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The 2008 financial crisis: Changes in social capital and its association with psychological wellbeing in the United Kingdom – A panel study

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ABSTRACT

The global financial crisis of 2008 was described by the IMF as the worst recession since the Great Depression. This historic event provided the backdrop to this United Kingdom (UK) longitudinal study of changes in associations between social capital and psychological wellbeing. Past longitudinal studies have reported that the presence of social capital may buffer against adverse mental health outcomes. This study adds to existing literature by employing data from the British Household Panel Survey and tracking the *same* individuals (N = 11,743) pre- and immediately post-crisis (years 2007–09). With longitudinal, multilevel logistic regression modelling, we aimed to compare the buffering effects of individual-level social capital (generalised trust and social participation) against worse psychological wellbeing (GHQ-12) during and immediately after the 2008 financial crisis. After comparing the *same individuals* over time, results showed that stocks of social capital (generalised trust) were significantly depleted across the UK during the crisis, from 40% trusting others in 2007 to 32% in 2008. Despite this drop, the buffering effect of trust against worse psychological wellbeing was pronounced in 2008; those not trusting had an increased risk of worse psychological wellbeing in 2008 compared with the previous year in fully adjusted models (OR = 1.49, 95% CI (1.34–1.65). Levels of active participation increased across the timeframe of this study but were not associated with psychological health. From our empirical evidence, decision makers should be made aware of how events such as the crisis (and the measures taken to counter its effects) could negatively impact on a Nation's trust levels. Furthermore, past research implies that the positive effects of trust on psychological wellbeing evident in this study may only be short-term; therefore, decision makers should also prioritise policies that restore trust levels to improve the psychological wellbeing of the population.

1. Introduction

Key adverse economic events in the United States (US), namely an unexpected rise in interest rates, the bursting of the 2005-06 housing bubble and subsequent large-scale defaulting on mortgage payments were all precursors to the US sub-prime mortgage crisis of 2007 (British Broadcasting Corporation, 2007). Negative fiscal repercussions extended well into 2008 and by March, after three major financial institutions failed to repay loans, the US Government injected US$236 billion into the American banking system (Mathiason, 2008). Over the following months, worsening economic conditions spread internationally and developed into the 2008 global financial crisis, an event described by Alan Greenspan as a "once-in-a-century credit tsunami" (Greenspan, 2008) and by the IMF as "… the worst recession since the Great Depression."(Beale, 2009).

The 2008 crisis provided the backdrop for this United Kingdom (UK) study of social capital and psychological wellbeing. The first real effects of this event were felt in the UK on Monday 15th September 2008, when Lehman Brothers declared bankruptcy and closed their doors to business in London (British Broadcasting Corporation, 2008). By 11th October 2008, approximately £90 billion were lost on the London Stock Exchange. In response to the global financial contagion, the Bank of England announced in late

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October 2008 that it would lower its base-rate of interest and the UK Government promised to prop up failing financial institutions with tax-payers money (Kingsley, 2012).

For the purposes of this study, the 2008 financial crisis was considered a natural experiment of sorts, i.e. an historical (period) event, simultaneously experienced across the UK. As theorised by Pildes (1996), a negative event such as this had the potential to deplete stocks of social capital, a resource loosely defined as 'social networks, norms of reciprocation and trust' (Putnam, 2004).

Interestingly, previous empirical evidence from British Household Panel Survey data (BHPS) provides some support for this theory, with Giordano et al. (2012) revealing that 45% of individuals reported changes in generalised trust levels over a seven-year period (2000–07). Other national panel datasets to include trust measurements show similar short-term fluctuations (for examples see: Glanville et al., 2013; van Ingen and Bekkers, 2015). Such findings contradict the belief that generalised trust is determined in early life and is resistant to change, irrespective of later-life experiences (Putnam, 2000; Uslaner, 2002). Instead, such fluctuations reflect the economic viewpoint that trust is a summary measure of individual experiences, good and bad (Glaeser et al., 2000).

Social capital is considered a resource, which has been theorised both at the contextual- (Berkman and Kawachi, 2000; Putnam, 2000) and individual-level (Bourdieu, 1986; Coleman, 1988; Portes, 1998). Attempting to resolve such conceptual differences empirically, multilevel research suggests that the effects of social capital on health appear strongest at the individual-level, with typically only 0–4% of all variation in individual health being attributed to community-level aggregates (e.g. Giordano et al., 2011; Islam et al., 2006; Murayama et al., 2012; Poortinga, 2006; Subramanian et al., 2002; Suzuki et al., 2010; Waverijn et al., 2014).

To date, there is a large body of empirical evidence suggesting that the presence of social capital is positively associated with a variety of individual general health (Islam et al., 2006; Murayama et al., 2012) and mental health outcomes (Bassett and Moore, 2013; Cao et al., 2015; Fujiwara and Kawachi, 2008; Giordano and Lindström, 2011; see also: Ehsan and De Silva, 2015; McPherson et al., 2014; Whitley and McKenzie, 2005 for reviews). From these, the proxy 'generalised trust' provided the most consistent (positive) associations with health outcomes (Kim et al., 2008). However, there remains strong critique surrounding the research field of social capital and health (Muntaner, 2004; Pearce and Davey Smith, 2003), which is further compounded by the lack of a universally accepted social capital definition, or consistent measurements to quantify its effects on health (Macinko and Starfield, 2001).

Despite this critique, several mechanisms have been postulated as to how social capital could influence health by: i) deterring socially 'deviant' behaviours (e.g. excess alcohol consumption, smoking and crime); ii) increasing the dissemination of positive health messages and health behaviour 'norms'; iii) increasing access to resources, i.e. greater availability and use of prevention services, and; iv) providing a buffer against psychosocial stress (Kawachi et al., 1999). Several of these mechanisms seem relevant to the outcome of this study (psychological wellbeing); for example, high crime levels, associated lower levels of generalised trust and increased psychosocial stresses are well known precursors to worse psychological wellbeing (Aneshensel and Sucoff, 1996). Chronic stress can lead to raised levels of blood cortisol via the hypothalamic-pituitary-adrenal axis (Shively et al., 2009), which in turn, have been linked to several deleterious health outcomes, such as type II diabetes, cardio-vascular disease and poor mental health (Hemingway and Marmot, 1999; Watson and Mackin, 2006). Furthermore, active social participation, considered by Putnam as the cornerstone of social capital generation (2000), could have positive effects on psychological wellbeing through increased social ties and community integration (Kawachi and Berkman, 2001).

In relation to the buffering effects of social capital against worsening mental health, to date only a handful of longitudinal empirical research papers have been identified. A recent on-line search within PUBMED, Web of Science, SCOPUS and Google Scholar revealed just nine articles to investigate social capital and mental health outcomes over time (Bertotti et al., 2013; Ding et al., 2015; Frank et al., 2014; Giordano and Lindström, 2011; Hall et al., 2014; Han, 2015; Murayama et al., 2013; Tsuboya et al., 2015; Verduin et al., 2014). All demonstrated positive associations between social capital and better individual mental health outcomes. Of these, just one had tested the hypothesis that social capital buffered against economic stress and worsening mental health (Frank et al., 2014). In their paper, Frank et al. (2014) concluded that the presence of social capital in rural Canada moderated the effects that financial strain had on perceived stress and depressive symptoms ($N_T = 317$). Conversely, in their cross-sectional study of the effects of post-crisis austerity on mental health outcomes in Greece, Economou et al. (2014) concluded that the buffering effects of social capital were fully attenuated if individuals were under high economic stress ($N_T = 2256$). From the above, there are a limited number of longitudinal empirical social capital and mental health studies and, regarding the buffering effects of social capital against mental health outcomes when considering financial strain, results are not in agreement.

To address this, and to investigate events surrounding the 2008 crisis in the UK, we prepared panel data to compare the *same* individuals ($N_T = 11{,}743$) pre- and post-crisis (2007–09). In this fashion, there was opportunity to investigate: i) if the advent of the crisis coincided with depletion in social capital, and ii) if the presence of individual-level social capital protected against worse psychological wellbeing during the 2008 financial crisis. The aim of this study, therefore, was to investigate if stocks of social capital in 2008 continued to buffer against worse psychological wellbeing during times of potential financial turmoil. We hypothesise that social capital stocks were depleted during the crisis and for those individuals who retained high levels of social capital (trust and participation), its presence would buffer against worsening psychological wellbeing. To our knowledge, this is the first longitudinal research paper to investigate the buffering effects of social capital on psychological wellbeing in the UK, against the backdrop of this historic event.

2. Methods

2.1. Data collection

The British Household Panel Survey (BHPS) is a longitudinal survey of randomly selected private households, which has been conducted annually by the UK's Economic and Social Research Centre since 1991. The first cohort sample was randomly selected by using a two-stage cluster design, and a total of 8166 private postal addresses around the UK were originally selected. Individuals aged 16 years or older were invited to participate, with a total of 10,264 individual face-to-face interviews being completed in the first BHPS wave (participation rate 95%). Since then, individuals from this nationally representative sample of selected households have been interviewed annually with a view to identifying social and economic changes within the British population. Data derived from *individual-level* responses from Waves 17 (2007) and 18 (2008) were used for this study, with a total of 13,826 individuals consenting to participate in 2007 and 13,710 in 2008. All data were weighted after collection by the Research Centre to