Killer debt: Study shows link between debt and mortality rates

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A new study from the University of Colorado Denver shows a direct link between financial strain and increased risk of death, a finding with potentially major implications for both economic and health care policy.

Economists Laura Argys and Andrew Friedson found that bad credit and severely delinquent debt lead to higher individual mortality risks. The study was produced in collaboration with Federal Reserve Economist M. Melinda Pitts and published recently as a working paper by the Federal Reserve Bank of Atlanta.

To better understand the connection between debt and death, the three economists reviewed credit balance and delinquency data maintained by the Federal Reserve. The data are a nationally representative random sample of U.S. consumers with credit reports and contain objective measures of individual financial wellbeing.

The study showed that individuals with better credit and smaller amounts of delinquent debt had a lower probability of death than those with high delinquent debt levels. The researchers also found that when an individual's credit score improved by 100 points, his mortality risk declined by over 4 percent.

The research found that the impact of delinquency is most pronounced in the short-term as individuals are far more likely to die as a result of an immediate debt shock than in response to lingering debt.

The authors were able to control for reverse causality - the suggestion that bad health causes debt - by using mortgage delinquency data related to the housing crisis and the Great Recession.

"Our research sheds light on the extent to which macroeconomic shocks, like the Great Recession, adversely impact individual health," said Argys. "Debt resulting from the financial crisis has had lasting effects on health that are substantial enough to increase mortality rates."

The research indicates that macro- and micro-economic policies implemented during an economic downturn are important to improve short-term wellbeing and also have long-term public health consequences.

"Results from this study have important policy implications," said Friedson. "One of those is that any policy that has an impact on individual financial wellbeing also has an impact on individual health. That means economic policy is, by extension, health policy."

Provided by University of Colorado Denver

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