
Book Review

New Book Attacks Deadly Austerity, But with Blind Spot: Killer Obama

by Paul Gallagher

The Body Economic: Why Austerity Kills: Recessions, Budget Battles, and the Politics of Life and Death

by David Stuckler and Sanjay Basu
New York: Perseus Books, 2013
199 pages, \$26.99

In February, the International Monetary Fund, through its chief economist Olivier Blanchard and his staff, were pushed into publishing analyses of the IMF's own policy of imposing economic austerity on hyper-indebted countries, admitting that this policy was a failure. Blanchard and colleagues acknowledged that the IMF's austerity dictates, when followed, did not reduce the debt or debt-to-GDP ratios of countries like Greece, Portugal, or Ireland; instead, it increased the debt and made it unpayable.

The austerity policy, in the debt crisis in Europe, has been producing national "debt spirals" where economies contract faster, and revenues fall more, than the country supposedly "saves" through cutting public employment, wages, public health, services, etc. and raising taxes. The IMF did not *change* its fatal austerity dictates; but its managing director Christine Lagarde has been giving speeches about "the need for growth," in admission that a temporarily embarrassing contradiction in imperial monetary policy has been exposed.

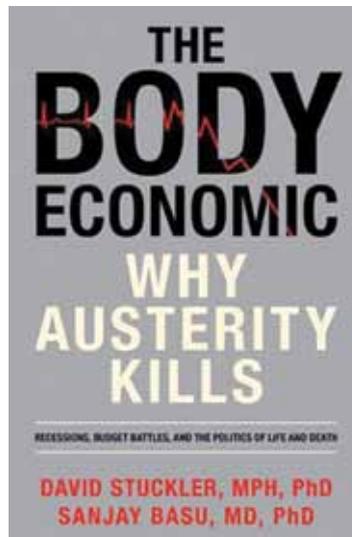
Authors David Stuckler, PhD, and Sanjay Basu, PhD, played a role in exposing and pushing the IMF economists into this year's widely noted admissions of

austerity's disastrous failure. Focusing on cuts in public health services and their effects in countries around the world, they presented studies at IMF-sponsored conferences in 2011 and 2012, showing that austerity budget cuts *almost invariably had a multiple greater than 1*, especially in national economies suffering debt crises/bank collapses. That means the economies contracted by a larger ratio from austerity than they "saved"—usually much more—and thus quickly fell further into unpayable debt. Crucially, their studies covered historical examples, including the U.S. in the 1930s Depression, and demonstrated the same thesis there, both affirmatively under Herbert Hoover, and negatively with Franklin Roosevelt's rejection of the London-Wall Street austerity demands.

Stuckler and Basu's studies were attacked by IMF and other monetarist economists; they show ironically in their book how their work was deliberately falsified with doctored charts by the London *Economist*. But the IMF, at least at the level of its economic staff,

has now acknowledged the authors' credibility, and its own lack thereof.

In *The Body Economic: Why Austerity Kills*, Stuckler and Basu refer only briefly to the "debt spiral" failure of austerity as a fiscal policy; rather, they are concerned to show that it results in losses of human life, and life expectancy, that are large in scale, predictable, and disastrous. They expose the killer—austerity—and some of the forces and leaders who have been imposing it; but they go soft when they look at one killer—Barack Obama.



Save or Slaughter

In a word, we find the proof in Stuckler and Basu's work that the collapse of debt bubbles and deranged banking systems, even such as happened in 1929-31, and in 2007-08, in itself, does not cause populations' health to collapse and death rates to soar. Governments' decisions to impose austerity, to "save" those banks and their securities, does the killing. Relatively lower income for a period of a few years, from unemployment, loss of credit, currency devaluations, etc., does not cut life expectancy, cause suicides to spike upwards, or epidemics to break out. This the authors make clear in chapters on the 1930s United States, under the impact of Roosevelt's New Deal, and on Iceland since 2008, where every measure of public physical and mental health has *improved* since the banks and the krona collapsed, causing temporary unemployment and loss of wealth and income.

The reason, in both cases, is clear: FDR's government and the post-2008 Icelandic governments *did not throw public credit into bailing out banks or buying their bad securities*. Rather than creating new "bad banks," they let the old bad banks fail, no matter how large. And in both cases, they put the greatest focus and effort into employing the unemployed, and simultaneously *increased* investments in government services, hospital systems, unemployment benefits, and public infrastructure. FDR's creation of entirely new platforms of economic infrastructure for the U.S. economy is universally known; in Iceland's case the once-dominant fishing industry was deliberately revived—with help from McDonald's getting out of Iceland due to the price spikes for onions and tomatoes!

The authors show that from 1933 in FDR's United States, each \$100 in New Deal spending reduced the pneumonia death rate by 18/10,000, and infectious-disease deaths fell broadly, especially in states like Louisiana, which accepted and supplemented New Deal spending. Suicides fell by 4/10,000 population for every \$100 in New Deal spending. Infant mortality dropped broadly. Average per capita income rose 9% in 1933.

Iceland and the U.S. today have one other thing in common: They both passed laws in 1999-2000 abandoning the separation of commercial banking from investment banking/securities speculation; and both paid dearly for that mistake in the 2007-08 bank panic.

On the killer side of post-crash policy, Greece, since 2010, is the most widely cited example in Stuckler and

Basu's work, of the murderousness of the austerity policies now closing their vise-grip on the sinking European economy. Leaving aside the details of its causes, successive Greek governments have been ordered by the "Troika" (IMF, European Commission, and European Central Bank) to treat the bank/debt crisis by massive layoffs of public employees, huge cuts in wages and services, and severe new taxes. The governments obeyed, despite clear warnings that they were killing people by doing so.

It is established from many studies, cited by the authors, that "people who are looking unsuccessfully for work are twice as likely to end their lives as those who have jobs." The same is true of people at or near retirement age who lose pensions, and otherwise find themselves without retirement income; and heads of households being thrown out of their homes. This tragic phenomenon of the Greek debt spiral has been reported worldwide.

Stuckler and Basu demonstrate the other consequences of Greek government enslavement by the Troika: 50,000 Greek diabetics were deprived of insulin when the government defaulted on pharmaceutical payments (on the advice of the IMF!); 60,000 people over the age of 65 have foregone necessary medical care during the "great austerity" since 2010; 35,000 hospital physicians and clinicians have been fired; infectious disease has skyrocketed, including the first malaria epidemic in Greece for 45 years; the only HIV outbreak in Europe in decades has occurred in Athens. Respiratory illnesses spiked from mass woodburning in the city, due to steep new taxes on oil and coal. The national public health budget, from 2009 to 2012, was cut by half.

Familiar Cases

The other major cases presented in the book—the drop in life expectancies in Thailand and Indonesia under IMF austerity dictates after the "Asian financial crisis" of 1997-98; and the most murderous austerity of all, "shock therapy" imposed by London-centered finance capital and allied economists in post-Communist Russia in the 1990s—have been described in detail before. There are other important examples in the proofs of killer austerity, such as South Africa under London financial diktat after the end of apartheid. These have been documented, with sharper political focus, in Naomi Klein's *The Shock Doctrine*, John Perkins' *The Confessions of an Economic Hit*

Man, and Sergei Glazyev's *Genocide*, for example.

Stuckler and Basu have been challenging economists by tying the lesson that austerity kills, directly to the post-financial crash situation, both historically and today. In doing so, they are discrediting the arguments of many economists who try to describe austerity as "part of necessary deleveraging" from debt bubbles, and thus run cover for politicians imposing cuts on behalf of trans-Atlantic banks. It is because of their rigorous historical studies, particularly of the United States in the 1930s, that they have been able to stare down the economists of the IMF and the imperial genocidalists of *The Economist*.

That makes it somewhat shocking that they will not challenge the Obama Presidency, and instead, make a failed effort to associate Obama's policies with those of FDR by broad generalizations not backed by facts. Americans from the Congressional Black Caucus, to former TARP Inspector General Neil Barofsky, to journalist Bob Woodward have shown that Obama is *not* an anti-austerity President. But Stuckler and Basu manage to come up with statements like this one: "With the American Recovery and Reconstruction Act of 2009, enacted by Congress and signed into law by President Obama, the U.S. government began to invest in social protection programs to stop foreclosures."

The (deliberate) failure of the so-called HAMP program to ameliorate mass foreclosures is notorious and thoroughly documented. The authors, after documenting cases of Americans doing without health care due to high insurance premium costs, make the vaguest of statements about how Obamacare "might have" or "may help" such people get affordable care; the fact is that Americans—particularly seniors—are getting less medical care since the passage of the Affordable Care Act, and this has been documented by a whole group of studies appearing at about the same time as this book.

Stuckler and Basu attempt to set up a dichotomy between "bad" Tory Britain under the Cameron (not the Blair!) government and "good" Obama U.S. "There are already warning signs," they write, "that the healthcare situation in Britain may come to resemble that in the U.S. before Obama," as if no one could doubt that Obama had made everything right in health care.

This glaring, all-out promotion of Obamacare, and Obama personally, robs credibility from *Why Austerity Kills*, which otherwise would be a powerful weapon against the killing policies of the IMF and imperial London finance.