

DID THE CRISIS REALLY HURT?

Effects of the 1980 - 1982 economic recession on satisfaction, mental health and mortality

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ABSTRACT

This book is about the social costs of macro-economic fluctuations. It considers the effects of the 1980/1982 economic recession on individual well-being in the OECD countries. Time series data are presented on income evaluation, life-satisfaction, health complaints, psycho-somatic symptoms, sales of psychotropic drugs, suicide and mortality.

It appears that the average citizen was hardly hurt by the recession. Though anxiety about matters of money rose temporarily, there was no general dip in satisfaction or mental health. Yet suicide rates rose somewhat. In some segments of the population satisfaction declined considerably and did not recover completely. These categories will possibly suffer some deterioration of mental and physical health on the longer term.

This book set out with three questions:

- 1) Did well-being deteriorate during or shortly after the recession?
- 2) Were all categories of the population affected to the same degree?
- 3) Did effects differ between countries?

Let us now consider these questions one by one and take stock of the answers presented in the various chapters of this book.

DID AVERAGE WELL-BEING DECLINE?

There was no general dip in well-being during or shortly after the recession. Only on some aspects did we observe a decline, whereas other aspects of well-being remained at the same level or even improved. Below I will summarize the findings on the basis of the following distinctions: a) The distinction between 'satisfaction', 'mental health' and 'mortality' we started with, b) The distinction between 'economic concern' and 'general well-being' proposed in chapter 7, and c) The difference between 'short-term' and 'long-term' effects, emphasized in chapter 10.

Satisfaction, mental health, mortality

This book focuses on three aspects of individual well-being: 'satisfaction', 'mental health' and 'mortality'. The observations made on these matters differ.

Different effects on satisfaction

The satisfaction with some *aspects of life* declined during the recession: in particular the satisfaction with matters of money. Half the EC-countries witnessed a dip in satisfaction with 'present income' (chapters 3, 4, 5) and in Germany and Denmark the satisfaction with 'state-welfare-care' declined as well (chapters 4, 5). The satisfaction with the 'general level of living' was only slightly affected in these latter two countries (chapters 4, 5). Satisfaction with non-financial matters declined as well: in Germany satisfaction with 'health' and with 'family life'. Yet none of the dips is dramatic; the decline in satisfied responses in national populations is typically less than 5%. Next to decline in satisfaction with aspects of life there are also improvements. Satisfaction with 'housing' improved in Denmark and Germany (chapters 4, 5) and in Germany satisfaction with one's 'job' and 'education' rose as well. There is thus no general decline in satisfaction.

Satisfaction with *life-as-a-whole* was only slightly affected by the recession. The trend line of average happiness show no clear dips in the years of the recession in most of the EC-countries. Yet a closer analysis shows that minor fluctuations in happiness tend to follow economic ups and downs at one year delay (chapter 2).

The unexpectedly small size of the changes in satisfaction is attributed to adjustment of standards (chapters 3, 4, 5). The rise in job satisfaction in particular was explained by the fact that people with a job came to compare themselves with people without (chapter 5). The result can also be interpreted as meaning that the step back did not involve large scale frustrations of basic needs (as suggested in chapter 1). That interpretation fits well with the fact that mental health did not deteriorate.

No deterioration of mental health observed

Anxieties about the economic situation and the future have clearly risen during the recession (chapters 3, 4, 5 and 7). Yet there is no evidence for broader harm to mental health.

Survey-studies in Denmark and the Netherlands show no increase in reports of psychosomatic symptoms during or shortly after the recession (chapters 4, 7). With respect to depression there is a difference in interpretation of the Dutch data between chapter 7 and chapter 13. Both chapters refer to a peak in affirmative responses to the question 'Is there something that bothers/depresses you?' Chapter 7 interprets the item as tapping economic concern in the first place, while chapter 13 takes it as an indicator of depressive disturbance. In my opinion the former interpretation is the most plausible: the item does not refer to depressive affect as such and other items indicative of mental disturbance do not show a peak.

The use of psychotropic drugs did not increase consistently in the EC-countries: only tranquilizer use rose somewhat (chapter 8). The number of mental complaints presented to doctors in the Netherlands actually decreased (chapters 6, 9).

This evidence concerns minor mental disturbances in the first place. Possibly the incidence of major pathology has increased. The slightly greater sales of neuroleptics (used in psychiatry) in some countries hints in that direction.

The absence of a notable effect on mental health has been explained in several ways: Chapter 6 notes that the recession was not that bad and that its effects were well buffered by the modern welfare state. Chapter 9 suggests that people are less inclined to attribute their problems to themselves in times of economic hardship. This could mean that mental health has in fact declined but that the deterioration does not materialize in more report of symptoms, more visits to the doctor and greater use of drugs. Finally it is possible that the recession involved positive effects on mental health as well (as suggested in chapter 1) which balanced out negative ones. This interpretation fits the observed polarization in satisfaction (chapter 5).

Different claims about effect on mortality

Two aspects of mortality were considered in this book, suicide rates and average length of life.

Suicide rates were found correlated with economic development in the case of the Netherlands: chapter 13 observed a slight peak in the trend towards rising rates in particular among males. Curiously the decline in suicide after the recession is more apparent than the rise during it. There is good reason to believe that the recession triggered suicide in people already on the edge, there is no convincing proof. Chapter 12 found evidence for lagged effects of earlier recession in the Netherlands.

Length of life was considered in three chapters (10, 11, 12). Most of the data on this matter concern earlier recessions. The conclusions are contradictory. In an analysis of mortality rates in the Netherlands, Mackenbach and Kunst (chapter 11) did not observe any clear dips in the trend lines following two major economic recessions in the Netherlands. Neither did they observe an unfavorable mortality trend in the worst afflicted regions of the Netherlands. On the other hand Brenner claims that even small ups and downs in the economy are followed by corresponding fluctuation in mortality rates sooner or later. He demonstrates this case by means of econometric time-series analysis. Brenner's method is clearly more sophisticated than that of Mackenbach and Kunst. It controls several potentially confounding variables and acknowledges that economic decline affects mortality in different ways and terms. Yet the method is not beyond discussion, in particular the inferential estimation of time lags. See Wag staff (1985) for a review of the criticism. The arguments presented in this book do not allow a conclusion in this complicated matter. Hence I consider the issue undecided as yet.

Economic concern and overall well-being

The data reported in this book relate both to 'economic concerns', such as evaluation of income and perceived employment chances and to 'overall well-being' as reflected in life-satisfaction, mental health and mortality. Economic concern changed more than overall well-being.

Clear peak in economic concern

The recession did not pass unnoticed. The Danish study showed that people were quite aware of the macro-economic decline, even though they themselves did not experience a great set back financially (chapter 4). Nevertheless most Europeans perceived some deterioration of their financial position and half of them became somewhat less satisfied with their income (chapters 3, 4, 5). Data from Germany and the Netherlands show increasing pessimism about employment chances (chapters 5, 7) and more worries about the future (chapter 7).

No dip in overall well-being

Not all satisfactions declined. The satisfaction with one's job and education actually increased somewhat (chapter 5). Life satisfaction was only superficially affected (chapters 2, 5). Mental health does not appear to have decreased at all (chapters 4, 6, 7, 8, 9). Yet there is evidence for a slight rise in suicide. As noted above, the case of mortality is undecided. Physical health was not considered in this book.

Short-term and long-term effects

The focus of this book is on short-term effects. Question 1 is about well-being 'during or shortly after' the recession. The recession is in fact still too recent to observe long-term effects. Yet some of the contributions considered earlier recessions as well and estimated the long-term effects of these (chapters 10, 11, 12).

Little short-term harm

As noted above the greatest change occurred in economic concern. People got more worried about their finances and employment chances. The dip was not very deep however and there is little harm in this worrying as such. We can only speak of 'harm' if overall well-being deteriorates: that is if anxiety pervades other spheres of life as well and leads to a general decline of satisfaction and an impairment of mental- and physical health. As we have seen, this is not the case, however. Satisfaction with other aspects of life did not decrease consistently in the years of the recession (chapter 5), the satisfaction with life-as-a-whole was only superficially affected (chapter 2) and there is no evidence of short-term increase of minor mental problems (chapters 4, 6, 7, 8). Only in the case of mortality short-term harm was reported, both with respect to suicide (chapter 13) and general mortality rates (chapters 10, 12). As noted above the latter finding is disputed. The observed short-term effects are summarized in [scheme 1](#)

Possible long-term damage

Long-term effects on satisfaction were not demonstrated. Still the chapters 4, 5 and 10 suggest that the reconstruction of the economy that followed the recession involves a permanent setback of some disadvantaged social categories.

Long-term effects on mental health have not been demonstrated either. At best there are two suggestions on the matter. Chapter 4 notes that the common coping with 'passive resignation' in Denmark is potentially harmful to mental health. This implies a chance of long-term damage. Chapter 9 notes that the reduction of complaints presented to doctors in bad times does not imply better mental health, but may even involve more serious disturbances on the long run because people seek help less timely.

Only in the case of mortality we did meet with empirical data on long-term effects (chapters 10, 11, 12). On the one hand Brenner presents evidence for harmful effects over periods of 4 to 10 years in various Western nations (chapters 10, 12) on the other hand Mackenbach and Kunst see no delayed deviations from the trend in mortality in the Netherlands after the Great Depression (chapter 11). As noted above I consider this discussion to be undecided.

ALL CATEGORIES HARMED TO THE SAME DEGREE?

The above observations show that the average citizen appeared not to be really hurt during and shortly after the recession. Still it is possible that at least a part of the population suffered harm. There is indeed evidence of serious deterioration in some specific social categories.

Greater satisfaction decline and less satisfaction recovery among the least satisfied

The observed dip in satisfaction was most pronounced in the social categories that were already least satisfied. 'Satisfaction with income' declined more sharply at the lowest income level (chapters 4, 5), among transfer incomes (chapter 3) and among the unemployed (chapter 5). Likewise the decline in 'life satisfaction' was steeper in the low income category, single persons, the unemployed and the long-term disabled (chapters 2, 5). Not surprisingly the observed rise in 'job satisfaction' concerned employed people only (chapter 5). These differences indicate that the disadvantaged suffered most under the recession.

As we have seen, 'anxiety about matters of money' lessened after the recession. Yet several of the above categories were seen to lag behind in this recovery. 'Satisfaction with income' did not recover as completely among welfare recipients (chapter 3) or at the lowest income level (chapter 5). Not surprisingly 'optimism about employment chances' was retained among working people, but not among the unemployed. These differences indicate a growing split in society: not a revival of traditional class differences, but new differences between a majority of economically active citizens and a minority of welfare dependant rejects (chapter 5).

No greater harm to mental health among the socioeconomically disadvantaged

Mental health is typically less good at the lowest end of the social ladder and - irrespective of social status - among females and the unemployed. These differences seem not to have been aggravated by the recession. The report of 'psychosomatic complaints' in three educational categories was found to remain at the same level through the years (chapter 7) and the number of psychosomatic complaints presented to the general practitioner declined equally during the recession in both sexes and all social class categories. The only differences observed concerned the unemployed who were found to have reduced their number of complaints somewhat more in (earlier) times of economic decline (chapter 9).

These latter findings do not fit the above observation of greater harm to the disadvantaged and a growing split in society. This may mean that the difference is rather superficial and manifests itself only at the level of satisfaction. It is also possible that the chapters on mental health in fact compared other categories, focusing more on traditional class differences than on the new inequalities.

Suicide increase mainly among people already on the edge

Chapter 13 showed an increase in suicide during the recession in the Netherlands and plausibly argues that reaction with suicide is most likely among disturbed people who are also more likely to lose their job. In this respect the recession hits the psychologically most vulnerable disproportionately.

DID EFFECTS DIFFER BETWEEN COUNTRIES?

All the contributions in this book concern rich Western nations. Six of them compared changes in well-being across borders (chapters 2, 3, 7, 8, 10, 13).

Income decline felt in all EC-countries

Chapter 3 documented that citizens in all the EC-countries except Italy have experienced a deterioration of their financial situation. Yet satisfaction with current income levels dropped only in half the cases.

Life-satisfaction and drug-use most affected in countries with least social security

The chapters on life-satisfaction (2) and drug-sales (8) found more variation. These differences were found to be unrelated to the wealth of the country or to the severity of the crisis, but do seem to have something to do with the level of social security.

Average life-satisfaction appears to follow economic ups and downs most closely in the EC-countries that provide their citizens least social security. This suggests that social security buffers the adverse effects of economic decline.

Drug-sales reacted differently in countries of high and low social security as well. In the former countries sales of tranquilizers rose, in the latter countries sales of neuroleptics went up. Tranquilizers are typically used to reduce minor fears and tensions, while neuroleptics primarily serve to treat severe psychiatric disorders: in particular psychosis. This suggests that in countries that provide little social security the recession really pushed some people over the edge, while in countries of high social security it merely raised anxiety.

Lastly there are differences in the size (not direction) of statistical links between mortality rates and macroeconomic indicators in eight OECD countries (chapter 10). The regression coefficients are higher in the countries that typically provide modest social security (USA, Japan) and low in countries known for their high level of social security (France, UK). The relation is not perfect however, coefficients being high in Germany and Norway and low in Italy and Canada.

There is thus a tendency of fewer harmful effects in the countries that invest relatively much in social security. This is a noteworthy achievement. Unfortunately this achievement seems to meet little public recognition: satisfaction with state-welfare-care declined during the recession in both Denmark and Germany (chapters 4, 5).

Mortality model applies in 8 OECD countries

Brenner's analysis of the relation between economic fluctuations and mortality rates in 8 OECD countries shows consistent negative coefficients with indicators of economic growth (income per capita, wages, labor force participation rate, stock market index) and positive ones with indicators of economic decline (unemployment, business failures). The size of the correlations varies widely however. As noted above the coefficients tend to be smaller in the countries with the most elaborate social security. The difference in time lag is quite variable as well. Still the findings underscore Brenner's claim that economic fluctuations pan out similarly in the modern industrialized nations.

TO SUM UP

The 1980/1982 economic recession did not really hurt the average citizen in the Western welfare states: at least not as yet. The decline of the economy did raise worries about money and employment, but it hardly affected satisfaction with life-as-a-whole, nor did it noticeably damage mental health. Some segments of the population were worse afflicted however, in particular people who lost their job and became welfare dependant. In these categories satisfaction declined considerably and did not quite recover. Possibly mental health and longevity have also declined in these categories or will decline in the future.

Observed changes in individual well-being by the 1980/82 economic recession in rich western nations.

| | <i>Economic concerns</i> | <i>Overall well-being</i> |
|--|--|---|
| <i>General pattern</i> | <p>Dip in perceived employment chances (5, 7)</p> <p>Dip in evaluation of income and level of living (3, 4, 5)</p> <p>Peak in anxiety about future (7)</p> <p>Peak in satisfaction with job, education and housing (4, 5, 7)</p> <p>Dip in satisfaction with welfare-state (4, 5)</p> <p>No change in satisfaction with health, housing, daily work (4, 7)</p> | <p>Slight dip in life-satisfaction (2, 5)</p> <p>Slight peak in worrying (7)</p> <p>No greater use of psychotropic drugs (8)</p> <p>No greater incidence of psychosomatic symptoms (4, 7)</p> <p>Less complaints presented to doctors (6, 9)</p> <p>Possibly greater mortality (issue undecided) (10, 11, 12)</p> <p>Small rise in suicide during recession and clear drop after (12, 13)</p> |
| <i>Difference between social categories</i> | <p>Dip in evaluation of income greater and more lasting in lowest income bracket and welfare dependants (3, 4, 5)</p> <p>Dip in perceived employment chances greater and more lasting among low educated and unemployed (5, 7)</p> <p>Greater peak in anxiety about future among low educated (7)</p> | <p>Dip in life-satisfaction more pronounced among the elderly, single people, the unemployed, the disabled and low incomes (2, 4)</p> <p>Dip in complaints presented to doctor similar across sex and social class (6)</p> <p>No change in psychosomatic symptoms equal at all educational levels (7)</p> <p>Rise in suicide mainly among people already on the edge (13)</p> |
| <i>Differences across nations</i> | <p>Dip in income satisfaction greater in the most afflicted countries (3)</p> | <p>Dip in life-satisfaction least in countries with highest social security (2)</p> |
| | | <p>No difference in effect on life-satisfaction with respect to size of countries, wealth and severity of recession (2)</p> <p>No greater use of psychotropic drugs in most afflicted countries (8)</p> <p>In countries with high social security rise in use of tranquilizers, in low social security countries rise in use of neuroleptics (8)</p> |

Numbers in brackets refer to earlier chapters in this book.