

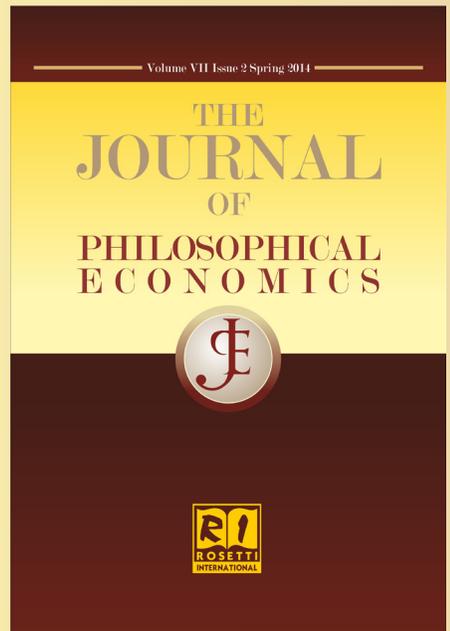
THE JOURNAL OF
PHILOSOPHICAL ECONOMICS

Volume VII Issue 2 Spring 2014

ISSN 1843-2298

Copyright note:

This is an open access e-journal which means that all content is freely available without charge to the user or his/her institution. Users are allowed to read, download, copy, distribute, print, search, or link to the full texts of the articles in this journal without asking prior permission from the publisher or the author provided acknowledgement is given to the original source of publication.



*Review of David Stuckler and
Sanjay Basu, The Body Economic:
Why Austerity Kills, New York,
Basic Books, 2013, hb, 240 pp., \$26.99,
ISBN 9780465063987*

Jorge Tamames



**Review of David Stuckler and Sanjay Basu,
The Body Economic: Why Austerity Kills,
New York, Basic Books, 2013, hb,
240 pp., \$26.99, ISBN 9780465063987**

Jorge Tamames

Unchecked outbreaks of Malaria and West Nile Virus. A rise in HIV infections caused by increasing heroin consumption and decreasing needle exchange programs. Drug epidemics and doubled suicide rates, in a climate of increasing violence between riot police and protesters. This is no generic “failed state,” but Greece: a founding member of the euro, integrated within NATO and the European Union, and host to the 2004 Olympics. What accounts for its disastrous state?

In *The Body Economic*, David Stuckler and Sanjay Basu set out to answer this question in an unconventional way. They examine the impact of economic crises upon public health and set out to discover what economic policies adopted during a recession make a difference for better or worse. Their book, then, is a hybrid: while it amounts to an assessment— and indictment— of an entire school of economics, the authors are public health experts from the universities of Oxford and Stanford. They are relatively uninterested in the familiar totems of GDP growth, trade deficits, and fluctuating bond spreads. Instead, Stuckler and Basu wade through the Public Health Service’s archives to establish whether suicides and alcohol-related deaths rose during the Great Depression, or trace the spread of HIV in Thailand and Malaysia during the late nineties, when the former followed the IMF’s guidelines and slashed its healthcare budget while the latter refused.

Backed by a considerable body of research, Stuckler and Basu’s conclusion is straightforward and indicting. Austerity policies— that is, the attempt to balance budgets in the middle of an economic crisis, partly by raising fiscal pressure but mostly by slashing welfare spending— not recession, constitute the leading threat to public health. Keep in mind the authors’ maxim that any country’s ultimate source

Received : 14 November 2013

of wealth is its population. Now consider economic crises cause unemployment, increasing poverty, and an overall worsening of living standards. Bleak prospects also fuel anxiety and can even lead to drug abuse. Safety nets exist, among other things, to safeguard public health in such times of need. If they are scrapped in the middle of a recession the outcome is, as *The Lancet's* editor Richard Horton makes clear, that "people will die" [1]. Stuckler and Basu lay out an argument that is both unsettling and intuitive. It exemplifies George Orwell's observation that seeing what is in front of one's own nose requires a constant struggle.

The cases examined to prove the authors' point range from the economies hit by the 1998 Asian Crisis to the effects of the United States' dysfunctional healthcare system, including the Great Depression, Sweden's economic recession during the late eighties, and post-2008 Spain and Italy. Among the ones that focus on the impact of austerity policies, Russia and Greece rank among the most impressive. In the aftermath of the Cold War, the Russian state collapsed. The outcome was catastrophic: in the midst of an economic meltdown, hundreds of thousands died because a wrecked healthcare system proved unable to cope with a dramatic rise in alcohol consumption. Life expectancy plummeted to Third World levels. What caused this disaster, however, was not the dismemberment of the Soviet Union but the ensuing austerity program, conducted with enthusiastic support from the day's leading economists. This was a time when Larry Summers claimed the laws of economics were no different from those of engineering, and called for mass privatization and immediate spending cuts in Russia [2]. Jeffrey Sach's "What is to be done?" conveniently published eighty years after Lenin's original manifesto— but making the case for a neoliberal program— reads, in retrospect, almost as frivolous as Summers' bravado [3].

In the Greek case we also know that austerity turned out to be a disastrous idea. Far from averting economic collapse, it left the country with a jobless rate of 27% and a greater public debt than it started off with, while Greece's GDP contracted by 30% between 2008 and 2013. Less known, yet clearly established in this book, is the direct relationship between worsening health conditions and austerity. Greece's ongoing public health crisis is not a symptom of economic recession, but the consequence of starving the country's welfare state in the middle of one. This must be what Paul Krugman had in mind when he coined the term "austericide."

Fortunately, Stuckler and Basu provide counterexamples. The New Deal comes as a paradigmatic case. Despite an initial increase in suicides among laid off workers, the authors show New Deal programs significantly reduced suicide rates while

the Great Depression raged on. The case of Iceland is just as impressive. Faced with history's largest financial crisis in relative terms, its citizens responded by refusing to bail out the country's oversized and overleveraged banks, opting instead to increase social spending. In stark contrast to Greece, Iceland's health conditions have improved over the last years and the country is now on the road to economic recovery. (Stuckler and Basu also use these cases to prove that, Olli Rehn's views notwithstanding, fiscal multipliers can be as high as 3 for healthcare spending. The multiplier for bailouts and defense expenditures, however, remains below 1.)

The moral of the story proves Milton Friedman right: not his economics, but his observation that only crises produce real change. Yet instead of constituting the pretext for privatization that Friedman envisioned — in, for example post-Katrina New Orleans —, [4] change in Iceland is geared toward the creation of a fairer society.

What is not clear is whether such counterexamples offer a roadmap for the rest of the world. Solidarity remains a hard sell in the European Union, which lacks Iceland's remarkable levels of social capital. There is simply too much truth to the cliché that German taxpayers are unwilling to rescue Greek citizens. The lessons of the New Deal, in this regard, are just as ambiguous. As Ira Katznelson has recently pointed out, its approval hinged upon the support of Southern Democrats, who in turn demanded the perpetuation of Jim Crow [5]. But the reader may find frustrating that Stuckler and Basu shy away from discussing the political feasibility of such bold solutions, because their repeated praise of Barack Obama's Hippocratic approach to the 2008 crisis— neither Merkel nor Roosevelt— is far less compelling.

Taken solely as an attack on the economic viability of austerity policies *The Body Economic* ranks behind more authoritative takedowns, such as those put forth by Mark Blyth or the *Financial Times*' Martin Wolf [6]. To an unsuspecting audience, the jarring personal stories and veritable body counts brought forth in this book might strike as demagogical or even pornographic. This, however, is precisely what Basu and Stuckler intend to show: that beneath the abstract charts and statistics, economic choices remain a matter of life and death. Armed with the data to back such powerful claims, *The Body Economic* delivers a powerful critique of austerity policies, and its urgent tone infuses the study of economics with a much-needed dose of ethics.

Endnotes

[1] Horton, Richard (2013), 'Lancet editor and doctors write: the fight for our NHS goes on', *Red Pepper*, retrieved from <http://www.redpepper.org.uk/nhs-fight-goes-on/>, October 20, 2013.

[2] Naomi, Klein (2009), 'Why we should Ban Larry Summers from Public Life', *Washington Post*, retrieved from http://articles.washingtonpost.com/2009-04-19/opinions/36826655_1_economic-adviser-bubble-boy-larry-summers, October 20, 2013.

[3] Sachs, Jeffrey (1990), 'What is to be done?', *The Economist*, retrieved from <http://www.economist.com/node/13002085/>, October 20, 2013.

[4] Friedman, Milton (2005), 'The Promise of Vouchers', *The Wall Street Journal*, retrieved from <http://online.wsj.com/news/articles/SB113374845791113764>, October 20, 2013.

[5] Katznelson, Ira (2013), *Fear Itself: The New Deal and the Origins of Our Time*, NY: Liveright Publishing Corporation.

[6] Bltlyh, Mark (2013), *Austerity: The History of a Very Dangerous Idea*, NY: Oxford University Press.

See also Martin Wolf, 'How Austerity has Failed', *New York Review of Books*, July 11, 2013, <http://www.nybooks.com/articles/archives/2013/jul/11/how-austerity-has-failed/?pagination=false>, October 20, 2013; see also Martin Wolf, "Britain's Austerity is Indefensible," *Financial Times*, March 12, 2013 <http://www.ft.com/intl/cms/s/0/1670a3d2-880f-11e2-8e3c-00144feabdc0.html?siteedition=intl#axzz2NPbsmi aE>, October 20, 2013.

Jorge Tamames is an International Relations graduate from Brown University and a staff writer at *Política Exterior*. (jorge.tamames@gmail.com)