PSYCHOLOGY AMID ECONOMIC MADNESS*

Ralph Catalano
University of California, Irvine

There are strong indications that the economies of the Western democracies are entering a period of considerable instability. The causes of this instability are complex but the solutions gaining favor in political circles are remarkably simple. Those solutions are aimed at increasing productivity. That is, they are offered as means of increasing economic efficiency — the ratio of product to cost. It is being argued by a growing and vocal group of economists that post-World War II policies of government involvement in the private economy have led to gross inefficiency, which, in turn, has led to high inflation, loss of consumer and investor confidence, increased unemployment and political instability.

Several governmental activities have been singled out for fostering inefficiency. These include environmental regulations, occupational safety and health codes and restrictions on land use and industrial location. The most controversial public policy, however, is the use of fiscal policy to move toward social equity. It is argued that government provision of health, education and welfare services to the non-productive raises the cost of living for the working and middle classes. Programs providing these services supposedly destroy ambition not only among the poor but also among the working class who see any benefit of harder work taxed away.

Tax policies are also criticized, especially in Britain and in the U.S., for discouraging capital investment in new facilities. New facilities are supposedly efficient because they are highly automated and are located in regions where the oil-based costs of heating and transport are relatively low.

The prescription most commonly offered is to reduce governmental regulations of all kinds, and to reduce expenditures and taxes by reducing income subsidies and health and social programs. The underlying assumption is that if the industrious are allowed to accrue the benefits of their work and if the non-productive are left to bear the cost of their behavior, then all will strive to be more productive.

Another commonly suggested reform is the use of tax credits and accelerated depreciation schedules to encourage capital formation and investment in efficient facilities in new locations. The hope is that these policies will stimulate new productive activities which will lead to more competition which in turn will increase efficiency and lower inflation. It is assumed that increased real income will improve the individual’s opportunities for material self-fulfillment and therefore lead to increased political stability.

It appears that the efficiency ethic is gaining considerable favor in the Western democracies in general, and in the U.S. in particular, and that many of the policies described above will be implemented. While the extent of reform will vary from nation to nation, most will apparently experience considerable change in comparison to their recent histories. One obvious change in the U.S. is that there will be fewer resources for mental health programs. While such a reduction may lead to an increase in behavioral problems among the chronically disordered who will lose services, it is made even more serious by the likelihood that the new economic policies will increase the demand for services by increasing the incidence of disorder.

The policies of reduced taxation and regulation will increase the flow of capital into the construction of new facilities. This will mean a shift away from labor-intensive operations in older population centers to highly automated plants and new industries at sites where land, energy and labor costs are comparatively low. In the U.S. this shift is reflected in increasing capital movement away from the Northeast and Midwest and toward the South and Southwest (Sternlieb & Hughes, 1977).

Because of these geographic and technological shifts, some communities will experience the demographic, social, and physical changes associated with growth, others will experience the changes associated with decline, and still others will experience both types of change (Catalano, 1979a; Jahuda, Lazarsfeld & Zeisel, 1971; James & Hughes, 1972). Few will be stable and none will have the resources and regulatory power formerly used to control and ameliorate the effects of change.

This economically precipitated change is the connection between the economic policies and the demand for psychological services. The connection is simple and in many ways intuitive but, I would argue, it is not trivial. All historically important explanations of behavioral disorder have at least one thing in common — the explicit or implicit assumption that behavior can be judged disordered only when it fails the test of congruence with the environment. These tests and the assessment of their results usually occur when we have attempted, or others think we should have attempted, to adapt to some environmental change. Psychologists have been concerned historically with why individuals pass or fail adaptation tests. Most would agree, however, that holding biological factors, intra-psychic differences, conditioning or audience tolerance constant, those persons called upon to make the most adaptations will be at the greatest risk of exhibiting incongruous behavior. The reason is simple: if our chances of failing a test are equal, those of us tested most frequently will yield the most failures.

Another expression of the above proposition is that if the mix of poor, average, and good adapters in a population remains constant, the incidence of diagnosed disorder in that population will vary longitudinally with the number of adaptation demands. Diagnoses of behavioral disorder, therefore, should be more common when a community is experiencing increased adaptation demands than when the social and physical environment is stable.

The connection between this proposition and the earlier discussion of economic events is made most obvious by the

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stressful life events research (Dohrenwend & Dohrenwend, 1974). Regardless of what one thinks of the theory upon which this research is based, most would agree that there is a significant though perhaps weak association between certain adaptation demands and diagnosed disorder (Brown, 1974; Rabkin & Streuning, 1976). While the experience of such demands may not cause new disorder, it is reasonable to assume that those events cause us and those who observe us to assess our emotional and behavioral well-being. Someone we love dies, or we lose or change jobs, and of course we begin to assess our response, or that response is assessed by family, friends or workmates. The more adaptations we make, the more we are assessed and the more likely we are to be judged abnormal.

The list of life events associated with disorder can be separated into life-cycle, random, and economic groups (Catalano, 1979b). The incidence of such life-cycle events as a graduation from school or retirement is best predicted by the age structure of a population. Random events are unpredictable. Economic events can be further divided into those most likely to occur in contracting, or in expanding, economies. Of the original Holmes and Rahe (1967) list of 42 events, for example, 15 or 36% are logically linked to the macro-economy while others may be sequelae of economic events (Ruch, 1977).

The proposition that economic change affects the incidence of disorder is not new (Dooley & Catalano, 1980). More or less rigorous empirical tests of the proposition date to Durkheim's work of the late 19th Century and appear frequently in the sociological literature. Recent research reports that economic change is related to the incidence of stressful life events in metropolitan populations (Catalano & Dooley, 1977; Catalano & Dooley, 1979a; Dooley & Catalano, 1979). A connection also has been reported between economic change and the incidence of both depressed mood and clinical symptoms (Catalano & Dooley, 1977); and the use of mental health facilities has been reported to vary with economic climate (Barling & Handal, 1980; Brenner, 1973; Catalano & Dooley, 1979b; Catalano, Dooley, & Jackson, in press). Perhaps most disturbing is research which suggests that child abuse is related to economic downturns (Steinberg, Catalano, & Dooley, in press; Garbarino, 1976).

If we are entering a period of both increased economic change and reduced public expenditures, we can expect more demand for mental health services for which politicians are determined to allocate fewer resources. What can concerned behaviorists do about these circumstances? They should at least learn the logic and rhetoric of economics, because so armed they may be able to argue for a humane mental health policy that is consistent with the most conservative of economic philosophies. That policy is one of primary prevention based on the belief that the demand for mental health services is a real cost of economic change — a cost that should be accounted and minimized when regulatory decisions are made and when social services are planned (Brenner, 1976, 1977; Catalano & Dooley, 1980).

Before arguing these ideas in more detail, it is necessary to separated primary prevention into two types. The first, proactive prevention, is the control of the environmental agent which interacts with the individual to cause illness. In the model of behavioral disorder outlined above, proactive prevention would seek to reduce the number of unnecessary adaptation demands experienced by the population. The second type of preventive effort could be called reactive in that it would attempt to increase individuals' ability to adapt successfully to changes that are necessary or unavoidable.

Understanding the rhetoric of economic efficiency would make it possible for psychologists to propose proactive prevention in a way that policy-makers would be hard pressed to ignore. Economists talk a great deal about "cost-benefit" and "cost-effectiveness" analyses as prerequisites to rational choice. When a public or private entity is choosing among alternative courses of action, the benefits and costs of each are supposed to be accounted and compared so that the most efficient is selected.

While cost-benefit and cost-effectiveness analyses are often portrayed as sophisticated and objective techniques, they rest on a rather simple and subjective decision as to how many of the less than obvious costs or benefits should be accounted. When the decision involves a proposal by a private entity, the information on benefits is usually provided by that entity. The expected benefits to the public are usually extensively accounted, if not exaggerated, to maximize the benefit-to-cost ratio. Costs, however, are often badly underestimated because no one materially benefits from a thorough cost accounting at the time of the decision. We usually find out afterward that there were unanticipated outcomes that should have been included among the costs.

I believe that psychologists should argue that the implicit or explicit cost analyses that preceded economic policy-making must include the not very obvious cost of increased demand for mental health services. If such accounting were done, it is possible that decision-makers would opt for a policy which would generate fewer adaptation demands than alternatives that would appear more desirable based on an accounting of obvious costs alone.

The settings into which psychologists could attempt to introduce behavioral cost accounting range from the federal to local levels. At the national level, for example, behavioral and health scientists should be included on the Council of Economic Advisors and on the Federal Reserve Board so that the human costs of economic policy alternatives are considered.

State and local governments have considerable power to review and regulate private investment in their jurisdictions. While there may be a growing reluctance to exercise that power, public health concerns will probably continue to motivate involvement. There is, moreover, precedent for including behavioral data in design reviews such as Environmental Impact Reports (Catalano, Simmons & Stokols, 1975). Psychologists capable of articulating the argument for behavioral cost accounting could, therefore, find open, if not sympathetic, decision systems at the regional and local level.

While public decision systems have been cited above as examples, it should be noted that there may be opportunities for intervention in the private sector. Corporations must report their performance to stockholders and regulatory agencies and these reports have included, upon stockholder request, "social audits" which describe the effects of company operations on the well-being of communities where the firm has facilities (Ackerman & Baur, 1976; Estes, 1976). Psychologists could work to see that social audits become standard in corporate performance reports.

It is entirely possible, if not probable, that decision-makers will decide to proceed with changes even after the mental health
costs have been accounted and considered. The effort to understand and predict the impact of the changes, however, will not have been wasted. On the contrary, the psychologist will be in a position to argue for proactive prevention, the reduction of the adverse effects of the expected adaptation demands. A growing literature suggests that theory based interventions can help individuals deal successfully with life change (Jareno, 1979; Novaco, 1979). These interventions, moreover, are often cost-effective in that they involve self-help groups or para-professionals who can disseminate adaptation techniques in timely fashion. The psychologist who is aware of economic processes could identify the population most likely to need these techniques. The populations may be geographically identifiable as are those living in areas where the economy is based on industries moving to other regions. Or those needing help may be more readily defined by industrial sectors, such as auto manufacturing, which are declining regardless of region. In the first case the intervention could be delivered through a public agency responsible for health in the geographic area affected, while in the second case unions could be used to initiate reactive prevention programs across regions.

Providing resources for reactive prevention would, of course, be difficult in the economic situation projected for the next decade. It is this problem which most requires that the psychologist be economically astute. As noted at the outset, the efficiency ethic argues that we should allow people to bear the costs as well as benefits of their behavior. The assumption is that the market will then condition us to act in the most productive or efficient manner. If one extends this position to the less than obvious cost of providing mental health services, it becomes arguable that those whose behavior causes economic change should bear most of the costs. Those who cause economic change include the investors and stockholders whose firms disrupt the social and physical environments of our communities as well as the consumer of the products of those firms.

Perhaps the most innovative way to use the efficiency ethic to support reactive prevention in growing regions is "true pricing," a mechanism suggested to control pollution and raise funds for abatement programs. Jurisdictions responsible for water quality, for example, would decide which level of contamination is acceptable and then auction pollution rights equal to that level to the firms wanting to discharge effluents. The proceeds from the auction would then be used to support abatement programs.

Even conservative economists recognize that "true pricing" is a sound mechanism because it assigns costs to those whose behavior caused them — the producers (Barkley & Sechlar, 1972; Dolan, 1979). The costs of the pollution rights are, of course, passed on to customers. If the price becomes too high, the market comes into play and fewer polluting products are made. The market itself is thereby used to lessen pollution and to raise revenues for abatement.

If a growing community or region decided that a certain level of reactive prevention were desirable, it could auction prevention rights as prerequisites to a firm's locating in the jurisdiction. The cost of the products produced in the region would be increased but it would be the true cost. That is, the price would include the obvious or market costs and the less obvious but real costs of preparing people to deal with adaptation demands.

Assigning the costs of decline is more difficult. If a firm is closing a facility and moving elsewhere it may be possible to tax the company to provide reactive prevention in the declining community. A portion of the revenues generated by the "prevention auction" in the community to which the firm is moving might also be sent back to declining community. As can be anticipated, however, establishing whether a new firm is the same legal entity as the one which closed a plant elsewhere becomes difficult especially when it would be in the firm's interests to hide such connections. A better method might be to tax the capital investment differences between regions so that those who benefit also pay. If this were done through a corporate property tax, for example, the strategy would become a proactive measure by reducing the economic advantages of geographic shifts which ignore mental health costs.

Each of the examples described above is based on at least three assumptions. The first is that research will progress to the point that we can predict the extent and location of the mental health impacts of economic change. While this seems an enormous task, it is at least conceptually possible for econometric techniques and behavioral epidemiology to be joined to produce useful predictive models (Isard, 1976).

The second assumption is that psychologists will become familiar with the rhetoric of economics and understand that the currently popular definition of efficiency is unacceptably narrow. This definition assumes that market efficiency is an end in itself rather than a precondition to a humane society.

The third assumption is that many psychologists will choose to become politically active. This perhaps tenuous assumption is based on the belief that psychologists, as people who have selected a "helping profession," are predisposed to value social equity. This predisposition, when combined with a curiosity about economics, should lead to political commitment, since even a cursory knowledge of economic processes leads to the inescapable inference that the persons who initiate economic change are rarely those who incur its costs. It can, in fact, be argued that politics is nothing more than economic interest groups attempting to use governmental power to shift the costs of their behavior to someone else. In the coming decade entrepreneurial individuals, growing regions, and established firms will argue that the most efficient course of action is to allow them to benefit while the costs of their behavior are borne by the disadvantaged classes and by declining communities. I believe that this will be inefficient in the broadest sense and that this inefficiency can be demonstrated if we demand a true accounting of health and behavioral costs.

References


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