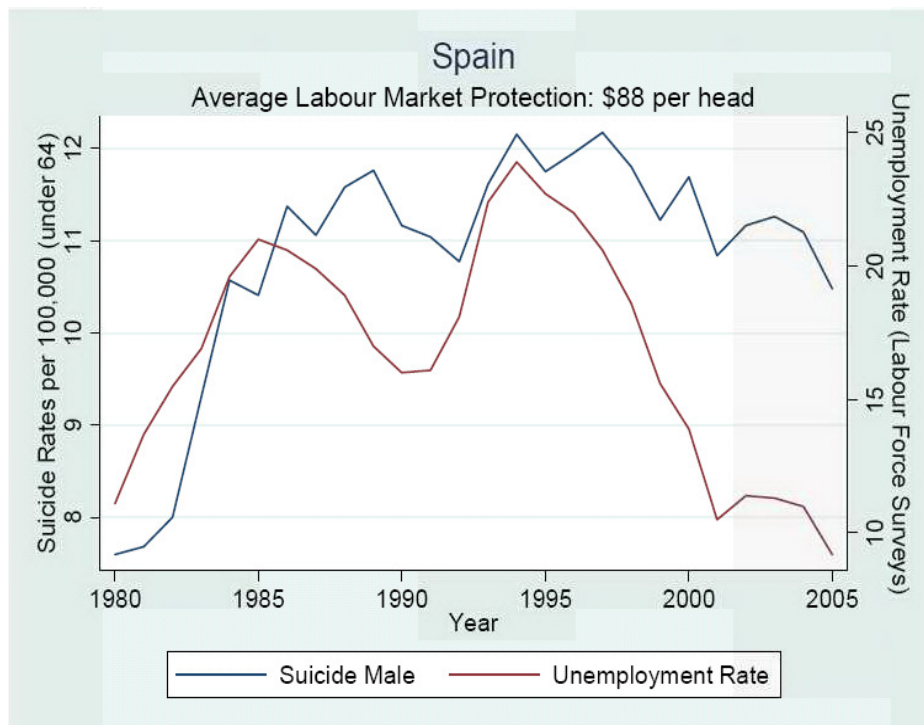


- Increased social spending strongly mitigates impact of unemployment on suicide
- At \$190 per capita per annum, no association between unemployment and suicide
- Most effective social spending is on labour protection (keeping people in work so firms can respond rapidly when recovery comes)

Association (Spain) or lack (Sweden) of unemployment and suicides



Unemployment – red, suicides - blue





Data and Methods

- *Sample:* 15 EU countries, 1980-2003
- *Data:* Age-standardised mortality rates; GNP and social welfare spending adjusted for inflation and purchasing-power parity;
- *Model:* 'Within-country' relationships using weighted average of country-specific slopes; 'fixed effects'

Social welfare expenditure



- “the provision by public (and private) institutions of benefits to, and financial contributions targeted at, households and individuals in order to provide support during circumstances which adversely affect their welfare.”
- Includes spending related to:
 - family support programmes (such as preschool education, child care, and maternity or paternity leave),
 - old age pensions and survivors benefits,
 - health care,
 - housing (such as rent subsidies),
 - unemployment benefits,
 - active labour market programmes (to maintain employment or help the unemployed obtain jobs), and support for people with disabilities.

Comparing GDP, Social Welfare, and Public-Non Welfare



Table 2 | Effect of \$100 of income, social welfare, and general government spending on all cause mortality for 15 EU countries, 1980-2005 (purchasing power parity in \$ for 2000)

Covariate	Statistical model			
	Social welfare spending	Income	Income and general government spending	Social welfare spending and income
\$100 rise in social welfare spending (including health care)	-1.19%* (0.068)	—	—	-0.80%* (0.098)
\$100 in income per capita	—	-0.28%* (0.041)	-0.24%* (0.050)	-0.11%* (0.025)
\$100 rise in general government spending (excluding social welfare spending)	—	—	-0.27% (0.15)	—
No of country-years	320	320	258	320
R ²	0.865	0.792	0.787	0.900

Countries were Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and United Kingdom. Robust standard errors in parentheses clustered by countries to reflect non-independence of sampling.

*P<0.001.

- Association of mortality and social welfare persists after adjustment for national income
- No effect of general government spending outside social welfare (prisons, military, etc.)

Comparing Healthcare and Social Welfare



Table 3 | Effect of \$100 of income, social welfare spending, and healthcare spending on cause specific mortality in 15 EU countries, 1980-2005 (purchasing power parity in \$ for 2000)

Covariate	All cause	Alcohol related	Malignant neoplasms	Cardiovascular disease	Suicide	Tuberculosis
\$100 in income per capita	-0.14%** (0.035)	-0.21% (0.12)	-0.034% (0.034)	-0.31%** (0.084)	0.19% (0.20)	-0.59%*** (0.14)
\$100 rise in social welfare spending (excluding health care)	-0.99%*** (0.11)	-2.80%*** (0.46)	-0.065% (0.18)	-1.23%** (0.31)	-0.62% (0.49)	-4.34%** (1.27)
\$100 rise in healthcare spending	-0.01% (0.43)	0.97% (0.90)	-0.82% (0.47)	-0.28% (0.95)	-3.15% (1.50)	2.11% (2.32)
No of country-years	320	319	319	319	319	318
R ²	0.906	0.773	0.535	0.901	0.239	0.716

Countries were Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and United Kingdom. Robust standard errors in parentheses clustered by countries to reflect non-independence of sampling.

-Greater effects on alcohol and CVD

So what are governments doing?



Tax

		Down	Mixed	Up
Spend	Up	SW		
	Mixed	MT	FI, PO, SK	BG
	Down	BE, LU	AT, DK, FR, HU, HU*, IT, LV, NL, RO, SL	CY, CZ, EE, GE*, GR, IE, LT, PT, SP, UK*

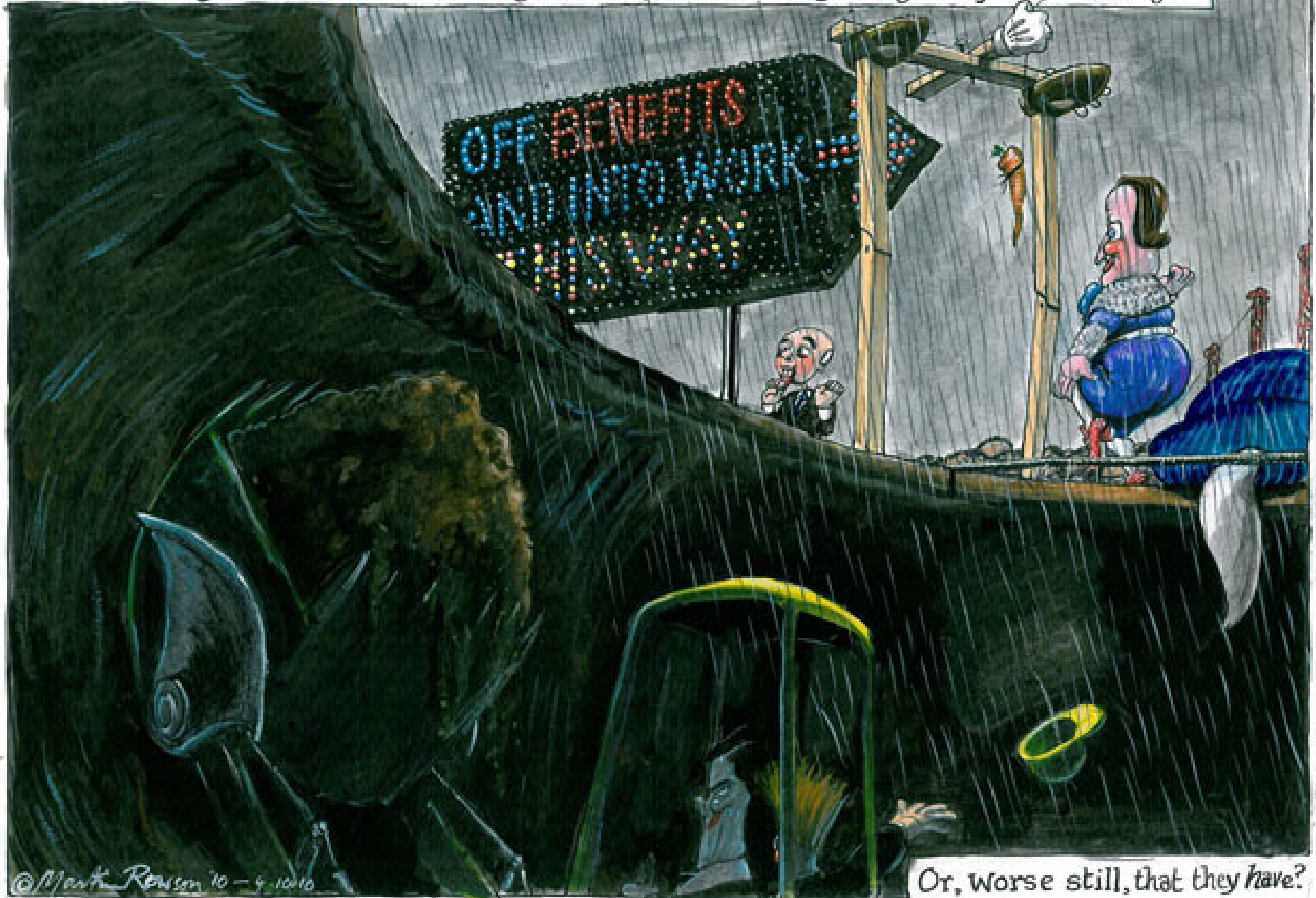
* Bank levy or similar

UK case study: Bonfire of the QUANGOs



- Audit Commission
 - Annual costs £200m
 - Existing planned reductions envisage cost of £46m by 2014
 - Cost of rapid closure
 - £75 m redundancy costs
 - £15m early termination of rental contracts
 - £400m in extra pension liabilities
 - But conveniently, the loss of the organisation that exposes wasteful spending by government!
- Crown Prosecution Service
 - Annual budget £82m
 - Cost of redundancies £40m (with additional undisclosed liabilities)
- Regional Development Agencies
 - Being closed but ongoing responsibilities for contaminated industrial sites

Do you ever get that terrible feeling that they haven't really thought any of this through?



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Or, worse still, that they *have*?

What should we prioritise to maintain health?



- Active labour market interventions:
 - public employment programmes (welfare to work)
 - training and skills development
 - programmes for youth transitioning from school to work
 - programmes to get the unemployed back to work
 - programmes to provide employment for disabled people
 - support for people with low level mental health
- And don't forget that health services are major employers – they do good by employing people as well as by treating them

The take-away lesson



- Don't assume that finance ministers know what is best
- Experience shows, unfortunately, that they often don't
- Health ministers and their advisors need to be very well informed about macro-economics
- ... so that they can engage productively in the cabinet debates