THE FINANCIAL AND ECONOMIC CRISES AND THEIR IMPACT ON HEALTH AND SOCIAL WELL-BEING

Edited by

VICENTE NAVARRO

and

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Introduction

Vicente Navarro and Carles Muntaner

Most parts of the globalized world are facing economic crises and political turmoil not seen since the Great Depression of the 1930s and 1940s. Daily reports of the current global recession are as predictable as they are discouraging: "Economy Expected to Show Sluggish Growth" (1); "Eurozone Unemployment Rate Remains at Record High 12.2 Per Cent" (2); "Britain Reels as Austerity Cuts Begin" (3). Now and again, bleak economic forecasts are interrupted by the promise of economic recovery; however, these promises have proved to be overly optimistic: "Hopes for Faster Global Growth Dashed" (4). Moreover, the ongoing crisis has triggered new or has exacerbated existing health problems, including, for example, increasing rates of intravenous drug use, HIV/AIDS, and suicides, as well as falling fertility rates (5–7). Clearly, the global recession has had negative effects on the larger economy as a whole and on the health of individuals as a population. The proverbial light at the end of the tunnel seems farther away than ever, especially since the so-called Troika—the European Commission, the European Central Bank, and the International Monetary Fund—has prescribed that debt-ridden nations should follow a harsh regimen of austerity measures, prioritizing debt over people, rather than stimulus measures, which protect people during economically vulnerable times.

Explanations for why the economic crisis occurred in the first place and how to solve the crisis are abundant. Not surprisingly, most explanations implicate the failings of individuals and financial interest groups in causing the crisis (e.g., individuals with poor credit and insufficient incomes took on too much personal debt and created a housing bubble). Dominant explanations also favor neoliberal solutions to encourage economic recovery (e.g., cost-cutting policies that scale back social spending, reduce the size of governments, and privatize public goods). Placing the onus on individuals and dismantling welfare states have the injurious effects of overlooking unequal power relations, accepting the status quo, and shifting the balance of political power toward the right and its preference for fiscal conservatism.

Rather than the current crisis being viewed as a direct consequence of unequal political and economic relations, the Great Recession is often understood as a normal, temporary glitch of an otherwise workable system. In more concrete terms, this line of thinking contends that capitalist relations, banking institutions, multinational corporations, and sovereign governments are interrelated parts that, in theory, effectively and efficiently work together to promote economic growth, maximize worker productivity, and generate global levels of financial prosperity. In practice, however, the contradictions and consequences of this social system have been known for decades and made crystal-clear in recent years during the economic crisis. On the one hand, welfare capitalism is charged with the task of regulating financial activities and providing social protections to the unemployed, disabled, and elderly, for example. Democratically elected state governments are expected to organize the distribution and redistribution of economic resources by legislating rules of exchange between the state, market, and family. On the other hand, these rules of exchange and social protections are now expected to undergo necessary self-corrections that overwhelmingly favor the interests of business and markets over the interests of families and workers. As a result, the global recession has reframed the interactions between the state and the market in a way that empowers the latter. Through generous corporate bailouts, weaker labor unions, and strengthened ties with pro-market political parties, business has been able to *increase* its economic power, political influence, and cultural dominance during the downs of the Great Recession.

Given that most attention is paid to figuring out the motivations and behaviors of individuals and interest groups, our understanding of how economic, political, and ideological contexts contributed to the crisis in the first place and how these contexts exacerbate the negative consequences of the crisis remains at best limited and at worst detrimental. Possessing a limited focus comes at a tremendous intellectual and public health cost—researchers remain largely ignorant of how economic crises occur, why crises occur with some regularity, and, perhaps most important for our discussion, what the health consequences of capitalist relations are that create economic cycles of "booms and busts." These questions should challenge public health researchers to explicitly consider solutions, strategies, and interventions that bring about desired change that, in turn, improves health and reduces health inequalities.

Taken together, our central argument is that the current global recession should serve as a clarion call for fellow public health researchers to think more critically about population health and health inequalities. Thinking critically involves developing a better understanding of how economic, political, and cultural forms of power are unequally distributed in capitalist societies, and how these unequal power relations affect the well-being of populations. The underlying claims are that economic and political events do not unfold in vacuums, are not randomly distributed, and reflect the ongoing social struggle between more powerful and less powerful actors over valuable resources. From a social conflict perspective, economic and political events mirror unequal distributions of power and, in particular, the unequal distribution of social class relations, or capitalist versus working-class power. Although a consideration of social class is forbidden (by some), forgotten (by others), and controversial (for most), structured relations between employers, managers, and workers persist as a defining feature of unequal power relations in capitalist societies and remain underexamined within the context of the current recession. Our position is three-fold: first, private-property rights allow some actors to own productive means; second, these rights empower owners to control the labor of workers to their own advantage; and third, private-property rights function as a primary determinant of unequal power relations and health outcomes.

An understanding of social class relations is essential to understanding the connections between the current economic crisis and population health, especially given that social class plays such a dominant role in generating and reproducing social inequalities at different levels and through different pathways. Examples of the power of social classes are plentiful: social class relations influence the ability of political parties to win elections (e.g., political lobbying and financing of election campaigns), shape popular views on the advantages or disadvantages of labor unions (e.g., increasing wages, job security, and class solidarity), and institutionalize the degree to which employer-worker relations are exploitative (e.g., adopting and enforcing occupational safety measures). Among the most prominent mechanisms by which social class relations affect health inequalities is through the production and reproduction of ideology. By influencing dominant value-generating systems such as schools, workplaces, and media outlets, dominant ideologies are often presented with ample justification as to why a certain approach is the only or best option for moving forward. Neoliberalism serves as a prime example. From the perspective of class ideology, neoliberalism argues that the current economic crisis was caused in large part by welfare state expansion. If welfare states are the problem, the ensuing logic claims that economic recovery requires a drastic restructuring and retrenchment of welfare state regulations, programs, and services. Neoliberalism encompasses a whole series of public interventions, also known as austerity policies, which reduce health-promoting resources provided through the welfare state (8, 9). Much like Thatcher's "there is no alternative" slogan during the 1980s, the current economic crisis has produced its own neoliberal mantra: austerity is the panacea for all our economic woes.

Needless to say, social class relations alone do not fully or adequately explain the complex roots and consequences of the economic crisis. Other unequal power relations, including those related to gender (sexism), race/ethnicity (racism), and immigrant/migrant status (xenophobia), among other unjust inequalities, are important determinants of social inequalities in health. However, the key idea is that social class has generated, and continues to generate, avoidable inequalities in capitalist societies. In fact, these inequalities have increased dramatically during the current recession. Given this, any explanation of the current crisis requires incorporating a social class perspective so as to understand the modus operandi of the economic-financial-political system. A critical understanding of how class relations are produced and reproduced across time and place represents a logical starting point to unravel the complex links between the global recession, capitalist economies, business-worker relations, welfare states, population health, and health inequalities. To this end, the current volume provides a distinct perspective on how social class, as well as gender, race, and other inequalities, affects the well-being of capitalist societies experiencing economic crises and political turmoil.

The contributions in this volume—articles selected from the *International Journal of Health Services* (*IJHS*)—contrast explicitly with conventional approaches to population health and offer new insights and results that advance a critical understanding of public health. The chapters are organized around six themes. Part I applies a social-conflict perspective to better understand how political forces, processes, and institutions precede and give rise to social inequalities, economic instability, and population health. The need to politicize dominant (neoliberal) ideologies is emphasized, given its explanatory power to elucidate unequal power relations. Since social class affects well-being through several pathways and interventions, and interacts with welfare states to influence the characteristics and generosity of social protection policies, the next four parts focus on the health impacts of growing inequalities and economic decline on government services and transfers (Part II); labor markets and employment conditions (Part III); welfare states and regimes (Part IV); and social class relations (Part V). The volume concludes by presenting specific alternative proposals, analyzing some of the well-known studies that seek to move beyond conventional policy recommendations. Specifically, Part VI advocates for a more politically engaged approach to population health and presents alternative solutions for achieving egalitarian outcomes.

In several ways, the current crisis resembles a dense fog filled with perplexity and confusion. (How did it begin? What are its effects? How can we overcome the crisis?) In response, this volume provides a timely collection of the most germane studies and commentaries that effectively clear this fog of confusion and improve visibility (seeing the crisis through a critical perspective), increase understanding (considering the economic and political contexts of the crisis), and motivate action (curbing the power of business by mobilizing the power of leftist collective political actors). Taken together, these individual works reflect the *IJHS*' enduring commitment to publishing high-impact studies, inspiring fruitful debates, and advancing the discipline in new and critical ways. As always, the publishing goal of *IJHS*, as evidenced by this collection, is to offer the public health community a much-needed critical perspective on the determinants of population health and health inequalities in order to effect social change.

This introduction cannot conclude without thanking, for their editorial assistance, Edwin Ng at the University of Toronto, *IJHS* copyeditors Linda Strange and Amy Burroughs, and *IJHS* managing editors Paloma Navas and Colleen Boland, all of whom worked tirelessly to prepare this collection for publication.

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PART I

The Causes of the Crisis

Edwin Ng

INTRODUCTION

This first part of the book revolves around two central questions: What explains the inequalities across and within nations? And what are the underlying causes of the most recent financial crisis? The answers to these questions have enormous implications for the health and well-being of populations and, by extension, reflect the extent to which welfare states institutionalize equality and intervene in market affairs.

Common explanations for growing inequalities are often based on modernization theories (e.g., inequalities reflect technological differences between countries), structural-functional paradigms (e.g., inequalities are natural, useful, and inevitable in the pursuit of innovation and economic growth), and systems of meritocracy (e.g., inequalities are no more than the sum of personal merit). Efforts to explain the most recent financial crisis are wide-ranging and include factors focused on the risk-taking behaviors of consumers (e.g., individuals overleveraged themselves), characteristics of the U.S. housing market (e.g., subprime lending, mortgage fraud, and predatory lending), and lack of government oversight (e.g., deregulation).

A notable omission from current explanations has been the undeniable importance of politics in shaping and influencing inequalities, on the one hand, and responding to the Great Recession, on the other. To these ends, the two chapters in Part I reorient our critical understanding of inequalities, financial instability, welfare states, and population health toward a more politically informed paradigm. In Chapter 1, Navarro argues that the key driver of inequalities in capitalist economies is neoliberalism, or the political-economic ideology that skews toward private enterprise, big business, free markets, competitiveness, restructuring, and deficit reduction as governing priorities. Then, in Chapter 2, Navarro makes the compelling argument that political ideologies matter, and, in particular, the dominance of right-wing parties and their fiscal conservative agendas that preceded the collapse of financial markets and guided the resulting austerity policies. Intellectually, these two contributions add a much-needed critical understanding of how politics, power, and ideology determine the nature of welfare states, which, in turn, affect inequalities in population health.

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CHAPTER 1

Neoliberalism as a Class Ideology; Or, the Political Causes of the Growth of Inequalities

Vicente Navarro

Neoliberalism is the dominant ideology permeating the public policies of many governments in developed and developing countries and of international agencies such as the World Bank, International Monetary Fund, World Trade Organization, and many technical agencies of the United Nations, including the World Health Organization. This ideology postulates that the reduction of state interventions in economic and social activities and the deregulation of labor and financial markets, as well as of commerce and investments, have liberated the enormous potential of capitalism to create an unprecedented era of social well-being in the world's population. This chapter questions each of the theses that support such ideology, presenting empirical information that challenges them. The author also describes how the application of these neoliberal policies has been responsible for a substantial growth of social inequalities within the countries where such policies have been applied, as well as among countries. The major beneficiaries of these policies are the dominant classes of both the developed and the developing countries, which have established worldwide class alliances that are primarily responsible for the promotion of neoliberalism.

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A trademark of our times is the dominance of *neoliberalism* in the major economic, political, and social forums of the developed capitalist countries and in the international agencies they influence—including the International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO), and the technical agencies of the United Nations, such as the World Health Organization (WHO), Food and Agriculture Organization, and UNICEF. Starting in the United States during the Carter administration, neoliberalism expanded its influence through the Reagan administration and, in the United Kingdom, the Thatcher administration, to become an international ideology. Neoliberalism holds to a theory (though not necessarily a practice) that posits the following:

1. The state (or what is wrongly referred to in popular parlance as "the government") needs to reduce its interventionism in economic and social activities.
2. Labor and financial markets need to be deregulated in order to liberate the enormous creative energy of the markets.
3. Commerce and investments need to be stimulated by eliminating borders and barriers to allow for the full mobility of labor, capital, goods, and services.

Following these three tenets, according to neoliberal authors, we have seen that the worldwide implementation of such practices has led to the development of a "new" process: a globalization of economic activity that has generated a period of enormous economic growth worldwide, associated with a new era of social progress. For the first time in history, we are told, we are witnessing a worldwide economy, in which states are losing power and are being replaced by a worldwide market centered in multinational corporations, which are the main units of economic activity in the world today.

This celebration of the process of globalization is also evident among some sectors of the left. Michael Hardt and Antonio Negri, in their widely cited *Empire* (1), celebrate the great creativity of what they consider to be a new era of capitalism. This new era, they claim, breaks with obsolete state structures and establishes a new international order, which they define as an imperialist order. They further postulate that this new imperialist order is maintained without any state dominating or being hegemonic in that order. Thus, they write (1, p. 39):

> We want to emphasize that the establishment of empire is a positive step towards the elimination of nostalgic activities based on previous power structures; we reject all political strategies that want to take us back to past situations such as the resurrection of the nation-state in order to protect the population from global capital. We believe that the new imperialist order is better than the previous system in the same way that Marx believed that capitalism was a mode of production and a type of society superior to the mode that it replaced. This point of view held by Marx was based on a healthy despisement of the parochial localism and rigid hierarchies that preceded the capitalist society, as well as on the recognition of the enormous potential for liberation that capitalism had.

Globalization (i.e., the internationalization of economic activity according to neoliberal tenets) becomes, in Hardt and Negri's position, an international system that is stimulating a worldwide activity that operates without any state or states leading or organizing it. Such an admiring and flattering view of globalization and neoliberalism explains the positive reviews that *Empire* has received from Emily Eakin, a book reviewer for the *New York Times,* and other mainstream critics, not known for sympathetic reviews of books that claim to derive their theoretical position from Marxism. Actually, Eakin describes *Empire* as the theoretical framework that the world needs to understand its reality.

Hardt and Negri celebrate and applaud, along with neoliberal authors, the expansion of globalization. Other left-wing authors, however, mourn rather than celebrate this expansion, regarding globalization as the cause of the world's growing inequalities and poverty. It is important to stress that even though the authors in this latter group—which includes, for example, Susan George and Eric Hobsbawm—lament globalization and criticize neoliberal thinking, they still share with neoliberal authors the basic assumptions of neoliberalism: that states are losing power in an international order in which the power of multinational corporations has replaced the power of states, operating within a global market that is responsible for the international order (which neoliberals applaud) or disorder (which some left-wing critics lament).

THE CONTRADICTION BETWEEN THEORY AND PRACTICE IN NEOLIBERALISM

Let's be clear right away that neoliberal *theory* is one thing and neoliberal *practice* another thing entirely. Most members of the Organization for Economic Cooperation and Development (OECD)—including the U.S. federal government—have seen state interventionism and state public expenditures *increase* during the past 30 years. My area of scholarship is public policy, and, as such, I study the nature of state interventions in many parts of the world. I can testify to the expansion of state intervention in most countries in the developed capitalist world. Even in the United States, Reagan's neoliberalism did not translate into a decline of the federal public sector. As a matter of fact, federal public expenditures increased under his mandate, from 21.6 to 23 percent of gross national product (GNP), as a consequence of a spectacular growth in military expenditures from 4.9 to 6.1 percent of GNP during the Reagan years (2). This growth in public expenditures was financed by an increase in the federal deficit (creating a burgeoning of the federal debt) and increase in taxes. As the supposedly anti-tax president, Reagan in fact increased taxes for a greater number of people (in peace time) than any other president in U.S. history. And he increased taxes not once, but twice (in 1982 and in 1983). In a demonstration of class power, he reduced the taxes of the top 20 percent (by income) of the population enormously, at the cost of increasing taxes for the majority of the population.

It is not accurate, therefore, to say that President Reagan reduced the role of the state in the United States by reducing the size of the public sector and lowering taxes. What Reagan (and Carter before him) did was dramatically change the nature of state intervention, such that it benefited even more the upper classes and the economic