Austerity: a failed experiment on the people

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GDP per capita (2007=1)
So what was going on?

- Countries were living beyond their means
- Spending had got out of control
- The European model of the welfare state was unaffordable
- The national credit card was maxed out
- Obvious, really, isn’t it
- Or is it?
The real causes

- Deregulation of Banks and Derivative Markets
- Massive Capital Inflows
- Low Interest Rates

Corruption and Misinformation (Bad Credit Ratings, Off-balance accounting)

- Mortgage-Backed Securities
- Risky Subprime Mortgages

Housing Bubble

- Rising Interest Rates in 2006

- Herdlike behaviour

- Domino effect

Stock Market Crash

- Bank defaults

Rising Consumer Defaults
Calculating the value of a credit default swap

\[ PV = (1 - p_1)N(1 - R)\delta_1 + p_1(1 - p_2)[N(1 - R)\delta_2 - \frac{N_C}{4} \delta_1] + p_1p_2(1 - p_3)[N(1 - R)\delta_3 - \frac{N_C}{4} (\delta_1 + \delta_2)] + p_1p_2p_3(1 - p_4)[N(1 - R)\delta_4 - \frac{N_C}{4} (\delta_1 + \delta_2 + \delta_3)] + p_1p_2p_3p_4(\delta_1 + \delta_2 + \delta_3 + \delta_4)\frac{N_C}{4} \]
But don’t just listen to me …

• “Financial innovation has run amok in recent years, and some of the recently introduced markets and financial instruments have proven unsound and are now unravelling”

• “the newly invented methods and instruments were so sophisticated that the regulatory authorities lost the ability to calculate the risks involved”

• “The various synthetic financial instruments like CDOs and CLOs which have played such an important role in turning the subprime crisis into a much larger financial crisis have been built on that belief [that markets are always right and deviations random]. But the prevailing theory is wrong.”
But if it was only stupidity

- Massive fees for financial transactions
- Goldman Sachs made $300 million arranging a $1 billion currency swap for the Greek government in 2002
- Concealed from European Union regulators
It depends who you are

• 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
The arguments for austerity

- High levels of national debt reduce future economic growth

- High levels of government expenditure crowd out (more productive) private investment and reduce future economic growth
Debt and growth – the standard argument

- We are told:
- The relationship between government debt and real GDP growth is weak for debt/GDP ratios below 90% of GDP.
- However, above the threshold of 90%, median growth rates fall by 1%
- So we must not let debt rise above 90% of GDP

Source: Reinhart and Rogoff (2010)
... although this result was unexpected

“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
And wrong ...

<table>
<thead>
<tr>
<th>Country</th>
<th>Coverage</th>
<th>30 or less</th>
<th>30 to 60</th>
<th>60 to 90</th>
<th>90 or above</th>
<th>30 or less</th>
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<tr>
<td>US</td>
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<td>n.a.</td>
<td>5.9</td>
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</tbody>
</table>

| 4.1 | 2.8 | 2.8 | =AVERAGE(L30:L44) |
... and then

• Olivier Blanchard, Chief Economist of the IMF has recalculated the fiscal multiplier – the impact of additional spending on GDP growth
• Larger than previously thought – about 1.6
• So maybe increased government spending would actually make things better?
Protect health, education, and social protection spending

... and the economic results
So why are we pursuing austerity?

- Repeatedly, neo-liberal politicians have taken advantage of crises to undermine social solidarity
- They were rubbing their hands with glee in the current economic crisis
So if the experiment was an economic failure, what did it do for health?
What might we have expected?

• In brief:
  – Suicides up
  – Road traffic deaths down
  – Alcohol-related deaths – it depends on how easily alcohol is available
  – Infectious disease – almost impossible to predict
The impact of a 1% increase in unemployment on mortality

<table>
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<tr>
<th>Cause of Death</th>
<th>Country-Years</th>
<th>Effect (95% CI)</th>
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</thead>
<tbody>
<tr>
<td>External Causes</td>
<td>662</td>
<td>-0.25 (-0.68, 0.18)</td>
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<tr>
<td>Suicide</td>
<td>657</td>
<td>0.49 (-0.04, 1.02)</td>
</tr>
<tr>
<td>Suicide (0-64)</td>
<td>657</td>
<td>0.79 (0.16, 1.42)</td>
</tr>
<tr>
<td>Homicide</td>
<td>496</td>
<td>0.79 (0.06, 1.52)</td>
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<tr>
<td>Drug Abuse</td>
<td>261</td>
<td>-3.75 (-7.67, 0.17)</td>
</tr>
<tr>
<td>Alcohol Poisoning</td>
<td>203</td>
<td>0.81 (-5.93, 7.54)</td>
</tr>
<tr>
<td>Accidents</td>
<td>516</td>
<td>-0.45 (-0.88, -0.02)</td>
</tr>
<tr>
<td>Drowning</td>
<td>506</td>
<td>-0.16 (-1.34, 1.04)</td>
</tr>
<tr>
<td>Poisoning</td>
<td>504</td>
<td>-0.09 (-1.90, 1.73)</td>
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<tr>
<td>Ill-Defined Causes</td>
<td>611</td>
<td>-1.48 (-3.51, 0.54)</td>
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<tr>
<td>Transport Accidents</td>
<td>515</td>
<td>-1.39 (-2.14, -0.64)</td>
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<tr>
<td>Falls</td>
<td>516</td>
<td>0.11 (-0.42, 0.65)</td>
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<tr>
<td>Cardiovascular Disease</td>
<td>662</td>
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<tr>
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<td>0.13 (-0.16, 0.42)</td>
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<tr>
<td>Ischaemic Heart Disease</td>
<td>660</td>
<td>0.31 (-0.15, 0.77)</td>
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<tr>
<td>Cerebrovascular Disease</td>
<td>662</td>
<td>-0.16 (-0.45, 0.14)</td>
</tr>
<tr>
<td>Psychiatric Disorders</td>
<td>490</td>
<td>-0.71 (-3.47, 2.05)</td>
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<tr>
<td>Liver Cirrhosis</td>
<td>662</td>
<td>0.12 (-0.78, 1.02)</td>
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<tr>
<td>Ulcer</td>
<td>514</td>
<td>0.24 (-0.44, 0.91)</td>
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<tr>
<td>Neoplasms</td>
<td>662</td>
<td>0.04 (-0.07, 0.16)</td>
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<td>Lung Cancer</td>
<td>661</td>
<td>0.05 (-0.14, 0.24)</td>
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<tr>
<td>Alzheimer</td>
<td>500</td>
<td>0.12 (-1.71, 1.96)</td>
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<tr>
<td>Diabetes</td>
<td>655</td>
<td>0.54 (-0.33, 1.40)</td>
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<tr>
<td>Diabetes (15-44)</td>
<td>499</td>
<td>0.46 (-1.68, 2.60)</td>
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<tr>
<td>Maternal Mortality</td>
<td>584</td>
<td>-0.17 (-3.06, 2.73)</td>
</tr>
<tr>
<td>Infant Mortality</td>
<td>671</td>
<td>-0.06 (-0.59, 0.47)</td>
</tr>
<tr>
<td>Infectious Diseases</td>
<td>660</td>
<td>-0.31 (-1.18, 0.56)</td>
</tr>
<tr>
<td>Respiratory Infections</td>
<td>511</td>
<td>1.89 (0.02, 3.76)</td>
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<tr>
<td>Tuberculosis</td>
<td>462</td>
<td>0.18 (-0.58, 0.94)</td>
</tr>
<tr>
<td>All-Cause</td>
<td>521</td>
<td>0.05 (-0.19, 0.29)</td>
</tr>
</tbody>
</table>
But it is possible to do something

• Several factors markedly increase resilience
  – Strong social networks
    • Membership of trade unions, churches, social clubs
  – A strong welfare state
    • Especially active labour market programmes that get people back into work (or at least give them the message that someone cares)
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
Mechanisms linking economic crises and infectious diseases

Suicides in old and new EU Member States: 2007=1
Suicides in England

- Each 10% increase in the number of unemployed men was significantly associated with a 1.4% (0.5% to 2.3%) increase in male suicides.
- About two fifths of the recent increase in suicides among men (increase of 329 suicides, 126 to 532) during the 2008-10 recession can be attributed to rising unemployment.

Not just job loss, but also impoverishment

And in the USA

Deaths on the roads

- Lithuania
- Hungary
- Netherlands
Risky behaviours: alcohol in the USA

But what about vulnerable populations?

• To recap
  – Austerity is a political choice, not an economic necessity
  – It is actually making the economic situation worse
  – However, for those who see the crisis as a once in a lifetime opportunity to dismantle the European model of the welfare state, that is a price worth paying
  – We would expect those already vulnerable to be worst affected
Yet we have a problem

• The invisible people
• Strong incentives to avoid any contact with authority
• Hard to reach in surveys
• High level of (justified) distrust by minorities
• Which measures against minorities are a consequence of austerity and which would have happened anyway?
How might migrants and ethnic minorities be particularly affected?

• Cuts to measures to control risks to which migrants are especially vulnerable
• Cuts to services, especially those aimed at vulnerable populations
• Cuts in living standards affecting those already vulnerable, including migrants
• Exclusion of migrants from health coverage
• Enhanced measures to control immigration, with worsening conditions for migrants
• Threats to migrants as a result of increasing xenophobia among impoverished native population
Cuts to disease control: HIV

• Greece:
  – Needle exchange and condom distribution programmes cut
  – Outreach programmes to sex workers discontinued

• Romania
  – Loss of Global Fund money
  – Minister stated that Romania would be better paying for Shakespeare festivals than HIV prevention (before being forced to resign)
  – Cuts to prevention programmes
New cases of HIV in Greece

Figure 1: Instances of HIV infections by transmission category
IDUs = intravenous drug users. MSM = men who have sex with men. Figure based on data from the European Centre for Disease Prevention and Control and the WHO Regional Office for Europe.\textsuperscript{35}

Numbers of new HIV infections: Romania
HIV and migration

• A complex issue
  – Some evidence that the strain of HIV in recent Greek clusters of non-Hellenic origin, but this is debated
  – Most of those infected are Greek nationals (78% between 2006 and 2010)
  – However, as migrants are increasingly marginalised within Greece, concerns have increased
And policies counter-productive

- Adonis Georgiadis, Minister of Health, re-introduced controversial law stipulating forced testing for infectious diseases under police supervision for drug users, sex workers, and immigrants.
- Even though this is likely to deter marginalised groups from seeking testing during HIV outbreaks.
Cuts to services

Health effects of financial crisis: omens of a Greek tragedy

Greece has been affected more by the financial turmoil beginning in 2007 than any other European country. 15 years of continuous growth in the Greek economy have ended, and the unemployment rate has risen from 6.2% in May, 2010, to 26.5% in May 2011, with a dramatic increase in adult unemployment rate from 15.6% to 21.8%, as data from the European Commission show. The 2012 budget for Greece includes cuts to public services, and the government is expected to announce further cuts in the coming months. The Greek government has announced plans to reduce its public spending by 24% over the next three years, which will have a significant impact on the nation's health care system.

In 2011, the Greek government announced a plan to reduce the country's debt by EUR 25 billion, or 20% of GDP, by 2015. The plan includes a variety of austerity measures, such as reducing the public sector workforce, increasing taxes, and reducing government spending. However, Greece's economic challenges are not limited to its debt problem. The country also faces a significant challenge in its health care system, which is already under pressure due to the financial crisis. A recent study found that Greece has the highest number of bankruptcies due to medical debt in the European Union, with more than 20,000 Greeks declaring bankruptcy due to medical debt in 2010.

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Cuts to services in Greece

• Survey of migrants to Greece
  – 62% reported unmet need for health care
  – 53% reported major difficulties in accessing care
  – Major barriers were cost of care and long waiting lists

*Katailidou et al., Value in Health, 2013*
Cuts in living standards

- Panel survey including 318 workers from other countries living in Spain
- Prevalence of poor mental health in 2008 and 2011
- Key drivers: job loss, increased hours, income loss, non-permanent status


Calculated from authors’ data, assuming those in poor health in 2008 remained so
Roma

• Between 2008 and 2009, unemployment among Bulgarian Roma increased by 20 percentage points

• Among non-Roma Bulgarians the increase was 1 percentage point
Exclusion of migrants from coverage

- Extension of co-payments
- Increases in existing co-payments
- Removal of coverage from undocumented migrants
- Cuts to budgets
Universal Health Coverage in Spain no more

• 873,000 lost the right to comprehensive care since September 2012, 2,300 a day.

• Retain emergency protection during pregnancy, birth and below 18.

• In reality, practical obstacles to doing so.

• 1,192 examples of lacking appropriate documentation contradictory interpretations ...
Intensified controls on migration

- “Because I am a prisoner for a long time, I feel that my mind is not working well anymore.”
  22-year-old man, 5 months in detention

- “Excrement is falling from the toilets on the first floor to the ground floor. People are locked up inside almost all day. We are allowed in the yard one hour in the morning and one hour in the evening. And not always every day. Komotini is not a detention centre – it is a stable for animals.”
  28-year-old man, seven months in detention
Operation Xenios Zeus

• Since summer 2012 and launch of ‘Operation Xenios Zeus’, administrative detention used on massive scale, often for maximum 18 months.

• Between August 2012 and February 2013, the police forcibly took almost 85,000 foreigners to police stations for immigration status verification based on little more than their appearance yet only 6% were found to be in Greece unlawfully.
Greece

• “There was a guy who was already 12 months in detention. On the day that he was to be released, he was told the law had changed and he would be kept in custody another six months. He went mad, stopped eating and sewed his mouth. The police officers paid no attention for two or three days. When he fainted he was taken out in handcuffs and a knife was used to open his mouth by force.”

  16-year-old boy, nine months in detention

• “To tell you the truth, the way they are treating us is very cruel. I had a severe toothache and I was asking for a doctor for several weeks. Eventually I was taken to the hospital because I was bleeding after pulling out the tooth myself.”

  34-year-old man, 17 months in detention
Xenophobia and racial hatred

- Wilders: “Do you want fewer or more Moroccans in your city and in the Netherlands?”
- The crowd: "Fewer! Fewer!"
- Wilders (with a smile): "We're going to organise that."
Statement by Doctors of the World following attack on their clinic by Golden Dawn

• “We declare that we refuse to “take fright” and we will staunchly continue to defend the right to Health care wherever there are people.

• “We deem that Golden Dawn bears moral responsibility for any potential attacks our Clinics may be subjected to in the future and for this reason the relevant authorities will be notified accordingly.

• “We call upon the Greeks who share the same solidarity principles with us to support our efforts with even greater determination.
Finally, a Trojan Horse?

- Creation of mechanism to charge migrants for care establishes systems to charge everyone
Thank you for your attention

Twitter: @martinmckee