

## CHAPTER1

### DID THE CRISIS REALLY HURT?

#### Introduction to the problem

Ruut Veenhoven and Aldi Hagenaars

*In: Ruut Veenhoven & Aldi Hagenaars (eds) (1989)*

*Did the Crisis really hurt? Effects of the 1980 – 1982 economic recession on satisfaction, mental health and mortality.*

*Universitaire Pers Rotterdam, The Netherlands. ISBN nr. 90 237 2279 5 pp. 1-23*

#### **Summary**

*There are good reasons to expect that the 1980/1982 economic recession has 'hurt' the average citizen in afflicted countries, in particular that it has impaired mental and physical health and has lowered satisfaction. Yet, there are also good reasons to doubt these claims. It is worth knowing whether the recession has in fact done damage or not, and - if so -, whom it has hurt most. It is fairly well possible to find that out.*

*This book tries to assess whether and to what extent the last macro-economic recession has caused harm at the individual level, by taking stock of the available time series data on 'health', 'mental disturbance' and 'satisfaction'. These data are compared through time, between nations and across social categories.*

Economic recessions are believed to involve more than just temporary discomfort. They are seen to disorganize the lives of a great many, thereby causing lasting harm. This 'harm' is thought to manifest itself in, among other things, poorer health, psychological disturbance and dissatisfaction. The purpose of this book is to check this assumption on the case of the last worldwide economic recession, which took place in the years 1980-1982.

To that end, time series will be considered on 'mortality', 'mental disturbances' and 'dissatisfaction' in different countries. It will be checked whether these data do indeed show peaks after the onset of this recession. If such peaks do appear, it will be investigated whether the different aspects of individual well-being under consideration are equally sensitive to the economic tide.

Before starting on that analysis, let us first consider in more detail what the last recession was like, why it is believed to have hurt and why that belief needs an empirical check anyway.

#### **1. THE 1980-1982 ECONOMIC RECESSION**

The economic recession under review started with a stagnation of economic growth in 1980. That stagnation was followed by a decline in economic activity in the years 1981 and 1982.

Industrial production and world trade dropped 5 to 10 per cent. In 1983, the decline stopped, but no real recovery set in. Up to the present time (1988) growth has been slow.

This recession hit most countries in the world, though some more than others. Developing countries were generally more afflicted than industrialized nations. Among the latter Japan did better than the EC-countries. **Scheme 1** displays the average trend in the seven major OECD countries (US, Japan, Germany, France, UK, Italy, Canada). The decline in economic activity was paralleled by a drop in consumption and a sharp rise in unemployment. These changes are depicted in more detail in the **schemes 2** and **3**. In **scheme 2** we can see that the growth of consumption stagnated in the years 1980 to 1982. In several OECD countries it even declined: in Germany, the UK, and in most of the smaller countries. Recently growth has resumed, but rates are still below the average level of the 1960/80 period.

**Scheme 3** shows the development in unemployment. It rose sharply during the recession and has remained at a high level ever since. The rise was greatest in the EC-countries. Unemployment doubled in Germany, the UK, the Netherlands and Spain. Japan managed to maintain a low level of unemployment.

### *Causes*

The 1980/82 economic recession was preceded by an earlier one in 1974/75. That recession came about when in 1973 oil prices quadrupled, causing all import prices to increase dramatically. The consequences became visible after a time lag of one to two years: world trade receded considerably, economic growth figures decreased, and unemployment figures increased. In 1975 an actual decrease in Gross National Product was found in all OECD countries. See once more **scheme 1**.

This first oil crisis and its economic implications came as a shock to most people after the prosperous sixties, when affluence became to be considered a permanent fixture, following the reconstruction of the national economies devastated in the second world war. Confrontation with an economic crisis affected government policy in various ways. The higher number of unemployed implied a larger share of transfer incomes in national income. This increase in social security benefits, combined with a Keynesian policy of increased government expenditures (in order to compensate for the reduced consumer demand) resulted in a steadily increasing share of public expenditures in GNP. Governments tried, more or less successfully, to control wages. In spite of these attempts inflation increased dramatically in most countries.

A second major increase in oil prices, in 1979, accelerated these developments and led to the 1980/1982 recession. Recent years have shown a slight recovery in growth figures and world trade. Inflation has been reduced significantly in most countries, and although unemployment is still extremely high, it is no longer increasing in most countries.

### *Comparison with the 'Great Depression'*

The recent recession has sometimes been compared to the 'Great Depression' in the 1930s. However, that latter recession was different in many respects. Real national income decreased much more, unemployment was higher, and social security systems hardly existed. The material level of living was far lower. As a result the recent recession did not involve the mass poverty of the Great Depression.

The Great Depression was different in other respects as well: rather than the high inflation we saw in the last recession, an actual deflation took place in the thirties. Keynes declared the (too) low level of consumption and investment to be one of the causes of the first crisis, and suggested increased government expenditures, even at the risk of a budget deficit. In spite of this advice government intervention was minimal in most countries. Though the Keynesian diagnosis was generally accepted, governments were unwilling to increase their expenditures. In the recent recession, however, the Keynesian solution was readily adopted in many countries, without, however, acknowledging its structural causes. Finally, the larger international cooperation in recent years has to some extent prevented the downward spiral of increasing protectionism.

## 2. REASONS FOR EXPECTING HARMFUL EFFECTS

Economic recessions are generally believed to bring about social and psychological malaise. Not only does the general public think so, but many scientists as well. There is a vast literature on the scars left by the Great Depression (i.a. Jahoda 1933; Milkman 1976; Elder 1985). Claims about the effects of minor recessions in our days are equally alarming. Brenner (1976) for instance claims that a 1% increase in the US unemployment rates will cause an extra 36.887 deaths over the course of the following six years: according to this theory the last recession is expected to have caused harm as well (see Brenner's contributions in this book: chapters 10 and 12).

Obviously that recession did make itself felt financially for a great many people. But why expect more harm than that? The worst afflicted still lived at a level that was considered luxurious in the 1930s. So, why would this step back embitter life and increase vulnerability to illness and mental disturbance? Going through the literature we come across various points of view, framed in several different theories.

### 2.1 Claimed negative effects

It is commonly contended that the last recession involved more than just a temporary 'step-back'. It is said to have reduced a great many to 'poverty', bringing people below the standard of living they consider as reasonable, and in some cases even by causing 'deprivations' in health care and housing. Thereby, the crisis is said to have sharpened 'social inequality' and undermined 'trust in society'. Unemployment in particular is seen to have done so. Let us consider these claims in more detail.

#### *Loss of income*

As noted above, the recession reduced the income of both individuals and governments, which required cuts in consumer expenditures. This lowering of the material standard of living is believed to have involved genuine 'deprivation' rather than merely doing away with the frills.

Cutting down expenses by individuals has been said to involve large scale economizing on food and health care. There are accounts of changes to cheaper but less healthy diets and of a growing reluctance to consult a doctor. Such risky economizing would not only be dictated by sheer poverty, but would depend on custom and budget flexibility as well. In some instances cuts on seemingly luxury matters are said to have caused deprivation as well. Elderly people who gave up the telephone are seen to have become isolated: youngsters whose parents could not afford their sportsclub are seen to have missed out on a chance to develop a healthy lifestyle, social networks, etc.

Likewise, cuts in government expenditure are seen as not only having affected superfluous items. The curtailments on health care that took place in many countries are said to have caused a loss of lives. Skimping in social security, municipal cleaning and police surveillance are said to have created an atmosphere of social decay in which people are unable to flourish. It is currently remarked that a simple step back is almost impossible: during the rich years, the expansion of the welfare state is considered to have drained those institutions which are now needed to fill in the gaps. As a result individuals as well as governments are seen to have applied the axe to 'vital' expenditures.

Apart from these 'absolute' deprivations, the recession is seen to involve 'relative' deprivation as well. It brought many below the standard of living that is currently seen as 'decent' (mostly referred to as the 'poverty line'; usually in the lowest 30%). This development is seen to have created dissatisfaction.

### *Unemployment*

The recession involved a sharp rise in unemployment: a lot of adults lost their job and many school-leavers did not get one. Apart from the financial deprivations discussed above this development is said to involve high 'psychological costs'.

First of all, workers who lost their job are seen to have problems in adjusting to the situation which sometimes involves facing the possibility of never being employed again. This painful process and its background are vividly described in the early psychological literature (i.a. Eisenberg & Lazarsfeld 1938) and in recent accounts of plant closures (Kasl et al. 1975). One of the problems is finding a new identity (Kelvin 1981). Adjustment is often complicated by guilt.

Young people who fail to find a new job do not go through such loss. Yet they are also seen to meet with problems of identity and self-respect: prolonged but vain attempts to find a job drains their belief in themselves and in society; the lack of control and the search for alternative ways of passing the time would encourage them to develop deviant lifestyles which marginalize them even more in the long run.

### *Hard competition*

The recession is said to have affected those who remained employed as well. The usual stress of work in a capitalist economy - so vividly described by Bravermann (1974) - is seen to have increased in many instances. The battle for survival would require higher work pressure and much reorganization. Unions being in a weak position, employees are seen to be faced with more insecurity and had to accept less favorable work conditions. Cuts in government expenditures and cancellation of tenure positions are said to have brought similar stress to civil servants. Brenner (1976) holds this effect responsible for the increased heart disease mortality which he observes in the years following recessions.

### *Threatening information*

The media brought the recession home to everybody; even to those not (yet) afflicted financially. Plant closures were extensively reported, comparisons with the Great Depression often made. This is also said to have involved harmful effects. There are claims that the mere fear of job loss tends to be stressful (Kasl et al. 1974, Dooley & Catalano 1980). It is currently suggested that the recession created anxiety about one's personal future and that it shattered beliefs in social progress. These effects are thought to be particularly painful because the most recent recession coincided with a rising pessimism in western nations.

## **2.2 Presumed links to illness, disturbance and dissatisfaction**

Some of the above effects are presumed to harm health and happiness more or less directly. The loss of income, for instance, is expected to lower satisfaction right away. Yet most of the harmful effects are presumed to be brought about by intermediary processes:

### *Declined care*

Cuts in preventative and curative health care by individuals and governments are said to have lowered the quality of that care and access to it. As a result the level of physical and mental health would have declined. This reasoning starts from the assumption that the high level of health in the rich countries was largely accomplished by improvements in professional health care and concludes that deterioration of that care would therefore lead to a decrease in health. Deterioration of health is expected to lower satisfaction with various aspects of life and with life as a whole, in particular if not considered inevitable.

*Unhealthy lifestyle*

As noted above, loss of income is said to give rise to cuts in food and health care. On the other hand, the stress of the recession is seen to increase the consumption of stimulants: alcohol and tobacco in particular (Brenner 1975). Together this would build up a real threat to health, materializing in lower subjective health, more visits to the doctors and declining longevity.

*Frustrated needs*

In line with the thinking of Maslow (1965) it is assumed that humans not only have organic needs such as 'food' and 'rest', but various 'psychological needs' as well, such as 'security', 'esteem' and 'meaning'. Frustration of these psychological needs is believed to be just as harmful as the insufficient gratification of organic needs. Before real harm occurs, a kind of biological alarm starts ringing; the individual experiences negative affect. If frustration continues, damage will be done in the long run: both mental and physical. The longer the frustration lasts, the more serious the harm done.

Several of the above mentioned negative effects of the recession are said to have involved frustration of psychological needs: the need for 'esteem' is said to be frustrated by unemployment, the need for 'security' thwarted by threatening media coverage, etc. These blockades to need-gratification are seen to add to already existing ones, and thus bring many people below a tolerable level. Increases in dissatisfaction and ill health would be the result.

*Chronic stress*

Another prominent idea is that the human organism is equipped with some kind of 'emergency gear'. If faced with danger or extraordinary challenge, energy reserves are mobilized: this involves, for example, a faster heart beat and the production of biochemical peps. Though quite suited for temporary survival spurts, this condition has the disadvantage that it wears down the organism when used chronically. Anxiety stress in particular is believed to inhibit the immune system. Again, the alarm of negative affect is seen to warn the individual. If neglected, a breakdown follows in the long run; physical and/or mental. The break takes place at some weak point in the psycho-organic chain (Seyle 1976).

In this context, several of the above mentioned negative effects of the recession are said to induce such 'chronic states of alarm'. The higher work-pressure for the employed, the continuous problem of making ends meet for the unemployed, and the general sense of insecurity for all, are claimed to bring people into chronic vigilance, thus exhausting them in the long run. These troubles are again seen to add to the burdens of life that already exist. It is commonly assumed that life in modern society involves much stress anyway. Many people being on edge already, the damage of the extra stress caused by the recession would be disproportionately high.

*Impaired coping*

A related view is that stressful life-experiences impair the capacity to deal with the problems of life, thus increasing the vulnerability to other problems. Apart from the general exhaustion discussed above, more specific impairments have been described. One is that continuous adversity, from which one cannot escape, tends to demoralize people. It emphasizes their helplessness and thus makes them slide into apathetic depression, which makes things even worse. This is called learned helplessness (Seligman 1975). Another commonly described impairment is disorganization of the self-concept. As people deal with the world on the basis of a conception of who they are and what they want, they deal less effectively if this conception is blurred or gets linked with repulsive connotations. This is commonly referred to as identity-crisis [term coined by Ericson (1969) who used it more specifically for a general developmental process]. Further patterns of impairment due to overburdening are chronic anxiety, uncontrolled

aggression and defensive withdrawal from reality. In fact, most maladaptive behaviours are believed to result from excessive life demands in some way.

The recession is said to have done harm in this way as well. The uncontrollability of the economy and the lack of prospects for the poor is said to have caused 'learned helplessness'. Unemployment is said to have led to 'identity problems', the climate of uncertainty to have created 'chronic anxiety', etc. Again, these noxious effects are seen to occur in an already insecure society, thus reducing mental health quite drastically.

#### *Undermined social support*

It is generally contended that people can take more blows if supported by intimates. This support consists first and foremost in the comforting idea of being surrounded by affection and further involves 'advice', 'behavioral correction' and 'material help' (i.a. Cobb 1979). There is much evidence that social support does indeed buffer the effect of stressful life events (such as divorce and illness) on health and satisfaction.

In this context the crisis is said to have weakened supportive networks. Unemployment is said to have done so by depriving the afflicted of contacts with colleagues and by making them withdraw socially because of shame and lack of money. Among people still in the working force, competitive pressures drain intimate networks by claiming all energy and requiring disruptive moves. Once more these effects are mostly believed to exacerbate an already alarming tendency in modern society.

All these reasons for expecting harmful effects are summarized in **scheme 4**. Together they make a good case.

Presumed effects of macro-economic decline on individual well-being

### **3. REASONS FOR DOUBTING HARMFUL EFFECTS**

There are several reasons for reservation. Firstly, the income losses involved in the recession do not necessarily involve a lowering of the material standard of living. Secondly, the recession may have involved several positive effects. Thirdly, our view on the effects of recessions may be biased negatively.

#### **3.1 Individual economic welfare has not necessarily declined**

Traditional neo-classical micro-economics assumes that consumers (for the time being supposed to be individuals, not households) derive 'utility' or 'individual welfare' from the consumption of market goods and services. The needs of individuals, which may vary according to their individual preferences, are supposed to be insatiable; more goods will always bring about more utility. The extra utility, derived from an extra unit of goods, is assumed to decrease when the amount of goods already in possession increases. According to this view the only limitation the consumers face in their attempt to meet their unlimited needs is the restriction of their budget; they cannot spend more than their income on consumer expenditures. The more (real) income they have, the more goods and services come within their reach, and the higher their welfare is supposed to be.

Within this traditional framework the link between an economic recession and individual welfare is straightforward: for individuals experiencing economic growth, welfare is increasing; for individuals faced with a reduction in income, welfare is decreasing. This neo-classical model, however, has been challenged in several ways.

#### *Compensations in extra time and do-it-yourself productivity*

An important modification of the theory is given by Becker (1965), who stated that utility is not derived from the possession of goods per se, but from the consumption of goods, which takes

time, as well as goods. He pictured the consumer as a small entrepreneur, who 'produces' commodities, using time and money as inputs. Because consumers may choose between goods-intensive production processes and time-intensive production processes, it is not the actual income which is relevant for their welfare, but their potential of full income: the income level they might obtain if they would devote all available time to earning money. Hence, decreasing income does not necessarily imply a lower standard of living: one might voluntarily have 'bought' consumption time, rather than consumption goods. To some extent, this has indeed been the case during the twentieth century: an increasing number of holidays and a decreasing length of the working weeks show that at least some substitution of income for time has taken place. One might conclude, then, that economic growth figures with respect to income alone are not sufficient: one should correct them on the basis of a possible voluntary increase in leisure. However, the increase in leisure has usually taken place in a period of high economic growth, when it was possible to increase both income and leisure. Moreover, the model presupposes a free choice in the number of hours worked, which is clearly not always applicable to a situation of mass unemployment.

A modified version of Becker's model is presented by Gronau (1973, 1977), who concentrated on the 'production processes' taking place at home. Rather than calling all available time 'productive', in the sense that commodities are produced, Gronau reserved the term 'productive' for housework and do-it-yourself activities: time input that results in commodities which might have been produced by somebody else. Gronau, and several others in this track<sup>i</sup>, tried to estimate the value of home production, and added it to monetary income in order to obtain an estimate of the total command over resources. An important implication of this recognition in the present context was stated by Kuznets (1941:10): 'A severe depression with its attendant unemployment may force many individuals to return to household tasks that in prosperity are performed by hired labor or by manufacturing enterprises; and an opposite shift may take place during prosperity'. The income decrease, resulting from unemployment, thus results in a shift of resources to the household economy. The net welfare loss is therefore less than more income figures might suggest.<sup>ii</sup>

### *Adaptation of wants*

A second modification of the neo-classical model is the mitigation of the assumption that utility depends on the individual's present consumption of goods and services only. This assumption has been changed in two respects.

The first change is, that utility of present consumption is now supposed to be a function of consumption in the past. This phenomenon is called habit formation (see e.g. Peston 1967, Gorman 1967 and Pollak 1970). In this theory, previous consumption experiences are assumed to affect tastes.<sup>iii</sup> This shift in tastes as a result of an adaptation to a higher level of expenditure has been coined 'preference effect' by Van Praag (1971).

An alternative interpretation of the empirical evidence that consumption of goods does not change drastically over time, is that the utility derived from the consumption of goods depends on the consumption patterns of other relevant people in society. This interdependence of buying behavior of different consumers is sometimes called the social reference effect.

The consequence of both preference and reference effects on the welfare of individuals may be very large: if tastes shift, as a result of an increase in income, the actual welfare increase perceived is confronted with disappointment with respect to one's expectations. A similar effect may be the result of the reference effect: if everyone in one's peer group - excepting oneself - has received an increase in salary, then one's own utility will decrease. This effect is the economic interpretation of the sociological concept of 'relative deprivation'. If the preference effect and reference effect are large, one may even discover that general wage increases do not increase perceived utility at all (see e.g. Van Praag, Kapteyn and Hagenaars 1986).

The implication of this modification is that decline in macro-economic growth is not



necessarily followed by dissatisfaction at the individual level. Adaptation processes may reduce the effect of the income loss, in particular if everybody experiences the same income loss. However, habit formation and reference effect do not necessarily react symmetrically to positive and negative changes in income. The extent to which reference and preference effects influence the perceived welfare in an economy is an area that calls for empirical testing.

#### *Adjustment of household size*

A third adaptation of the neo-classical model is the implicit assumption that the consumer is an individual. Most people belong for the greater part of their lives to a multi-person household, in which both revenues and expenditures are shared. Economies of scale ensure that a couple does not need twice as much income for a certain welfare level as a single person.

This implies that the effect of macro-economic growth or recession on individual welfare has to be corrected for the size and composition of the households in society to arrive at some measure of 'equivalent GNP per person'. As the composition and size of households may change as a result of economic conditions - for instance if young people postpone marriage or childbirth because of unemployment or low income levels - these endogenous changes also have to be taken into account. The reverse holds as well: more or less independent trends, like the increase of divorce, have an impact on the number of households in society, and require a larger amount of GNP for the same level of welfare, due to the decrease in economies of scale. These demographic trends also distort the impression that income figures give of the welfare level.

#### *Buffering by the State*

Finally, it should be noted that the neo-classical model assumes a society without a government sector: no taxes, social benefits or public expenditures. In the real world, the public sector has a large share in GNP. Taxes and benefits are not equally distributed over households. Hence, at the micro level of households, the effect of taxes and social security premiums should be taken into account, as well as the extent to which households benefit from the public goods provided by the government (e.g. Buhman 1987). The budget cuts that most governments have faced in the recent recession, may also have differing effects on households in different situations. A reduction in hospital beds, for instance, implies a greater need for household care; this may be hard to obtain for single persons or households where both spouses are participating in the labor market.

### **3.2 Possible positive effects of the recession**

Attention is heavily focused on the harmful effects of economic decline. Yet there are good reasons to expect positive effects as well. Possible positive effects which may counterbalance - or even override - the negative ones. Going through **scheme 4** from a different point of view, we can note the following counterclaims:

Firstly, the recession may have forced people towards more healthy, rather than less healthy lifestyles. Cuts in consumption expenditures may have reduced drinking, smoking and overeating. Reduced employment may have given time for healthy leisure activities.

Likewise, the recession may have facilitated need gratification in some ways. Mass-unemployment may have freed many people from a situation in which their needs for 'belonging', 'esteem' and 'meaning' were, in fact, frustrated. Work is clearly not a blessing for everybody, in particular not for workers in low-skilled, closely supervised and repetitive jobs. Questioning the belief in social security from the cradle to the grave may have worked out positively as well in some cases. It may also have provided some people with a challenge they missed in the secure old days.

Stress-reducing effects may have been involved as well. Lay-offs will have prevented a breakdown in many cases: in particular because personnel reductions were largely accomplished by selective dismissal. Overburdened employees were often discharged as medically unfit or



were offered the chance of earlier retirement. Forced dismissals were more frequent among less enthusiastic workers. The recession can also have facilitated the adjustment of aspirations which were in fact too demanding. It is easier to settle for less because of bad times, than to admit to have bitten off more than one can chew. Further, it is not unlikely that the reorganizations induced by the recession have cleared away stressful organizational deadlocks.

Likewise, one can imagine cases in which the recession strengthened psychological effectiveness rather than lowered it. Remaining in business when the papers are full of closures is likely to bolster self-esteem, in particular because people tend to attribute positive events to their own competence: remember that the vast majority of the work force survived on the recession. New challenges and reorganizations are moreover likely to have provided developmental impulses. Similarly, the recession may have contributed to 'social support'. Loss of income is likely to have slowed down individualization of households and to have made reciprocal help more valuable. Unemployment freed time for social contacts. Bad times made people cling together.

Furthermore, we should not forget the vast literature on the negative effects of economic growth. All classic sociologists have bemoaned the alienation and social disruption involved in the 19th century 'industrial revolution'. Recently the 'zero-growth movement' in economics has depicted the defaults of the 20th century 'consumer society' in great detail. That latter criticism is particularly relevant in this context, because in fact the recession provided the medicine advocated. It stopped growth for a while, thereby protecting us from the denounced over consumption. See Zolatas (1981) for a review of the presumed harms of affluence and a related charge of Diekstra (1984) against the 'hypomaniac' economic activity of our days.

Actually there is some evidence that upward changes in the economy hurt more than downward ones. Durkheim (1897) already found a greater rise in suicide in periods of fast economic growth than during recession. Likewise, Brenner (1979) found that mortality rose more after rapid economic recovery following recession, rather than after the recession itself. This rise would occur mainly among persons in the work force, whose reminiscences of the recession made them work too hard.

### 3.3 Colored outlook

Lastly, we should not forget that our view of the recession can be biased. The outlook may be colored by materialistic values, by salient reminiscences and by incorrect theories.

#### *Possible value bias*

We live in a growth-oriented culture. Our recent history witnessed an unprecedented economic development, which helped us to relieve several pressing social problems. The leading nations of our time owe their position largely to their economic power. Hence growth and its associated virtues are high in our hierarchy of values: religions that focus on acquiescence to the imperfections of life are on the retreat. As a result, we tend to associate 'economic growth' with 'social progress' and 'stagnation' with 'decay'.

#### *Reminiscences of the Great Depression*

Next to this general cultural bias, our reminiscences of earlier recessions may be cheating us. These reminiscences are heavily dominated by the Great Depression of the 1930s. That Great Depression colors our perceptions of the last one because it has left such vivid memories. We all knew the pictures of queues for the labor offices, rows of mothball ships in the harbor and sad-looking, cap-wearing workers on the streets. They represent a common theme in films and writing and are linked to our notions of the outbreak of World War II. We have less vivid memories of the Korea recession in the 1950s and of the oil crisis a decade ago.

Yet comparison to the Great Depression is inappropriate in many respects (remember the differences enumerated in par. 1) and our recollection of it oversimplified. We nevertheless tend

to see the last recession in the same light, both because of a general tendency to focus on the salient and because several groups with access to publicity have an interest in stressing the harmful effects of the last recession: right wing governments wish to legitimate a 'back to growth' policy, left wing opposition parties wish to present themselves as a shield to the poor and the helping professions by fighting cuts in state sponsored care. As always, the media have a built-in tendency to overstress the exceptional and dangerous.

#### *Inferences from a different situation*

Most of the arguments which are used to stress the harmful effect of the last recession draw on research about earlier economic dips and unemployment. Yet things can work out differently in different situations. As noted above, the social situation of the 1930s differed in many respects from the situation in the early 1980s.

For similar reasons, findings on unemployment in the 1960s and the 1970s cannot just be projected into the 1980s. It is possible that unemployment in bad times is less painful than in good times, because more people share the same fate and there is less ground for remorse. The people who lose their jobs in good times probably represent a different selection as well.

Lastly, we should not forget that the cultural revolution of the late 1960s was not just a temporary phenomenon: the so-called 'post-material' values did indeed win ground and support for the 'Protestant Work Ethics' declined.

#### *Dubious validity of earlier findings*

Still another reason for caution is that several observations on the effects of earlier economic dips are not beyond doubt. To mention a few examples:

The classic study of the 'Arbeitslosen von Marienthal' (Jahoda et al. 1933) labors under many of the limitations characteristic of participant observation and seems to have concerned a rather exceptional case (Fraser 1980).

The bulk of studies on unemployment that followed was largely correlational and could not prove that the lower well-being observed among the jobless was a 'consequence' of unemployment rather than an 'antecedent' (see i.a. Warr 1982). This tradition also leaves us with a queer inconsistency: how can unemployment hurt so much while retirement generally pans out beneficially?

As a last example: Brenner's well-known findings about the relation between unemployment rates and mortality have recently been attacked on methodological grounds (Wagstaff 1985).

#### *Dubious assumptions*

Several of the claims mentioned in paragraph 2 draw on implicit but doubtful assumptions. Firstly, it is not at all sure that the cuts in health care have reduced quality and access that much. Neither has it been established that a real decline of care affects health considerably: at least not in the richer countries where the marginal utility of health care seems low. Another dubious assumption is that the level of stress is already so high in modern society that the addition of extra recession-related stress is too much for a great many. Nor has it been established that the recession undermined social support.

## **4. RELEVANCE OF KNOWING**

Why try to find out whether the recession did indeed hurt or not? What is the use of knowing what damage was involved, in which countries and to what kind of people?

#### *Social relevance*

The question links up with at least two issues in the ongoing discussion about the legitimacy of our social order. Firstly, it is of relevance in evaluating the capitalist economic system. An often

mentioned drawback of that system is that it involves periodical ups and downs. If the downs appear to be less harmful than generally assumed, that argument loses its strength. Secondly, the matter is of relevance in the current discussion about the retreat of the welfare-state. One of the things expected from the welfare-state is that it smoothes the hard edges of the capitalist economy, for example by buffering the effect of economic swings and by preventing 'Verelendung' of the lowest social class. If the welfare states turn out to have performed as expected, then that is a credit worth acknowledging.

The question is also relevant to some dilemma's in economic policy. Should anticyclic policies be pursued, even at the cost of slowing down the rate of development? If economic dips appear to harm citizens considerably, governments will be more inclined to pursue such policies. Likewise, the priority awarded to full employment depends to some extent on the harm actually involved in unemployment. Verified facts are badly needed in these discussions, the view on reality being clouded by a Babel of speculative and ideologically loaded claims.

For the purpose of social policy it is relevant to know which social categories were hurt most. That information is needed for setting priorities in redistribution of income and the allocation of welfare services. Currently the attention is heavily focused on 'poverty'. Yet the poorest are not necessarily the ones who suffer most. In the absence of sound data on this matter the scene is dominated by conflicting claims of various interest groups.

### *Scientific relevance*

Knowing whether this crisis has hurt or not can contribute to our understanding of both societal development and of individual coping. For one thing, it helps to delineate the validity of the common hypothesis that economic decline raises 'frustration' and thereby sets the scene for social change such as religious revival and political protest. It also sheds a light on the mostly implicit theory that latent social conflict in present societies can be appeased only by continuous economic growth.

At the individual level, this case can provide some new views on the processes involved in well-being. If, for instance, people remain equally happy throughout the recession, then this is an indication that judgments of life tend to be socially relative, which would fit in with the 'comparison' theory of happiness. If, on the other hand, happiness is shown to be sensitive to the economic tide, then this would support the 'need' theory of happiness. If the recession only affects the happiness of young people, but not that of the middle-aged and the elderly, a case can be made for the 'trait'-theory of happiness, which claims that judgments of life tend to freeze into attitudes which are - once formed - no longer sensitive to variations in the quality of living conditions. If, on the other hand, the recession can be shown to have had no effects at all, this would favor theories stressing inner processes over and above explanations that hold the outside world responsible.

## **5. POSSIBILITY OF KNOWING**

Assessing the impact of economic variations on individual well-being is more difficult than it may seem at first sight. To mention a few problems: 1) Indicators may be biased systematically, for instance, doctors may be more inclined to report suicide in bad times; 2) Other developments may cloud the effects, for instance, unrelated changes in the opinion climate; 3) Certain problems may be 'uncovered' by the recession rather than 'provoked', for instance, more admissions to mental hospitals because families are less able to afford home care; 4) Effects may manifest themselves at different intervals; some right away, and others only after some years. In the case at hand here, further complications are that the recession was short-lived and not very serious. We are still too close to it to observe its long-term effects.

Can we still expect to find out whether it really hurt? There are reasons for modest optimism. Firstly, we are now better aware than ever of the methodological problems involved. This enables

us at least to check some of the possible distortions. Secondly, data are richer than ever. We now have time-series on several aspects of well-being in many countries. As many of the above problems are particular to specific measures and specific countries, a combined view is less vulnerable for distortion. Lastly, analytic methods have improved considerably and several of the available data-sets allow their application.

Still, it is unlikely that we are able to map all the 'scratches' the recession left. At best we can expect to establish, more or less, whether it left serious 'wounds'. For the present purpose that is sufficient.

## **6. GOAL OF THIS BOOK**

The goal of this book is to consider the effects of the 1980/1982 economic recession on a broad range of indicators of well-being in different countries. The approach is comparative in three ways: comparative across time, comparative across nations, and comparative between aspects of well-being. Contributors are investigators who have access to relevant data sets, i.e. time series on well-being covering the period before and after the economic crisis. Each will inspect his/her data with the following questions in mind:

1. Did the individual well-being deteriorate during, or shortly after, the economic crisis?
2. Did the crisis harm specific social categories, such as the less well-educated, school-leavers or the unemployed? Did the crisis increase inequalities in well-being? For instance, did the lower income categories become relatively more unhappy, possibly in spite of an otherwise stable level of unhappiness in the country?
3. Did effects differ between countries? Was well-being, for instance, more stable in the rich countries than in the third world? Did the welfare-states 'buffer' the crisis better?
4. If the average citizen did not appear to be notably hurt, did effects differ between aspects of well-being? Does satisfaction, for instance, appear more sensitive to the economic tide than mental health? Are effects stronger at the extremes than at modal levels, and therefore more visible in suicide- and death-rates than in average scores of mental and physical health?

## Notes

- <sup>i</sup> See e.g. Goldschmidt, Clermont 1982; Hawrylyshyn 1976 and Homan 1988 for surveys of methods and results.
- <sup>ii</sup> The opposite holds in times of prosperity: not all income increase results in a welfare increase: part of it is needed to compensate for the loss in household production. The same phenomenon has been described in so-called 'buffer theories', implying that the household sector is the first to adapt to a shock of diminishing income of the possibilities of an expanding economy (see e.g. Milkman 1976).
- <sup>iii</sup> Stigler and Becker (1977) conclude, using the 'home production model' discussed above, that the technology used in producing commodities may change, as a result of previous experiences, rather than tastes.

## REFERENCES

- Becker, G.S., (1965)  
*A Theory of the Allocation of Time*,  
The Economic Journal, vol. 75, pp. 493-517.
- Braverman, H., (1974)  
*Labour and Monopoly Capital: the degradation of work in the 20th Century*,  
New York, Monthly Review Press.
- Brenner, M.H., (1979)  
*Mortality and the National Economy: a review and the experience of England and Wales*  
Lancet, p. 568.
- Brenner, M.H., (1976)  
*Estimating the Social Costs of National Economic Policy*, Washington, US  
Government Printing Office.
- Brenner, M.H., (1975)  
*Trends in Alcohol Consumption and Associated Illness: some effects of economic changes*,  
American Journal of Public Health no. 65, pp. 1279-1292.
- Catalano, R. & Dooley, D., (1979)  
*Does Economic Change Cause or Uncover Behavioral Disorder?*  
In: Terman, L. & Gardens, eds.: 'Mental Health in the Economy, Upjohn  
Institute for Employment Research, Kalamaxo MI.
- Cobb, S., (1979)  
*Social Support and Health through the Life Course*.  
In: Riley, M.W., Aging from Birth to Death: interdisciplinary perspectives,  
Washington DC American Association for the Advancement of Sciences.
- Diekstra, R.F.W., (1984)  
*Grenzen aan de Psyche: over de noodzaak van een limitatieve psychologie*.  
In: Soudijn, K.A. & Takens, R.J. red.: 'Psychologie en Economische Recessie,  
Swets Lisse pp. 12-30.
- Dooley, D. & Catalano, R., (1986)  
*Do Economic Variables Generate Psychological Problems?*  
In: Alan et al eds.

Dooley, D. & Catalano, R., (1980)  
*Economic Change as a Cause of Behavioral Disorder*,  
Psychological Bulletin, vol. 87, pp. 450-468.

Durkheim, E., (1897)  
*Le Suicide: étude de sociologie*,  
Paris, Alcan.

Eisenberg, P., & Lazarsfeld, P.T., (1938)  
*The Psychological Effects of Unemployment*,  
Psychological Bulletin pp. 358-390.

Elder, G.H. et al.,  
*Linking Family Hardship to Childrens Lives*,  
Child Development, vol. 56, pp. 361-375.

Ericson, E., (1969)  
*Childhood & Society*,  
Harmondsworth, Penguin.

Fraser, C., (1980)  
*The Social Psychology of Unemployment: Marienthal, an extreme case*.  
In: Jeenes, ed., Psychology Survey no. 3, Allen & Unwin.

Goldschmidt-Clermont, L., (1982)  
*Unpaid Work in the Household*,  
International Labour Office Geneva.

Gorman, W.M., (1967)  
*Tastes, Habits and Choices*,  
International Economic Review, vol 8 pp. 218-222.

Gronau, R., (1973)  
*The Effects of Children on the Housewives Value of Time*,  
Journal of Political Economy, vol. 81, (Supplement) pp. 168-199.

Gronau, R., (1977)  
*Leisure, Home Production, and Work - the Theory of the Allocation of Time*  
Revisited, Journal of Political Economy, vol. 85, pp. 1099-1123.

Hagenaars, A.J.M., (1986)  
*The Perception of Poverty*,  
North Holland Publishing Company, Amsterdam.

Hagenaars, A.J.M., G. Buhman, R. Hauser, P. Hedstrom, C.A. de Kam, M. OHiggins, P. Saunders, G. Schmaus, T. Smeeding and M. Wolfons, (1987)  
*Improving the Luxembourg Income Study (LIS) Income Measure: microdata estimates of the size distribution of cash and noncash income in eight countries*,  
presented at the conference of the International Association for Research in Income and Wealth.



Hawrylyshyn, O., (1976)

*The Value of Household Services: A Survey of Empirical Estimates*,  
Review of Income and Wealth, vol. 22, pp. 101-131.

Homan, M.E., (1988)

*The Allocation of Time and Goods by One- and Two-Earner Households*,  
dissertation (forthcoming).

Jahoda, M., (1979)

*The Impact of Unemployment in the 1930s and the 1970s*,  
Bulletin of the British Psychological Society, vol. 32, pp. 309-314,  
Unemployment.

Jahoda, M., Lazarsfeld, P.F. & Zeisel, H., (1933)

*Die Arbeitslosen von Marienthal*,  
Leipzig, Hirzel.

Kasl, S.V., Geve, S. & Cobb, S., (1975)

*The Experience of Losing a Job*,  
Psychosomatic Medicine, pp. 107-121.

Kelvin, P.,

*Work as a Source of Identity: the implication of unemployment*,  
British Journal of Guidance and Counseling, pp. 2-11.

Kelvin, P. & Jarret, J.E., (1985)

*Unemployment, its Social Psychological Effects*,  
Cambridge, Cambridge University Press.

Kumar, K., (1978)

*Prophecy and Progress: the sociology of industrial and post industrial society*.  
London, Allen Lane. Organisation for Economic Co-operations and  
Development, Economic Outlook, 1987.

OECD (Organisation for Economic Cooperation and Development.) (1987)

*Outlook no. 42*.  
Paris.

Peston, M.H., (1967)

*Changing Utility Functions in M. Shubik ed.*,  
Essays in Honor of Oskar Morgenstern, Princeton: Princeton University Press.

Pollak, R.A., (1970)

*Habit Formation and Dynamic Demand Functions*,  
Journal of Political Economy, vol. 78, pp. 60-78.

Praag, B.M.S. van, (1971)

*The Welfare Function of Income in Belgium; An Empirical Investigation*,  
European Economic Review, vol. 2, pp. 337-369.

Praag, B.M.S. van, A. Kapteyn, and F.G. van Herwaarden, (1979)  
*The Definition and Measurement of Social Reference Spaces*,  
The Netherlands Journal of Sociology, vol. 15, pp. 13-25.

Seligman, M.E.P., (1975)  
*Helplessness; on depression, development and death*,  
San Francisco, Freeman.

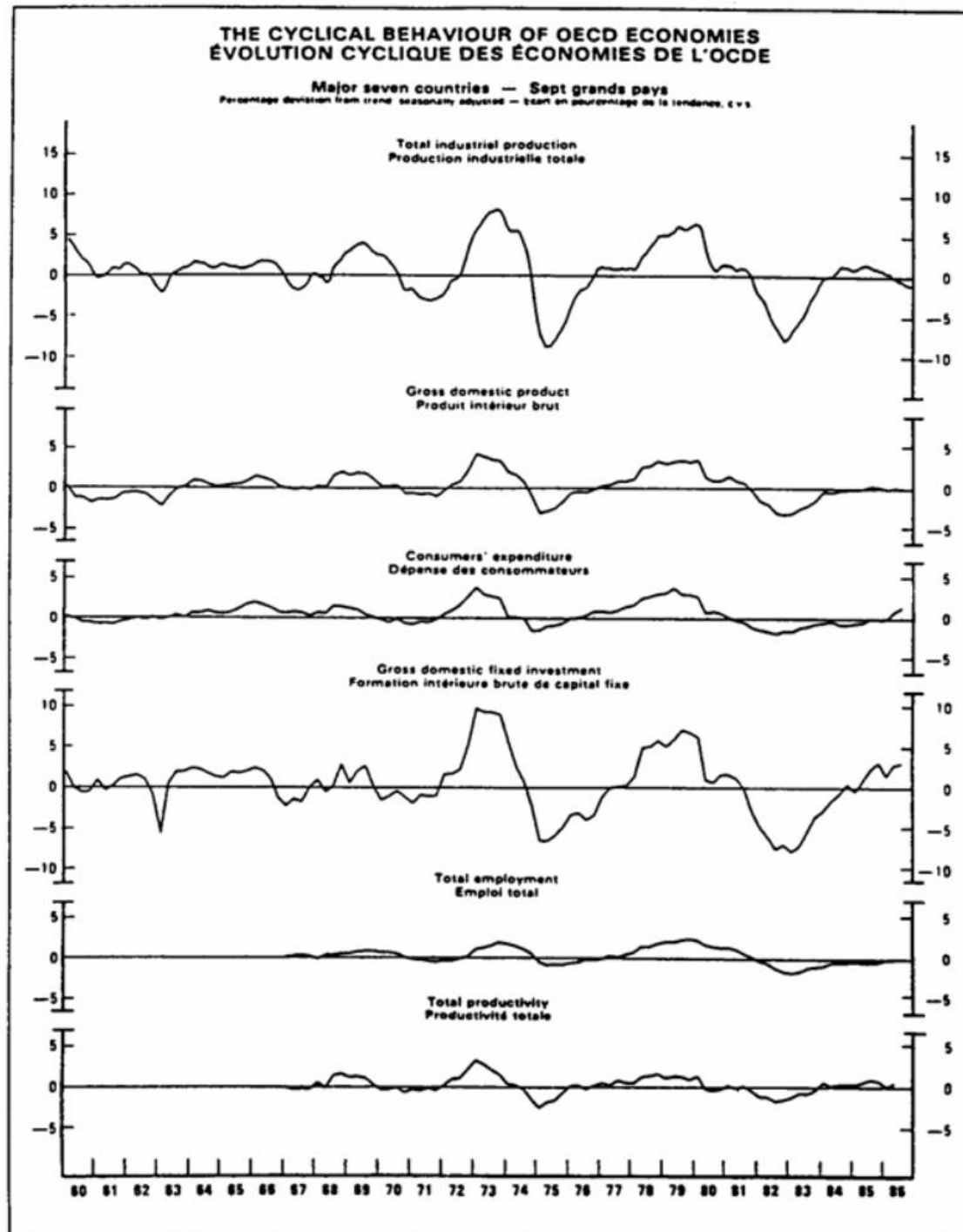
Seyle, H., (1976)  
*The Stress of Life*,  
New York, Knopf.

Wagstaff, A., (1985)  
*Time Series Analysis for the Relationship between Unemployment and Mortality:  
a survey of economic critiques and replications of Brenner's studies*,  
Social Science and Medicine, pp. 985-996.

Warr, P.,  
*Psychological Aspects of Employment and Unemployment*,  
Psychological Medicine, pp. 7-11.

Scheme 1

### Economic growth and decline in major seven OECD countries 1960-1985.



Source: OECD 1987: 158.

## Scheme 2

Real private final consumption expenditures in OECD countries 1967-1986.  
Year to year percentage changes.

|                                   | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 |
|-----------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| United States                     | 3.0  | 5.1  | 3.6  | 2.4  | 3.1  | 5.4  | 4.2  | -0.9 | 2.3  | 5.4  | 4.4  | 4.1  | 2.2  | -0.2 | 1.2  | 1.3  | 4.6  | 4.8  | 4.6  | 4.2  |
| Japan                             | 9.4  | 8.3  | 10.1 | 6.9  | 5.6  | 9.3  | 9.2  | -0.3 | 4.4  | 3.5  | 4.2  | 5.4  | 3.6  | 1.4  | 1.3  | 4.1  | 3.2  | 2.7  | 2.6  | 2.7  |
| Germany                           | 1.1  | 4.8  | 7.9  | 7.6  | 5.2  | 4.5  | 3.1  | 0.7  | 3.3  | 3.7  | 4.2  | 3.9  | 3.6  | 1.3  | 1.3  | -1.3 | 1.7  | 1.5  | 1.8  | 4.3  |
| France                            | 5.0  | 3.6  | 6.5  | 4.7  | 6.3  | 6.1  | 5.6  | 3.2  | 3.2  | 5.5  | 3.2  | 3.7  | 3.0  | 2.1  | 2.1  | 3.5  | 0.9  | 1.0  | 2.4  | 3.3  |
| United Kingdom                    | 2.5  | 2.8  | 0.6  | 2.8  | 3.1  | 6.1  | 5.2  | -1.5 | -0.6 | 0.3  | -0.5 | 5.5  | 4.2  | 0.0  | -0.1 | 0.8  | 4.0  | 2.1  | 3.7  | 5.8  |
| Italy                             | 7.0  | 5.0  | 6.5  | 7.3  | 2.9  | 3.4  | 5.8  | 2.6  | -1.4 | 3.5  | 2.3  | 3.0  | 5.3  | 4.3  | 1.5  | 1.1  | 0.4  | 2.2  | 2.7  | 3.2  |
| Canada                            | 4.0  | 4.3  | 5.1  | 2.0  | 5.9  | 7.5  | 7.5  | 5.8  | 4.7  | 6.5  | 3.2  | 3.4  | 2.9  | 2.2  | 2.3  | -2.6 | 3.4  | 4.3  | 5.2  | 3.9  |
| Total of above countries          | 3.9  | 5.1  | 5.0  | 3.9  | 4.0  | 5.9  | 5.2  | 0.1  | 2.4  | 4.5  | 3.7  | 4.2  | 3.4  | 0.7  | 1.1  | 1.4  | 3.5  | 3.5  | 3.7  | 3.9  |
| Austria                           | 3.4  | 3.9  | 2.7  | 3.6  | 6.7  | 6.1  | 5.4  | 3.0  | 3.2  | 4.5  | 5.7  | -1.6 | 4.6  | 1.5  | 0.4  | 1.3  | 5.3  | -0.3 | 2.2  | 1.5  |
| Belgium                           | 2.9  | 5.4  | 5.2  | 4.4  | 4.7  | 8.2  | 7.8  | 2.7  | 0.2  | 4.9  | 2.4  | 2.9  | 4.3  | 1.8  | -2.1 | 1.1  | -1.6 | 1.1  | 1.5  | 3.0  |
| Denmark                           | 2.9  | 1.9  | 6.3  | 3.5  | -0.8 | 1.7  | 4.8  | -2.9 | 3.7  | 7.9  | 1.1  | 0.7  | 1.4  | -3.7 | -2.3 | 1.4  | 2.6  | 2.8  | 5.3  | 4.0  |
| Finland                           | 2.1  | 0.1  | 10.7 | 7.6  | 1.7  | 8.4  | 5.9  | 1.8  | 3.1  | 0.9  | -1.2 | 2.5  | 5.5  | 2.0  | 1.2  | 4.7  | 2.6  | 2.7  | 3.2  | 3.9  |
| Greece                            | 6.2  | 6.9  | 6.2  | 8.8  | 5.6  | 7.0  | 7.6  | 0.7  | 5.5  | 5.3  | 4.6  | 5.7  | 2.6  | -0.6 | 0.9  | 3.1  | 0.9  | 1.4  | 3.8  | 0.8  |
| Iceland                           | 1.4  | -5.9 | -4.9 | 16.0 | 16.0 | 7.8  | 5.6  | 8.9  | -7.9 | 4.5  | 11.9 | 8.4  | 2.9  | 3.5  | 4.7  | 1.4  | -8.3 | 3.0  | 5.0  | 6.5  |
| Ireland                           | 3.4  | 8.5  | 5.7  | 2.9  | 3.7  | 5.3  | 7.5  | 1.4  | -2.8 | 2.8  | 6.8  | 9.0  | 4.4  | 0.4  | 1.7  | -7.1 | -0.1 | -0.8 | 1.1  | 2.1  |
| Luxembourg                        | 0.0  | 4.3  | 5.2  | 6.1  | 5.6  | 4.7  | 5.7  | 4.5  | 5.3  | 3.0  | 2.1  | 2.9  | 3.3  | 2.8  | 1.6  | 0.2  | 0.8  | 0.8  | 2.5  | 2.9  |
| Netherlands                       | 5.4  | 6.6  | 7.9  | 7.4  | 3.4  | 3.4  | 4.2  | 3.3  | 3.7  | 6.0  | 4.3  | 4.2  | 2.9  | 0.0  | -2.6 | -1.2 | 0.8  | 1.0  | 1.9  | 3.1  |
| Norway                            | 3.8  | 3.7  | 7.7  | 0.0  | 4.6  | 3.0  | 2.9  | 3.9  | 5.1  | 6.1  | 6.9  | -1.6 | 3.2  | 2.3  | 1.1  | 1.8  | 1.5  | 2.7  | 10.4 | 6.1  |
| Portugal                          | 4.9  | 26.6 | 4.4  | 2.6  | 12.7 | 4.0  | 12.0 | 9.7  | -0.9 | 3.5  | 0.6  | -2.0 | -0.2 | 3.9  | 1.9  | 2.1  | -1.0 | -3.0 | 1.0  | 7.0  |
| Spain                             | 6.0  | 6.0  | 7.0  | 4.2  | 4.9  | 8.3  | 8.0  | 5.2  | 2.4  | 4.7  | 2.5  | 1.3  | 1.2  | 1.3  | -0.6 | 0.2  | 0.3  | -0.5 | 1.8  | 3.8  |
| Sweden                            | 2.5  | 4.2  | 4.4  | 2.7  | -0.1 | 3.3  | 2.4  | 3.5  | 2.8  | 4.2  | -1.1 | -0.7 | 2.4  | -0.9 | -0.7 | 1.3  | -1.8 | 1.4  | 2.7  | 4.1  |
| Switzerland                       | 2.9  | 3.9  | 5.3  | 5.4  | 4.8  | 5.4  | 2.7  | -0.5 | -2.9 | 1.0  | 3.0  | 2.2  | 1.3  | 2.6  | 0.4  | 0.0  | 1.6  | 1.6  | 1.5  | 3.0  |
| Turkey                            | --   | --   | --   | --   | --   | --   | 0.2  | 9.0  | 7.7  | 10.1 | 6.7  | -3.9 | -3.1 | -3.2 | 0.6  | 4.2  | 5.0  | 5.1  | 3.0  | 8.9  |
| Total smaller European countries  | 4.0  | 5.2  | 6.2  | 4.7  | 3.9  | 5.4  | 5.2  | 3.2  | 2.4  | 4.8  | 3.0  | 1.4  | 2.2  | 0.5  | -0.4 | 0.8  | 1.0  | 1.1  | 2.7  | 3.8  |
| Australia                         | 5.1  | 4.9  | 5.9  | 4.9  | 3.9  | 4.3  | 6.5  | 3.9  | 3.9  | 2.7  | 1.1  | 3.1  | 2.5  | 3.1  | 3.8  | 3.2  | 1.5  | 2.7  | 4.3  | 0.8  |
| New Zealand                       | -3.0 | 1.2  | 4.9  | 5.9  | -0.2 | 5.2  | 8.8  | 7.9  | -2.9 | -1.6 | -3.3 | -0.2 | 0.8  | -0.5 | 1.6  | -0.4 | 0.9  | 5.7  | -0.5 | 1.9  |
| Total smaller countries           | 4.0  | 5.1  | 6.1  | 4.7  | 3.8  | 5.3  | 5.5  | 3.4  | 2.5  | 4.4  | 2.6  | 1.5  | 2.2  | 0.8  | 0.2  | 1.1  | 1.1  | 1.5  | 2.9  | 3.4  |
| Total OECD                        | 3.9  | 5.1  | 5.1  | 4.1  | 3.9  | 5.8  | 5.2  | 0.6  | 2.4  | 4.5  | 3.6  | 3.8  | 3.2  | 0.7  | 1.0  | 1.4  | 3.1  | 3.2  | 3.6  | 3.8  |
| Four major European countries     | 3.5  | 4.0  | 5.3  | 5.6  | 4.4  | 5.1  | 4.7  | 1.1  | 1.4  | 3.3  | 2.5  | 4.0  | 3.9  | 1.5  | 0.6  | 0.9  | 1.8  | 1.7  | 2.6  | 4.2  |
| OECD Europe                       | 3.6  | 4.4  | 5.5  | 5.3  | 4.3  | 5.2  | 4.9  | 1.8  | 1.7  | 3.8  | 2.6  | 3.1  | 3.3  | 1.2  | 0.3  | 0.9  | 1.5  | 1.5  | 2.5  | 4.1  |
| EEC                               | 3.8  | 4.5  | 5.5  | 5.5  | 4.4  | 5.2  | 5.2  | 1.6  | 1.6  | 3.7  | 2.6  | 3.7  | 3.6  | 1.3  | 0.3  | 0.7  | 1.5  | 1.4  | 2.5  | 4.0  |
| Total OECD less the United States | 4.7  | 5.1  | 6.4  | 5.4  | 4.6  | 6.1  | 6.0  | 1.7  | 2.5  | 3.8  | 2.9  | 3.6  | 4.0  | 1.4  | 0.8  | 1.4  | 2.0  | 2.0  | 2.8  | 3.6  |

Source: Quarterly National Accounts for over half of the OECD members countries.  
a) Aggregates were computed on the basis of 1982 exchange rates.

Source: OECD 1987: 176.

Standardized unemployment<sup>1</sup> rates in sixteen OECD countries 1971-1986.  
Per cent of total labour force.

|                             | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982  | 1983  | 1984  | 1985  | 1986  | 1987  | Q1    | Q2    | Q3    |
|-----------------------------|------|------|------|------|------|------|------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| United States               | 5.8  | 5.5  | 4.8  | 5.5  | 8.3  | 7.6  | 6.9  | 6.0  | 5.8  | 7.0  | 7.5  | 9.5   | 9.5   | 7.4   | 7.1   | 6.9   | 6.6   | 6.6   | 6.1   | 5.9   |
| Japan                       | 1.2  | 1.4  | 1.3  | 1.4  | 1.9  | 2.0  | 2.0  | 2.2  | 2.1  | 2.0  | 2.2  | 2.4   | 2.6   | 2.7   | 2.6   | 2.8   | 2.9   | 2.9   | 3.0   | 2.8   |
| Germany <sup>a</sup>        | 0.9* | 0.8* | 0.8* | 1.6* | 3.6* | 3.7* | 3.6* | 3.5* | 3.3* | 3.0  | 4.4* | 6.1   | 8.0   | 7.0   | 7.2   | 7.0   | 6.8   | 6.9   | 7.0   | 7.0   |
| France                      | 2.6  | 2.7  | 2.6  | 2.8  | 4.0  | 4.4  | 4.9  | 5.2  | 5.9  | 6.4* | 7.4* | 8.1*  | 8.3*  | 9.7*  | 10.2* | 10.4* | 10.8* | 10.9* | 10.8* | 10.8* |
| United Kingdom <sup>a</sup> | 3.6  | 4.0  | 3.0  | 2.9  | 4.3  | 5.6  | 6.1* | 5.9* | 5.9* | 6.4* | 9.8* | 11.3* | 12.5* | 11.7  | 11.2  | 11.1* | 10.7* | 10.3* | 9.8*  | 9.8*  |
| Italy <sup>a</sup>          | 5.3  | 6.3  | 6.2  | 5.3  | 5.8  | 6.6  | 7.0  | 7.1  | 7.6  | 7.5  | 8.3  | 9.0   | 9.8   | 10.2  | 10.5  | 9.5   | 9.6   | 9.0   | 8.8   | 8.8   |
| Canada                      | 6.1  | 6.2  | 5.5  | 5.3  | 6.9  | 7.1  | 8.0  | 8.3  | 7.4  | 7.4  | 7.5  | 10.9  | 11.8  | 11.2  | 10.4  | 9.5   | 9.6   | 9.0   | 8.8   | 8.8   |
| Major seven countries       | 3.7* | 3.8* | 3.4* | 3.7* | 5.4* | 5.4* | 5.4* | 5.1* | 4.9* | 5.5* | 6.4* | 7.8*  | 8.2*  | 7.4*  | 7.3*  | 7.3*  | 7.3*  | 7.3*  | 7.3*  | 7.3*  |
| Australia                   | 1.9  | 2.6  | 2.3  | 2.6  | 4.8  | 4.7  | 5.6  | 6.2* | 6.2  | 6.0  | 5.7  | 7.1   | 9.9   | 8.9   | 8.2   | 8.0   | 8.2   | 8.1   | 8.0   | 8.0   |
| Austria                     | 1.3  | 1.2  | 1.1  | 1.4  | 1.7  | 1.8  | 1.6  | 2.1  | 2.1  | 1.9  | 2.5  | 3.5   | 4.1   | 3.8   | 3.6   | 3.6   | 3.6   | 3.6   | 3.6   | 3.6   |
| Belgium <sup>a</sup>        | 2.1  | 2.7  | 2.7  | 3.0  | 5.0  | 6.4  | 7.4  | 7.9  | 8.2  | 8.8  | 10.8 | 12.6  | 12.1  | 12.1  | 11.2  | 10.8* | 10.8* | 10.6* | 10.3* | 10.3* |
| Finland                     | 2.2  | 2.5  | 2.3  | 1.7  | 2.2  | 3.8  | 5.8  | 7.2  | 5.9  | 4.6  | 4.8  | 5.3   | 5.4   | 5.2   | 5.0   | 5.3   | 5.4   | 5.0   | 4.9*  | 4.9*  |
| Netherlands <sup>a</sup>    | 1.3* | 2.2* | 2.2* | 2.7* | 5.2  | 5.5  | 5.3  | 5.3  | 5.4  | 6.0  | 8.5  | 11.4  | 12.0  | 11.8  | 10.6* | 9.9*  | 9.6*  | 9.6*  | 9.4*  | 9.4*  |
| Norway                      | 1.5  | 1.7  | 1.5  | 1.5  | 2.3  | 1.8  | 1.5  | 1.8  | 2.0  | 1.6  | 2.0  | 2.6   | 3.4   | 3.1   | 2.6   | 2.0   | 2.4   | 1.8   | 1.9   | 1.9   |
| Spain                       | 3.1  | 3.1  | 2.5  | 2.6  | 3.6  | 4.6  | 5.2  | 6.9  | 8.5  | 11.2 | 13.9 | 15.8  | 17.2  | 20.0  | 21.4  | 21.0  | 21.1  | 20.1  | 20.1  | 20.1  |
| Sweden                      | 2.5  | 2.7  | 2.5  | 2.0  | 1.6  | 1.6  | 1.8  | 2.2  | 2.1  | 2.0  | 2.5  | 3.2   | 3.5   | 3.1   | 2.8   | 2.7   | 2.1   | 1.9   | 1.9   | 1.9   |
| Switzerland                 | -    | -    | -    | -    | 0.4  | 0.7  | 0.4  | 0.3  | 0.3  | 0.2  | 0.2  | 0.4   | 0.9   | 1.1   | 0.9   | 0.9   | 0.9   | 0.9   | 0.9   | 0.9   |
| Total of above countries    | 3.5* | 3.6* | 3.2* | 3.5* | 5.1* | 5.2* | 5.2* | 5.1* | 5.0* | 5.7* | 6.6* | 8.0*  | 8.5   | 7.9*  | 7.8*  | 7.8*  | 7.8*  | 7.8*  | 7.8*  | 7.8*  |
| Memorandum item             |      |      |      |      |      |      |      |      |      |      |      |       |       |       |       |       |       |       |       |       |
| EEC <sup>c</sup>            | 2.9* | 3.2* | 2.9* | 3.0* | 4.3* | 5.0* | 5.4* | 5.6* | 5.7* | 6.4* | 8.3* | 9.6*  | 10.7* | 10.9* | 11.1* | 11.1* | 11.1* | 11.1* | 11.1* | 11.1* |

a) New series based on EEC Labour Force Surveys: see Quarterly Labour Force Statistics, No. 3, 1987, are included in the area totals.  
b) The existing series is no longer being updated pending the receipt of new data based on EEC Labour Force Surveys.  
c) EEC countries shown: Germany, France, United Kingdom, Italy, Belgium, Netherlands and Spain.  
Note: Data have been adjusted (as far as possible) both to preserve comparability over time and to conform with the definitions drawn up by the International Labour Organisation. The adjustments mainly affect countries that base their unemployment statistics on registration records maintained by employment offices. Where necessary, the unemployment rates have been adjusted with a view to including unemployed persons not covered on the registration and statistics of the employment offices. Minor differences may appear in the figures for the period 1971-1975. For the period 1976-1986, the adjustment procedure used is similar to that of the U.S. Department of Labor. Minor differences may appear in the figures for the period 1976-1986. The data above are averages of quarterly or monthly figures.  
Revisions are marked by (\*).  
The data above are averages of quarterly or monthly figures.  
For a detailed description of the sources and methods used, see Standardized Unemployment Rates, Sources and Methods (OECD, 1985).

<sup>1</sup> Unemployment as defined by the ILO as percentage of total labour force. Area totals refer only to the countries for which data are shown.

Source: OECD 1987: 190.

## Scheme 4

## Presumed effects of macro-economic decline on individual well-being

