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Autor: Elliott D. Sclar
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COMMUNITY ECONOMIC STRUCTURE AND INDIVIDUAL WELL-BEING
A LOOK BEHIND THE STATISTICS

Elliott D. Sclar

This paper presents a model of the community economic development process with an emphasis on its implications for individual well-being. It is intended as a social epidemiology which can help explain empirical findings demonstrating a connection between indicators of individual and social dysfunction and indicators of economic change.

The model is one of economic development in a market-oriented, profit-maximizing society. The underlying hypothesis is that changes in economic activity brought about by increases in the size of firms and scale of production place new demands upon local resources and labor markets. In response, families and social networks begin to change the ways they relate to individual members, changes that cause individuals to become more directly vulnerable to the stresses and strains generated by economic activity. The result is that dysfunction, as manifest in the incidence and prevalence of various pathologies, increases with both ups and downs in the economy.

The paper discusses the ways in which these changes become manifest in the statistical series used for purposes of empirical analysis and suggests the limits of this approach to social research. It ends by presenting a policy prescription for economic development which places emphasis on social cost minimization rather than output maximization.

The publication in 1973 of M. Harvey Brenner's *Mental Illness and the Economy* (1) has served to refocus widespread attention on the long-standing and substantial literature delving into the relationship between economic change and individual well-being. Research in this area has consistently uncovered a substantial relationship between indicators of economic change and indicators of individual dysfunction. Because of the aggregative nature of much of the statistical evidence, however, a great deal of ambiguity surrounds the matter of interpreting the unobserved but powerful social relationships which link cause with effect. The purpose of this paper is to provide a description of the socioeconomic dynamics of community change which connects individual dysfunction to economic structure. It is hoped that an understanding of such dynamics will provide a framework for better understanding of the policy implications of the relationship.

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As matters presently stand, the theoretical underpinnings generally used to connect the two statistical indicators rest heavily upon the *prima facia* assumption that job loss causes stress. Briefly stated, the theory is as follows: economic downturn causes job loss, and job loss causes diffuse social stress which makes community members susceptible to a host of mental and physical problems. Unfortunately, the strength of the *prima facia* assumption about causal sequence pales rapidly under the weight of accumulated empirical evidence. Studies by Cobb and Kasl (2), for example, of long-term physiological impacts on workers laid off from jobs indicate that such change varies greatly with the conditions of unemployment and reemployment. The evidence which Eyer (3) marshalls demonstrates that boom as well as bust can be bad for one's health. This further implicates contextual factors in determining the ultimate impact of economic change on personal dysfunction. My own studies of mental health service utilization in Fitchburg, Massachusetts, also substantiate the complexity of the matter (4). In these studies it was found that while unemployment and admissions to outpatient treatment were *directly* related and statistically significant, inpatient treatment was *inversely* related and statistically significant.

Taken together, evidence of this kind strongly suggests that the original *prima facia* assumption is too limited to stand by itself. It is important to remember that job loss in and of itself is a fact. It is the social significance which individuals attribute to this fact which determines whether or not it will be a stressor at any particular time in any particular place. What is needed, then, is a social epidemiology which can explain how a factor such as economic change is converted into an individual stressor as it moves through a social network. It is the hypothesis of this paper that community economic structure changes in response to the size and scale needs of firms, and this in turn impacts upon families and individuals in the affected communities.

THE ORGANIZATION OF PRODUCTION AND COMMUNITY WELL-BEING

Prior to the railroads and cheap overland transportation, it was usually possible to establish interregional markets only where there were water connections. As a result, markets tended to be spatially small, approximating the size of the local economy. This meant that regions generally were economically and socially independent units. As late as 1880, the average physical size of cities had not grown much beyond what they were in biblical times. Consequently, the process of capital accumulation involved in the development of firms was one in which ownership and control frequently resided in an individual, family, or trust within the bounds of a small and clearly defined community. This was the case regardless of whether the product in question was produced for export from the community or for local consumption.

Over time, with improvement in communication and transportation technology it became possible for multi-unit firms which served national and international markets to grow and expand at the expense of the smaller regionally rooted enterprises. The key to this expansion was the ability of these firms to take advantage of the economies of scale inherent in larger operations. Cost saving economies resulted from the ability to specialize production tasks into smaller and smaller increments. This was made economically feasible by the volume demand generated by newly expanded markets.

This process has had two important results for individual communities. It has meant, first, a continual loss of local ownership and control over local enterprises and, second, a continual degradation of the productive skills of the local work force. Let us consider each of these in turn. Improved transport and communication technology has permitted the development of effective managerial control over enterprises located at considerable distances from the headquarters of the firm in question. This in turn has made it possible for firms to create farflung networks of production and distribution which are capable of capturing the scale economies inherent in such large-size operation. As a result of these scale economies, it was (is) possible to undermine smaller firms with smaller markets. With the passage of time, these smaller firms are either forced out of business or into merger with the larger ones. This means that competition becomes a less effective bulwark against the growing concentrations of economic power which these enlarged firms are able to exercise through monopolistic and oligopolistic marketing practices. Spatially, the changed pattern of ownership moves control of a community's economic resources beyond its borders.

Oligopolistic and monopolistic markets generally require mass consumption of their output to thrive. This is necessary if mass production and its scale economies are to be sustained. However, mass consumption requires that people learn to express their desire for material goods and services not in terms in which the desires are felt, but in the standardized units in which these products are made available. The mass culture this creates undermines the qualities of uniqueness which are necessary for communities of people to feel that they are more than cogs in a very large wheel (5). This feeling is further exacerbated because the monopolistic and oligopolistic market power which supports this merchandising approach allows little space for alternatives to take root and thrive.

As day-to-day control of productive resources leaves the confines of the community, so too does the community's sense of control over its own destiny. This in turn leads not only to less resources for community building, but to less desire to engage in a seemingly futile enterprise. Existing resources appear to be best used in quest of personal gain in the face of an increasingly hostile and difficult world. This loss of community building means that individuals must face the mounting stresses and strains of economic change without the necessary support systems to help them weather the rough times. It is this loss of supportive community which allows them to more easily succumb to economic pressures through manifest forms of individual dysfunction.

Goldschmidt's comparative study (6) of two farming communities in California found that the one in which ownership of small farms resided with the local community had a wider array of community institutions and social resources than the one in which the farms were owned by corporate and frequently absentee owners. It is worth quoting at length from that study (6, p. 6):

> The small farm community is a population of middle-class persons with a high degree of stability in income and tenure, and a strong economic and social interest in their community. Differences in wealth among them are not great, and the people generally associate together in those organizations which serve the community. Where farms are large, on the other hand, the population consists of relatively few persons with economic stability, and of large numbers whose only tie to the community is their uncertain and relatively low-income job. Differences in wealth

> are great among members of the community, and social contacts between them are rare. Indeed, even the operators of large-scale farms frequently are absentees; and even if they do live in Arvin, they as often seek their recreation in the nearby city. Their interest in the social life of the community is hardly greater than that of the laborer whose tenure is transitory. Even the businessmen of the large-farm community frequently express their own feelings of impermanence; and their financial investment in the community, kept usually at a minimum, reflects the same view. Attitudes such as these are not conducive to stability and the rich kind of . . . community life.

Although Goldschmidt was looking at a rural farm community, there is no reason to believe that these issues are any less acute for other kinds of communities. Lamb's study (7) of Fall River, Massachusetts, an industrial mill community, came to a similar conclusion but by a different route. This study was historical in nature. Lamb concluded that the transfer of ownership of the local mills from the local community to New York financial interests resulted in a marked loss of community vitality among the population.

The second loss which expanding size and scale has foisted on local communities is that of skilled workers. The logic of the process by which scale economies are generated involves subdividing the work process into as many specialized tasks as possible. This is important for two reasons. First, each task should be completed in as rapid a period of time as possible as workers become highly proficient at the task. Second, by parceling out the work process to many different workers, management is in more effective overall control of the entire work process because it alone has overall knowledge of what is taking place (8). Control over the work process is important because it facilitates making those decisions which can aid management in its goal of maximizing profits. The net effect of this process is to transform the labor power resident in a particular community from a collection of knowledgeable individuals with the skill to produce salable commodities to earn a livelihood into an undifferentiated mass of human mental and muscle power dependent upon decisions of management for survival. Once the firm has the ability to replace skilled workers by unskilled ones, it is possible to bid wage levels down as there is now a larger pool of labor from which management can draw. This in turn means higher profits from lower costs.

From the perspective of the community, the loss of productive skills further exacerbates feelings of dependency and helplessness. People come to see themselves not as individuals capable of creating useful products to meet their own needs, but merely as labor power to be organized by others to create useful products. This, too, reinforces the susceptibility of individuals to despair in reaction to larger economic events and to develop symptoms of individual dysfunction.

COMMUNITY AND INDIVIDUAL ECONOMIC RESOURCES

The shift in ownership and control and the loss of working skills have important economic implications for the ability of communities and individuals to turn their productive skills to their own advantage and to withstand long-term economic distress. Separation of ownership from the local community means that the profits generated by the economic activity of the local community go elsewhere for reinvestment.

Thus, a most important part of economic activity escapes the community. Wages give the community the wherewithal to survive and reproduce itself, but they are not nor have they ever been a source of community advancement. Regardless of time or place, it has been the role of the economic surplus or profits to enrich lives and expand the future opportunities of a group of people. There are only two ways in which a local community can capture and use the economic surplus: public finance and private philanthropy.

The nature of the American tax system is such that the local community stands virtually no chance of keeping any appreciable portion of the local surplus within its control. Only the most immobile portions of an enterprise's wealth are effectively taxable by local communities. In general, that means real estate. Profits, on the other hand, are quite mobile and easy to hide when necessary. As a result, the local public fisc cannot be a source of funds for high-quality public services and education—outputs which not only improve community life but provide the resources needed for self-sufficiency.

In a market-oriented society, most of the great cultural works and philanthropic activity to which the economic surplus is directed are channeled through the hands of the owners of that wealth. These activities are generally carried out in the communities in which owners reside, leading to enrichment of their own lives and enhancement of their social esteem with the groups from whom they most seek recognition. This movement of profits out of local communities means that private civic resources also leave the local community. Rather than support local charities and cultural centers, the resources support such activity on a larger scale within the great cities which serve as locations for the headquarters of large firms.[1]

Although the older local establishment had a stake in providing its community with cultural enrichment and local leadership, the same cannot be said for the corporate managers who come to run the local enterprises as a step in their corporate careers. In the older form of organization, which combined ownership with management of the local enterprise, the local entrepreneur saw clearly that his future success was tied to the future well-being of the community. As Lamb has remarked (9): "One of the great shortcomings of the economists has been their failure to show clearly how community-building contributes to the incomes of [local entrepreneurs] and enables them to continue to channel the economic life of the community into the institutions they control." For the newer breed of corporate managers, their future success is not necessarily tied to the success or failure of the local community, but rather to the success or failure of the larger multi-unit, multi-product, hierarchical corporation. Success for them means scaling the corporate ladder to its top, or as near to the top as possible. Choices between the short-term profitability of the enterprise they manage or the long-term well-being of the surrounding community will be resolved in favor of the enterprise. As a result, the kind of leadership and philanthropic support which these corporate managers provide to the local community is minimal and usually

[1] As wealth and power have shifted from the Northeast to Southwest United States, the newly accumulating surpluses have created new cultural and educational centers in the Sun Belt at the same time that the small and large cities of the older Northeast and Midwest find it increasingly difficult to locate resources for the most basic of public services.

guided by the public relations department at the home office rather than needs expressed by the local community. The net effect of this shift is to further diminish the resources which the local community has to provide for itself and its members during stressful periods.

Not only is there a loss of resources for community enrichment, but the economic future of the community becomes clouded. Theoretically, it does not follow that a shift in ownership and control from a local group to an absentee group should lead a community into economic stagnation. However, this is frequently the case. First, the corporate management has no incentive to improve upon the economic climate of the area. Rather, managers take it as it exists. Since it is the short-term profit and loss statement of the enterprise which decides the local manager's future within the corporation, he has no readily apparent incentive to invest in either the plant or community to adapt it to the changing needs of the larger economy. Such a move might pay off over time, but it will not automatically give the local manager the profitable result he needs to compete with other managers in other places for promotion through the corporate ranks.[2]

Secondly, the change in ownership also brings a change in perspective from the local to the worldwide. For local owners, success could only be achieved within the confines of the local community. For the managers at the higher levels of the corporation, however, success means maximization of investment returns on a worldwide scale. It may have been the case that the local plant was making a return on invested capital of 8 percent with its particular product line. For the local owners, the relevant choice was between 8 percent and nothing. For the larger absentee owner, the choice may be between 8 percent in the existing location and 16 percent elsewhere. As a result, the new owner is more willing to allow enterprises which are viable to either close outright or be run into the ground over time in favor of better opportunities elsewhere. Thus, significant social costs of multinational firms' attempts to maximize profits are frequently borne by local communities.

Local populations increasingly find themselves more and more dependent upon attracting highly mobile corporations for employment. This competition leads to a situation where the result of economic activity in an area is frequently little more than the wages received. Virtually no resources exist for self-support within the community. Thus it is the case that absentee ownership frequently leads to a more stagnant and precarious existence for a local community than is true with local ownership and/or control. This dilemma was recently described very graphically in an article (10) about the most recent of the "Middletown" studies of Muncie, Indiana:

> One drastic difference from the 1920s is that Munsonians no longer control their own town. The Ball Corp., now a diversified multinational, has moved its important operations elsewhere, and the Ball family itself is scattered, with diminished clout in Muncie. The local economy is now controlled from the out-of-town board rooms of large corporations—and from Washington. Says Caplow: "The Federal Government has in effect taken over all the social welfare functions in Muncie. The care of the sick, the poor, the aged and the delinquent is all controlled by Washington."

[2]It is not that corporations *cannot* provide long-term leadership and planning to a community; the point is they *will not*. Given the ease with which these firms can shift capital globally, it is usually more economic for them to move from an area than to improve it. Local owners do not enjoy the same ease of shifting resources. As a result, despite the fact that they frequently lack long-term planning capability, they will often attempt to plan improvements for the region's future. In neither case is benevolence the motivating force. Given the difference in constraints, profit-maximizing behavior causes the difference in action.

It is the last part of that quotation which is particularly noteworthy. Caplow, one of the Middletown researchers, points out that if both the local public fisc and local philanthropy no longer have the resources to support local needs, the vacuum will be filled elsewhere if society is not to break apart. While conservatives may rail at the further encroachment of the Federal Government on our lives, they at the same time are enthusiastic boosters of the economic centralization which makes such governmental centralization inevitable.

Another way in which we can look at this process is through its multiplier effects. The multiplier effect is the total amount of income which any particular amount of spending will generate in an economy. The total amount of income generated will, as a rule, exceed the given amount of spending. For example, if a firm hires new workers, the total increase in income will be greater than the additional amount which the firm spends for wages. This is the case because, by spending their wages, workers create incomes for others, who in turn spend their new-found income, and so on. The exact amount of new total income which a particular amount of spending will generate depends upon two factors: the willingness of individuals to pass along new income through new spending, and "leakages" from the economy. We consider each in turn. The willingness of individuals to pass along new income is referred to in economic parlance as the "propensity to consume." If workers earning additional wages merely hide them in a mattress, there will be no additional income generated anywhere as a result. We would say that these new workers have a zero propensity to consume. It is more realistic that workers might save some of their new wages in a bank account and spend the rest. The proportion spent will have direct effects upon the incomes of others. The amount placed in banks by savers, on the other hand, constitutes money which may or may not impact upon the local community. The outcome will be the result of the bank's propensity to invest locally as opposed to outside the area. To the extent that ownership and control of local banks follows a pattern similar to that of other local economic enterprises, it is likely that this multiplier effect, too, will diminish over time.

Consequently, the size of the multiplier will depend upon the propensity to consume which characterizes the community receiving the additional income generated by a new or expanded spending stream. A discussion of the factors which shape spending propensities is beyond the scope of the present analysis and is left to economic theory texts. The salient point is that people do pass along additional income as a result of their spending propensities; thus, the ultimate change in community income is a multiple of the original increase in spending.

Amounts withdrawn from the local spending stream either by savings decisions on the part of wage earners, investment decisions on the part of local banks, or decisions on the part of local people to travel beyond the local community to shop all constitute examples of what are termed "leakages" from the local spending stream. A shift from local to absentee ownership creates a new set of leakages in a local economy.

Taken together, the loss of taxing opportunities, less local philanthropy, and less local reinvestment cause the multiplier of a community with absentee ownership to be lower than that of a community with local ownership. It is reasonable to argue that as a result of leakages shaped by patterns of ownership and control, the multiplier of a community with absentee ownership more or less reduces to one dependent upon wages and whatever local spending for goods and services the firm undertakes.

The implication of this analysis for local economic well-being is significant. Absentee ownership makes it necessary to increase the amount of value added[3] more than would be the case of a community with local ownership to achieve the same degree of economic stimulation. As a result of additional leakages, absentee ownership dampens the efficacy of local economic self-help efforts. Any new injection of resources into the community will be drained by the expanded leakages.

The shift of ownership patterns indirectly affects individuals through the erosion of community resources. However, the process of skill degradation made possible by large-scale operations has a very immediate impact upon workers and their families. By substituting lower-skilled for higher-skilled workers, firms are able to lower their wage bills. Though the process is not always quick and ruthless but at times a slow one accomplished by attrition, its long-range impact is the same. It causes a community's total real wages to stagnate even when cost-of-living adjustments are made. This is because the net effect is to replace comparatively expensive labor with comparatively cheap labor. Absentee ownership, though not central to this process, tends to exacerbate it. This is because the absentee firm can more quickly move work from areas where unions and tradition dictate how work be done to areas where they are free to introduce any technology they wish. The locally owned enterprise is less likely to have this option.

The result of this wage erosion caused by the deskillization process is that families need more wage earners to maintain existing living standards. The loss of a high-skilled job which was capable of supporting a family at an acceptable living standard with 40 hours of work is replaced by two lower-skilled jobs. This requires a total family wage labor time expenditure of between 60 and 80 hours to maintain a comparable living standard. This in turn leads to a direct loss of available family time for physical and nurturing tasks, which must be done if the family is to be a real support unit for all its members.

The shift in ownership and control patterns of locally based enterprises also leads to a degeneration in family ties. As a result of the decreased demand for high-skilled labor and the need for additional family members to find work in a stagnating economy, individuals must be prepared to travel greater distances to find remunerative employment and some are forced to eventually move to other communities. This makes it far more difficult for members of extended families and community social networks to provide services to one another as well as exchange mutual emotional support and caring. Hence it becomes more difficult for families to care for aging

[3]The term "value added" refers to the difference between the cost of raw materials and finished products. It is therefore a measure of the potential income to be generated by an economic endeavor for a local area. The smaller the number of leakages, the more value added available for local purposes.

members and it creates a need for younger families to go outside the extended family to seek such services as day care so that both parents might work (11).

The result of making more individual family members wage-dependent is that it loosens family ties as these family members come to see their individual wages as a source of independence. There is at present much debate over the value of this change as a progressive or regressive force for human liberation. It is argued by some that this shift is especially beneficial for women trapped in oppressive family situations. The ability to earn an independent wage permits them to make free choices about their living situations. Others argue that the gains are more apparent than real. Since the additional wage-earning capacity is not enough to truly support one individual comfortably, it leads to a situation where even fully employed single women with dependents frequently find themselves living in severely deprived circumstances. Furthermore, because the change ties each individual to his or her own wage, it lessens the possibility of family or other collective action to meliorate or alter the situation. Rather, it creates a context in which individual solutions are perceived as the only possibility. It is not my present purpose to engage in this particular debate. However, the point to be made at this juncture is that regardless of whether one sees the result as progressive or regressive, it is still the case that the net impact of the shift is a further decrease of family and social network support during stressful periods and an increase in the need for individuals to get by on their own.

In terms of the job loss/stress hypothesis, the creation of additional wage earners makes more individuals susceptible to the pressures of both employment and unemployment in the wage economy and its attendant impact upon health and well-being. There is evidence that a result of increased female labor force participation will be the convergence of male and female life expectancies as females suffer the greater incidence of heart disease, occupational cancer, and other conditions which had formerly been the exclusive province of male workers (12).

Overall, the net effect of the changed statuses of families and social networks caused by shifts in economic structure are such that they can less provide support for individuals in increasingly distressed conditions. Because these supports are vital if the social fabric is to be maintained, it becomes the task of either the public sector or private agencies to provide substitutes for the lost informal support network as well as the additional support which increasingly stressed individuals need.

A LOOK BEHIND THE MENTAL HEALTH STATISTICS

Social support is generally provided only after individual dysfunction becomes manifest. It is provided through such formal service delivery systems as the health care and legal systems. The records of these instances of formal intervention serve as the basis for the aggregative data sets used to connect individual dysfunction with economic change. To truly appreciate the strengths and limitations of this particular approach to the social epidemiology linking community economic structure with individual well-being, it is necessary to consider each individual manifestation of dysfunction on a case-by-case basis. This is because the meaning of the individual data has a range of complexity which is too easily lost in attempts to generalize the approach to a range of problems. To understand this complexity, let us consider the case of mental health.

Let us begin by reviewing the methodology used to create the findings of an important relationship between economic change and mental illness. It is both difficult and prohibitively expensive to measure the incidence and prevalence rates for mental illness in any particular community for any sustained period of time. As a result, the most common methodological compromise is to use the treatment records as a proxy for the underlying but unobserved mental illness rates. The reliability of the methodology rests upon the degree to which it is valid to assume a close correspondence between changes in recorded rates of utilization and rates of incidence and/or prevalence. The existing literature indicates that the correspondence is a weak one at best (13). This is because service availability and willingness to use services are as important as prevalence and incidence in determining utilization rates.

As a result of these complexities, it is preferable to treat statistics on utilization with a highly agnostic attitude. A good first statement is that observed utilization is no more nor no less than it purports to be: observed utilization. Whether it is a result of a change in prevalence or other factors is a matter for further investigation.

Because of the wide range of treatment options available, the term "mental health service utilization" is a rather complex catchall phrase, running a gamut from one session of counseling at a mental health clinic to long-term incarceration in a state hospital. In the studies by Brenner (1, 14), this complexity was avoided by using a highly circumscribed type of service utilization: first admissions to mental hospitals. The argument behind use of this measure is that although onset of incidence of mental illness is difficult to diagnose precisely, first admission to a mental hospital is a good estimate of the point in time when the problems become severe enough for an individual to be judged mentally ill. The previously cited difficulties which haunt other mental health service utilization series as proxies for incidence and prevalence also haunt this one. In addition, the passage of time makes it increasingly less valid as community-based mental health care becomes the norm. As a result of the widespread availability of community-based services caused by the 1963 federal legislation and the effectiveness of psychotropic drugs in controlling a wide range of antisocial behaviors, the need for institutionalization of even severely ill persons is far less necessary. Consequently, the use of hospital first admissions as a proxy for incidence becomes still weaker with the passage of time.

If such partial measures culled from the utilization statistics do not provide an advantage, it is then necessary to return to the total utilization series to see if anything more definitive can emerge. Measuring all incidents of service utilization is also fraught with difficulties, because a visit to a mental health center or psychiatrist's office could be for anything from counseling to intense verbal and drug therapy for schizophrenia. Furthermore, it does not do to try to sort visits by type, as mental illness categories are murky at best and people move back and forth along the spectrum with ease. As a result, decisions about boundaries and classification become arbitrary.

The preventive stance of community mental health centers makes the issue even more complex. Individuals with minor problems of anxiety are encouraged to avail themselves of treatment. Hence, the utilization of treatment becomes less related to

the onset of mental illness in the more traditional sense in which that term is frequently used.

This preventive stance on the part of mental health care providers has at times been a source of controversy. It has been argued that prevention has come at the price of caring for more severely ill individuals who would have been hospitalized in other times. This criticism, in its harshest form, goes so far as to suggest that the care providers engage in a process of "creaming." They choose to accept those individuals for treatment who seem most acceptable in terms of the middle-class norms of the care givers. Individuals in more serious need of care are usually the least attractive to the care providers, as well as the least amenable to "making progress" given the treatment options which the providers have available. As a result, there is a programmatic bias to create a market among a working-class-to-middle-class population whose values sufficiently overlap those of the care providers, thus providing more job satisfaction to these providers.

While there is a certain amount of truth to such criticism, it is too extreme. It entirely ignores the demand side of the market. The argument either assumes that there is a vast sea of working-class and middle-class anxiety waiting to be treated, or worse, that the providers actually seek out a market for themselves à la Roemer's Law. However, the analysis presented in this paper makes the case for another view of the growth in utilization of community mental health facilities: a loss of informal family and community resources forces people to turn to the formal service delivery system for nurturing and emotional support.

This view is quite consistent with the conception of community mental health care as preventive. However, it places the matter in a very different light. Instead of a service which is something of a frill and rather vague in its implications, we now look upon it as a very vital necessity. Humans need nurturing and emotional support if the social fabric is to be maintained. If it is the case that a major result of the evolving economic structure is to cause a weakening of the family and community as sources of support, then it follows that a vacuum is created which must be filled by formal service providers. Hence the increased use of community mental health facilities during periods of economic stress may not be a reflection of increased incidence and prevalence of mental illness. Rather, it may reflect the needs of large groups of people to receive the necessary emotional support to weather a rough period. Given the formal nature of the health delivery system, the provision of such support is viewed in the context of disease. As a result, utilization statistics appear to demonstrate increases in illness.

Earlier reference was made to my own research findings for the community of Fitchburg, Massachusetts. If one takes the view that increased utilization is more than just increased prevalence, it is possible to better understand the contradictory findings of that study. It was found that utilization of outpatient facilities was positively related to the unemployment rate, while inpatient utilization was inversely related to that same rate. A community support explanation for these findings would be that by allowing more family members to enter the work force, improved labor market conditions decrease the number of individuals available to care for highly vulnerable members of the family. As a result, it is during times of high employment that more of these individuals are hospitalized. During times of low employment, when uncertainty is high, more people need support and turn to the community mental health centers. Hence those utilization figures increase. Though we do not have the necessary evidence to prove this hypothesis conclusively from our data, interviews with hospital staff in the area suggest that behavior along these lines does take place. To the extent that our statistical data shed any light on this point, they are noteworthy in demonstrating far different time lag patterns in the behavior of inpatient populations to unemployment than outpatient ones. Unemployment has a longer time impact on inpatient utilization than it does on outpatient utilization. This would suggest to some extent that the series are measuring two different patient groups, which is consistent with the previously stated community support hypothesis.

As a result of all these complexities, it is best to think of the utilization series as a composite measure which is functionally related to incidence and prevalence in the traditional sense and erosion of community resources as described here from the consumer side of the market. On the provider side of the market, utilization is related to the size and scope of available services. To the extent that the mental health care system is treating the types of disorders it has always treated, fluctuation in the rate of utilization in response to economic change may well reflect the impact of stress upon well-being. However, to the extent that the scope of services is moving more in the direction of prevention, increases in the utilization rate may be less a reflection of increased mental illness among the populace and more a reflection of the degree of erosion of community resources.

When viewed in this manner, it becomes clear that the simple job loss/stress/illness approach to mental health is inadequate. A far more complex conceptual and statistical model is needed if we are to fully understand the ways in which economic change affects people's everyday lives. While the case has been made here for more sophistication with regard to mental health studies, I would suggest that similar cases can be made for the other dysfunctions which are linked to economy. It is only with increased conceptual sophistication that it will be possible to pull together the myriad of contradictory findings which fill the literature.

CONCLUSIONS

The picture of community erosion in the face of economic change with its implications for individual well-being portrayed here has a number of important implications for some of the fundamental assumptions of economic policy. Before discussing these implications, a caveat is in order. One danger with analyses which look at a historic process and conclude that something of value is lost through change is that they leave the author open to charges of harboring rank nostalgia. Worse still are analyses which look critically at the process in terms of technical change and economies of scale. In those cases the epithet "Luddite!" is frequently attached to the author's former good name. The present writer has no wish to be tarred by either of these brushes. The point to be made is that benefits entail costs. The questions are whether the benefits in question equaled the costs and whether the recipients of the benefits are the same as the bearers of the cost. To the extent that the present analysis suggests

that severe and inequitably distributed social costs have arisen as a result of a particular process of economic change, the implication is not to turn the clock back but rather to suggest paths into the future which avoid these costs. It is to these issues which we now turn in exploring the implications of this analysis.

The key assumption which underlies economic policy is that more output is always preferable to less. Hence actions which lead to increasing the gross national product (GNP) are good, those which bring increase about rapidly are better, and those which maximize GNP over time are best. The assumption underlying this approach to policy is that while growth may cause problems, it also provides the material resources to alleviate misery. This is preferable to stagnation or decline in GNP where resources disappear at the same time that the problems worsen. At the abstract level at which this view is customarily articulated, it is difficult to fault. However, at the concrete level of action there is much room for debate.

GNP is the total value of all goods and services produced in the economy in some period of time, usually a year. The assumption is that the greater the GNP, the greater our ability to provide for the needs of all citizens. However, the calculation of GNP makes no distinction between goods which truly add to our well-being and those which minimize the damage of the ongoing social enterprise. A new automobile rolling off the Detroit assembly line is added into the GNP. If the owner of that new vehicle should drive into a telephone pole, the medical bills for the injured, the costs of repairing the vehicle, and expenses of replacing the telephone pole are also added into GNP. Hence it is only as a first crude approximation that we can say that more GNP is better than less. It is necessary to take a far more disaggregative view of economic activity. It is only in terms of particular goods and services that we can make any statements about their potential contribution to social well-being. At that level, a great deal of subjective valuation must enter the discussion, in which case it is no longer a self-evident fact that more is preferable to less.

The argument for closing a particular plant in a particular place at a particular time usually rests upon the contribution which the choice will make to the balance sheet of the firm in question. It is plausible to argue that a decision to relocate a plant from region A to region B may improve the profitability of the firm in question, increase output of the firm's product, and produce development benefits in region B. However, in light of the preceding analysis suggesting that a great deal of personal and economic damage is left behind in region A, it is not readily apparent that the total benefits of the move (private plus social) equal, let alone exceed, the total costs (private plus social). If this is so, it could be argued that less output and profits for a particular firm are preferable to more when the larger social context is considered.

The implication of the preceding discussion is that it is possible that social cost minimization may prove to be a better guide to economic policy than the present emphasis on output maximization. A policy of social cost minimization by its very nature takes a longer-term view of social welfare than does output maximization. The argument would be that by conserving and improving our social resources, we can over the long run improve individual well-being more than would otherwise be the case. It could be argued that such a social cost minimization policy, with its emphasis on community stability, can prove more productive than the present emphasis on the maximization of output.

A corollary to the above discussion pertains to the role of profits and markets in the decision-making process. It is conventional wisdom that the profit incentive operating through a system of competitive markets leads to output and pricing decisions which not only give consumers what they want but also conserve on scarce resources by forcing their judicious use. The implication of the preceding analysis is that this view is not necessarily true.

Let us begin by considering the question of the efficacy of markets as mechanisms for equating costs and benefits of economic activity in a socially desirable manner. For a market to function in a socially desirable manner, there are two conditions which it must fulfill: it must be competitive, and the externalities which it generates must be, by and large, trivial. For a market to be considered competitive, it must be one to which both buyers and sellers have reasonably easy access; it must be comprised of a sufficiently large number of buyers and sellers so that none, by its individual action, can appreciably affect the pricing and output decisions of that market; it must be one in which all relevant information about product and price are well known to both buyers and sellers; and it must be a market for a reasonably homogeneous product that can be easily substituted among different sellers.

As we have previously seen, a result of the scale economies inherent in market expansion is that competitive markets have effectively disappeared from the economy in all but a few scattered instances. These few instances are not sufficient to create an effectively competitive market-based economy. The size and scale factors which have caused firm size to grow have meant a decline in the number of sellers in most markets, greater difficulty of entry for potential competitors, loss of relevant product and price information for buyers or high cost to obtain information, and attempts to make ease of substitution among similar products more difficult. Taken together, these factors have led to the type of market structure characterized as oligopolistic and monopolistic.

There are two characteristics most typical of such markets: interdependence among sellers, and higher prices and less output than under a competitive market regime. Interdependence is the fact that sellers take each other's price and output decisions into account when making their own. This phenomenon typically shows itself in the price leadership characteristic of oligopolistic industries such as steel and automobile manufacturing. In these industries a price rise is first announced by one firm. Unless there is a severe miscalculation, it is usually followed by comparable price rises among the other sellers in that market. If the price change is too large or too small, the move by other sellers will force the price leader to revise his pricing strategy to bring it into line with the industry-wide wisdom.

Given the ability to act in a concerted manner in pricing and output decisions, oligopolistic and monopolistic firms will use that power to insure the greatest amount of profits possible for the industry and its individual members. This usually means keeping output below that of competitive markets so as to keep prices higher in relation to costs. The net effect will be to keep profit margins high. Once administered prices become the rule, prices can no longer claim the same virtues as part of the social decision-making process.

The second condition affecting the operation of markets is the degree to which external effects prevail. An external effect is an outcome which results from the action of buyers and sellers within a particular market but which is excluded from effective marketplace consideration. Industrial pollution of air and water is the most commonplace example of an external diseconomy. If firms are permitted to dump waste materials in the air and water, they are in effect passing a cost on to the general public which does not show up in the price of the product to the buyer. Similarly, if the result of locating a plant in a particular community is to cause commerce in general to increase, that would be an external economy which is not accounted for on the books of the firm in question.

In a sense, this paper has argued that as a result of marketplace decisions involving firms and their work forces, a number of large and non-trivial external diseconomies have been created for the communities of people in which those firms locate their productive activity. A macroeconomic result of the growth in the size and scale of economic operations has been to increase the degree to which members of society have become socially fragmented yet economically interdependent. Urbanization, with its increased living densities, leads to a situation where even life-style considerations of our neighbors have effects upon us, from loud stereos to safety on streets. This urbanization in turn is a result of the changed structure of economic activity.

When external effects are large in number and impact, it is difficult to argue that the marketplace considerations of price and output sufficiently account for all the relevant impacts of economic activity. Furthermore, when these impacts are being accounted for in markets where administered prices are more reflective of economic power than scarcity considerations, it is that much more difficult to defend a conventional wisdom which argues for the sanctity of market decisions as the measure of social well-being. In terms of the communities and individuals who are the concern of this paper, the implication is that more individual well-being can be achieved if less emphasis is placed on the marketplace as decision maker.

This can perhaps be more clearly seen if we consider the role of profits in this economic system, with special regard to their impact upon local communities. Profits play a unique and vital role in a market-oriented economic system. They are the signal that a particular economic undertaking or activity ought to be done and are also the reward for successfully undertaking that activity. To the extent that profits are generated by a market-oriented economy in which the regime of competition (as previously described) holds sway and in which externalities are either non-existent or highly limited, profits can serve to channel activity into socially beneficial paths. This is the case because competition insures that all factors of production are working as efficiently as possible and earning no more than a reasonable rate of return on effort. High profits signal an unexploited opportunity in the way of a more efficient production process or new commodity. Resources move to expand use of the new, more efficient production process or satisfy the new commodity market. In the process, the high profits dissipate and are reduced to the more general rate of return on effort.

If the situation is such that oligopolistic and monopolistic market power predominates and many externalities abound from marketplace activity, it can no longer be said that profits signal any kind of socially beneficial need. Rather, profits measure the degree to which oligopolistic producers are able to extract a scarcity rent from their activity through the use of economic power. As a result, social worthiness cannot be imputed to activity generated in pursuit of high profits. High profits come to mean no more than high incomes for their owners, not social progress.

Given the degree to which interdependency abounds in modern society, industry increasingly relies on the public sector to provide order for its various undertakings. Consequently, profits begin to measure the degree to which private interests can manipulate governmental tax, expenditure, and regulatory policy rather than success in marketplace competition. It is more and more the case that profits measure the ability of a particular group to push costs off on other groups through the political process. This tendency gains powerful impetus from the very nature of motivation within the firm. It is rational profit-maximizing behavior on the part of firms to attempt to socialize costs and privately capture gains. The confluence of this behavior within the firm with the increasingly political nature of profits makes the private economic process even more suspect as an allocator of society's precious material resources.

Since the vital social accounting functions of benefits and costs once assumed to underlie the private calculus of profits and losses have all but vanished, society must consciously develop new methods for evaluating the implications of economic activity. This paper suggests that central to any new scheme for deciding upon economic activity must be a concern with the cohesiveness of the communities in which people live. The enormous public expenditures for health and social services are functionally related to private decisions about capital investment. It follows therefore that any attempt to supplant marketplace decisions must include considerations of local social cost minimization. This means that it is necessary to go beyond the type of aggregative economic policy characteristic of the 1960s and 1970s which attempted to maximize growth of GNP at stable prices through the use of fiscal and monetary policy. Policy must change in two major ways: a move from output maximization to cost minimization, and a shift from aggregative to community-specific policies, particularly in the area of investment decisions. Only by such a shift in emphasis will it be possible to have an economy which enriches the material conditions of people without being destructive of their physical and spiritual well-being.

AFTERWORD

At present, there is an intense ideological struggle being waged to convince the American public of the long-term benefits of decision making in the private sector. The argument is that the private sector, through its pursuit of profits in a competitive environment, free of governmental restriction, can do most things society needs done far better than the cumbersome, top-heavy bureaucracy of government. This paper does not attempt to take on what the writer sees as a non-issue: planning vs. markets. As I have attempted to point out, even if markets can perform as well as their most ardent defenders claim, it is only under a set of conditions which the present size and scale considerations of economic activity render inoperable. Hence the issue for us is not a matter of one or the other. Rather, it is an attempt to find that balance between collective and private decision making which can better bring the costs and benefits of productive activity into line. This is not what the free market ideologues are proposing. They are in fact proposing a big social step backwards.

What is at stake for us is not merely a standard of living measured in material terms. Rather, we must bear in mind that real pain and suffering are being imposed on society as we continue to allow economic decision making to disrupt and disorganize social structure. The panoply of economic systems under which the modern world lives demonstrates that a broad range of economic systems are in fact capable of sustaining acceptable living standards. These systems also demonstrate that unless the focus of economic development is individual well-being, so-called economic progress can be a cruel hoax.

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Direct reprint requests to:

Dr. Elliott D. Sclar
Division of Urban Planning
Graduate School of Architecture and Planning
Columbia University
New York, New York 10027