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Socio-Economic Effects of Low and High Employment

By K. WILLIAM KAPP

ABSTRACT: Both low and high employment, as currently measured, have far-reaching serious consequences affecting the health and well-being of large masses of the population and seriously disrupting the environment. The criterion of public policies, including employment, must be the assurance of socio-economic reproduction for the maintenance of human life, health and survival, not maximum output and employment without regard for genuine individual and social needs. Social and environmental indicators and substantive norms, defined in terms of minimum requirements and social objectives, need to be made the guidelines of public action. In this sense, genuine full employment must be made a continuous objective and will remain a fundamental challenge to developed and underdeveloped countries.

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FOR an analysis of the socio-economic effects of low and high employment, an appropriate conceptual framework is needed which conventional economics can hardly provide. Neither gross national product (GNP) nor the concepts of external economies and diseconomies is adequate for such an analysis; they were never designed for this purpose. In contrast, the labor theory of value and the Marxian concept of the industrial reserve army offer important elements for such an analysis. Thus the concept of the industrial reserve army, which is an integral part of the Marxian theory of the process of accumulation, not only invalidated the thesis that production was able to create and maintain aggregate demand but, in addition, demonstrated that the supply of capital and labor were interdependent forces working upon each other.

Capital works on both sides, at the same time. If its accumulation increases the demand for labor, it [also] increases the supply of labor by the "setting free" of [laborers]; . . . at the same time the presence of the unemployed compels those that are employed to furnish more labor, and therefore makes the supply of labor, to a certain extent, independent of the supply of laborers.¹

Moreover, the industrial reserve army regulates the general movement of wages and hence that of profits; it keeps the wage rates of the employed down and holds their "pretensions" in check during periods of expansion and overproduction. "Relative surplus population is therefore the pivot upon which the law of demand and supply of labor works."² According to Marx, tech-

nological change channels capital and labor from one branch of production to another and, by setting free part of the employed, renders them superfluous, undermines their security and threatens "to snatch from [their] hands the means of subsistence."³ Technical necessities cause fluctuations of work which impose an excessive mobility upon the laborer, thereby destroying his security, so that every economic progress turns into a social calamity.⁴ Marx distinguished three forms of unemployment: regular-floating, constant-latent and irregular-stagnant, with the latter consisting of a self-perpetuating marginal group dwelling largely in the sphere of pauperism—"in short the *faux frais* of capitalist production."⁵

Although Marx' analysis showed clearly that periods of low and high employment tend to alternate and that technical revolutions jeopardize the security of the employed, neither the theory of capitalist accumulation nor the concept of the reserve army was concerned with and took account of the disruption of the biosphere, the emergence of negative effects resulting from sales promotion, affluence and inflation. Nor did Marx deal with the specific problems of today's underdeveloped countries, which face rates of population growth far exceeding their capacity to absorb the number of workers seeking employment.⁶

3. Marx, *Capital*, p. 533.

4. Marx, *Capital*, p. 533.

5. Marx, *Capital*, pp. 703-711.

6. An International Labor Office estimate places the aggregate number of presently unemployed in the underdeveloped world at 75 million. This is a minimum estimate based upon conventional definitions of unemployment. It conceals rather than reveals the actual state and rate of mass unemployment for specific groups of laborers, such as

1. Karl Marx, *Capital*, vol. 1 (Chicago: Charles H. Kerr and Co., 1909), p. 702.

2. Marx, *Capital*, p. 701.

An appraisal of these broader socio-economic effects of low and high employment requires an elaboration of the labor theory of value and the adoption of a concept of human needs and social costs. This theory asserts not only a relationship between the relative amounts of socially necessary labor and the exchange relation between commodities; it maintains above all that labor has a fixed cost of (re)production which must be met if the conditions of social reproduction are to be assured.⁷ These fixed costs of labor must be borne regardless of "whether the laborer works or not: that is, . . . if the maintenance is not forthcoming, the community suffers a loss through deterioration of its working power"⁸ The maintenance costs of labor are, both for the individual laborer and for society, overhead costs in an even more fundamental sense than are the fixed charges on capital account. Neither the worker nor the community can escape these costs except at the price of undermining the con-

ditions of economic and social reproduction.

How are we to deal, however, with the less tangible, nonmarket and nonmonetary effects of low and high employment? Neither the labor theory of value nor the concept of overhead costs of labor takes account of the psychic and psychosomatic consequences of periods of prolonged unemployment, of job insecurity and the enforced mobility of labor, of employment below the worker's capacity, or of overtime and overwork in times of high employment. While some of these effects are perhaps covered by the concept of alienation, conventional economics has no adequate criteria for the much-needed appraisal of the negative and positive intangible, but no less important, effects of low and high employment. Without such criteria, we are without guidance for any evaluation of these effects.

There is only one way in which we can hope to arrive at such criteria: by making use of a concept and a theory of human needs which must be placed in the center of theoretical and policy considerations. That is to say, an appraisal of desirable and undesirable consequences of low and high employment requires a basic commitment by the social sciences to a theory of human motivation based upon a concept of human needs. Only in the light of such a concept and theory of human needs will we be able to make headway in the appraisal of their satisfaction or nonsatisfaction.

Human needs must be understood as physiological and psychological requirements which have their origin in man's biological and socio-psychological make-up. While they are not fixed once and for all and differ from culture to culture, their nonsatisfaction gives rise to a mul-

young and educated workers, landless rural versus urban workers, handicapped and minority groups, and the like. See, International Labor Office, *World Employment Program* (Geneva, 1969).

7. That the notion of a fixed cost of labor is inherent in the classical theory of labor value may be seen from Ricardo's definition of the "natural price" of labor, that is, "that price which is necessary to enable the laborers, one with another, to subsist and to perpetuate their race, without either increase or diminution" . . . and this "power to support himself, and the family which may be necessary to keep up the number of laborers, depend(s) . . . on the quantity of food, necessities and conveniences become essential to him from habit" David Ricardo, *The Principles of Political Economy and Taxation* (London: J. M. Dent and Sons, 1917 and 1932), p. 52.

8. J. M. Clark, "Some Social Aspects of Overhead Costs," *American Economic Review* 13, no. 1 (March 1923), p. 55.

tiplicity of psycho-social maladjustments and psychic diseases. What is called for is a theory of the structure of human needs based upon an empirical, and hence tested, body of knowledge which enables us to distinguish between different kinds of physical and psychological needs and human aspirations, as well as the pathological consequences of any threat of failure to satisfy these needs.

Such a theory of human needs has been elaborated during the past 50 years by psychologists, social psychologists and cultural anthropologists. The theory of personality and motivation referred to herein is that of A. H. Maslow, who developed a theory of the structure of basic human needs and human motivation and of psychopathology. Maslow offers important insights into the structural organization of different human needs and aspirations organized in a hierarchy of relative priority and latent prepotency; he also shows what happens to the individual in terms of human suffering and pathology when the satisfaction of these needs is threatened by deprivation, inhibitions, conflicts and frustrations.⁹

SOCIO-ECONOMIC EFFECTS OF LOW EMPLOYMENT

While we are not concerned with the causes of low employment, we must deal briefly with the typical processes set in motion when employment is reduced either by outright dismissal or by reduction of hours. A social system in which the

individual worker is not a slave but a free agent responsible for his own and his family's support translates the fixed cost of labor into variable costs. Wage contracts may be based upon individual or collective bargaining and be subject to specific provisions regarding unemployment benefits and old age insurance, the premiums for which will be covered out of workers' income and/or entrepreneurial returns.

But the fact remains that once the "fixed costs of labor have been converted into variable costs, the entrepreneur is able to disregard completely these fixed costs of labor."¹⁰ This fact plays an important role in all entrepreneurial decisions, including those related to the choice of capital goods—labor saving and energy using machinery and the location of industries, for example. Indeed, a major portion of total investments may be used to increase efficiency through capital intensive and labor saving devices.

A persistent decline in sales will induce the entrepreneur to reduce output by dismissing workers in order to reduce his variable costs of labor. It will thus give rise to a wave of unemployment. "This procedure is not only the most convenient for the entrepreneur but, in view of the fixity of most capital outlays, is the only method of reducing costs of production" and of coping with the decline of profits.¹¹

10. Clark, "Some Social Aspects," p. 55.

9. While Maslow is neither the first nor the only one who has aimed at formulating such a theory, he has succeeded in presenting his conclusions in a systematic manner. See, A. H. Maslow, *Motivation and Personality* (New York: Harper & Bros., 1954 and 1971).

11. Again it must be emphasized that this procedure is *not* unavoidable, or something that must be accepted as being within the nature of things. It is rather the result of the different manner in which labor and capital contracts are drawn up. Although there may be "substantial reason for drawing them in the customary way . . . it would be quite possible to make labor a constant cost by putting it on a salary basis, as the higher officials are now, and to make capital a

Under these conditions the burden of the overhead costs of labor falls upon the individual worker and his family. Entrepreneurial outlays are thus bound to fall short of the actual costs of unemployment which, except for temporary unemployment benefits, have to be borne by the worker in the form of a reduced level of living or by the community in the form of greater relief and welfare expenditures. Needless to say, this is not the result of any miscalculation by the entrepreneur but is inherent in the present wage system.¹²

Similar social costs of low employment arise if large corporations decide to transfer operations from one part of the country to another or to a foreign country. The impact of such decisions may be a major decrease in employment opportunities in particular regions or countries for which the possible increase of employment by such transfers elsewhere constitutes no compensation. In addition, low employment in particular regions will have the effect of increasing the reserve army and sooner or later will exert a depressive influence on the wage level of those employed. Of course, declines in wage rates may not become evident immediately; there may be lags and rigidities due to the fact that wages are fixed by long term collective agreements;

they may be indexed according to standard of living costs which may, at least for a certain time, continue to rise by inflationary pressures generated in the preceding period of forced growth and expansion. The decline in wages of the employed may thus be delayed despite the increase of the reserve army.

The effects of low employment are reflected in a loss of labor income, both personal and family. In addition, a substantial percentage of the dismissed workers will see the range of their opportunities and choice curtailed or eliminated, with the result that they are pushed into a state of poverty. A further effect will be a reduction of public revenues (and expenditures for public services and common goods) due to the curtailment of production. Average and marginal costs of production may increase as production below capacity spreads throughout the economy. Safety and working conditions may not be maintained. The process of curtailing production will thus become cumulative. Younger and older workers, women, and members of minority groups including foreign and seasonal workers will be hit particularly hard and will see the chances of useful and rewarding employment reduced. Not only will workers from minority groups be squeezed out of job openings into which they had previously been able to advance, but opportunities to enter new fields may also be effectively closed to them with or without the support of unions. Foreign workers will be sent back to their respective home countries. Unemployment will thus be exported to these countries as well. Existing training and educational facilities set up during the preceding period of expanding production may turn out to be in excess of, or

variable cost by leasing it for a payment depending upon the use that is made of it." Clark, "Some Social Aspects," p. 56.

12. A guaranteed annual wage would do away with this peculiarity of business enterprise and make the position of workers more secure. By making the cost of labor a fixed charge for the individual firm, an annual wage would not only eliminate an important source of social costs, but it would at the same time create an incentive to use available resources more fully since the cost of labor would have to be paid anyway.

ill-adjusted to, changed job requirements. There may even arise, as in present-day Europe, a call for a reduction of educational and training facilities on the ground that estimates of future demands for manpower are below the current or future estimated supply. In addition, periods of low employment deprive the economy and the country of needed goods and services which could have been produced.

What is equally if not more significant is the impact of low employment on the individual worker and his family. What does it mean to see one's employment suddenly terminated by the unilateral and impersonal decision of the employer? No matter how rational this decision may be in the light of private cost and return calculations, the dismissal remains a traumatic experience for the laborer affected—traumatic precisely because it is a demonstration of the humiliating fact that the individual has become useless in the productive process, is no longer needed and hence is not wanted.¹³

Unemployment is thus experienced as an attack on the individual's self-esteem, regardless of whether unemployment compensation is paid to secure partially and temporarily his and his family's sustenance. This applies to all workers, as well as to persons who are preparing themselves for useful and productive activity. They, too, will see their opportunities curtailed and their plans and hopes frustrated.

Even part-time workers whose earnings are frequently essential for the maintenance of family budgets will feel these psychological effects.

The feeling of frustration and the response thereto differs from person to person. The termination of employment may be experienced as arbitrary and discriminatory and may constitute for the individual a denial and loss of purpose. Such feelings are bound to give rise to psychosomatic effects and diseases of various kinds which are not confined to the period of unemployment; they have a lasting impact on the worker's psychic health and his personality. In fact, they do not disappear even after re-employment and may have a long term negative effect reflected in various psychosomatic symptoms.

A medical study conducted in France in 1973 tested 367 qualified workers—78 percent of whom had been in a state of good health at the time of employment, with only 5 to 7 percent affected by nervous and cardiac troubles—who lost their jobs in 1964 as a result of a collective shutdown. They received unemployment benefits and found re-employment after a certain time. During the period immediately following the dismissal, 89 percent of the men and women developed symptoms of anxiety, depression and insomnia, and 78 percent developed oxygen deficiencies in tissues and loss of weight but no further serious trouble. During a second period, during which the workers had again found employment, more serious troubles were observed such as cardiovascular and respiratory disorders (21 percent) and nervous troubles (57 percent). Only one young unmarried worker was free of disorders. During a third period, some of the disorders in-

13. It is perhaps significant that the termination of employment after prolonged activity in a given firm is experienced as a "depossession"—an expropriation of something to which one had developed a title. See, Paul Henry Chombart de Lauwe, "Le licenciement: des séquelles ignorées," *Le Monde* (Paris, 9–10 Sept. 1973).

creased: cardiovascular disorders increased to 31 percent, and digestive disorders, depressive anxieties and nervous troubles did not disappear despite re-employment. Among those who did not find employment again, there are cases of long term diseases, premature retirement, one suicide attempt and several deaths.¹⁴

In times of general and persistent low employment, particularly for groups who have no hope for re-employment, the psychosomatic consequences may take the form of a pervasive feeling of fear and general anxiety with all the psychocultural consequences which such a situation entails. In some people, especially the younger generation, these consequences may take the form of a feeling of *ennui*, despair or disgust, if not crime or drug addiction and other antisocial, irrational and self-destructive behavior patterns. The Great Depression of the 1930s may serve as an example of the dangerous effects of frustration and its psychosomatic impact, aggressive forms of which may be directed against outsiders and minority groups and can easily be channeled into acts of brutality and a general xenophobia (anti-communism and the "yellow peril" are examples).

Once this stage is reached, the doors are open to the "escape from freedom" and the acceptance of authoritarianism which, under whatever ideological pretexts, threatens the entire political fabric of society and ultimately world peace. The fact that persistent high levels of unemployment and underemployment prevail in underdeveloped countries can not serve as a refutation of this thesis—their internal social

structures leave ample room for aggressive tendencies and violence, and their propensity to refrain from external aggression is only kept in check by their military weakness and dependence.

SOCIO-ECONOMIC EFFECTS OF HIGH EMPLOYMENT

Market economies have long been subject to great instabilities, with periods of depression and unemployment giving way to expansion and high employment. The period of expansion with high though not genuine full employment may be set in motion by a variety of factors and events. Wicksel and Veblen were perhaps the first to describe this process of circular causation created by so-called forced savings and rising prices and issuing into a cumulative process of "inflation of all monetary values."

This inflation must be attributed to the manner in which production is financed: namely, by the creation of credit instruments and new liquidities by the banking system. Since the Great Depression and the adoption of the new economics of Keynes, banking and fiscal policies and, more recently, the systematic creation of international monetary liquidities through the international monetary system, have considerably increased the long term inflationary potential of the circular process of expansion. How far this expansion represents a process of wild growth and false production is a question which is attracting increasing attention due to the growing awareness of environmental disruption and the discussion of the limits of growth.

The socio-economic effects of high employment are not confined to detrimental effects on the environ-

14. P. H. Chombart de Lauwe, "Le licencement."

ment; they are also reflected in wasteful and conspicuous output and rising prices. Inflation exacts a secondary toll from those who were already affected negatively by the expansion. They pay twice, in effect—once by bearing the social costs of the uncontrolled environmental disruption and again by being subjected to the negative (redistributive) effects of inflation.

The expansion of investment, production and employment is, of course, associated with higher incomes, both personal and family, and increased public revenues and expenditures. This is an improvement, provided GNP is accepted as a measure of economic performance. Indeed, this has been the premise of neoclassical welfare and growth economics: more output is preferable to less because it provides more income and more employment, which is better than less income and less employment. This superficially plausible premise has come increasingly under critical scrutiny in the light of the increasing deterioration of the physical and social environment.

Impairment of the work environment

The environmental crisis has demonstrated that increased production and consumption can, and under certain conditions will, have far-reaching negative socio-economic and ecological effects. Thus, economic expansion guided by the monetary calculus may give rise to a serious impairment of the physical and social environment, including working conditions.

High employment may affect the frequency and severity of accidents and occupational diseases as a result of the introduction of new and often

toxic materials and new techniques, increasing work intensity, exposure to noise, overtime, overwork and fatigue.¹⁵ In fact, the 10 most dangerous industries in the United States show increasing accident frequency rates per million hours worked; accidents increased 23 percent during the period of relatively high employment between 1958 and 1967, as did the number of workdays lost due to industrial accidents.¹⁶ These work accidents do not include traffic accidents during travel to and from work. Health damages resulting from persistent exposure to noise and the relationship between noise, accidents and chronic diseases have been the subject of detailed investigations.¹⁷

The effects of working overtime during periods of high employment deserve special emphasis. Overtime yields extra pay and may be profitable and rational inasmuch as it permits fuller utilization of equipment and lowers average fixed costs. However, longer working hours may have deleterious effects, especially on the health of older workers. Because "those extra hours are murder," as one worker in a Detroit auto plant expressed it, unions have begun to insist on voluntary rather

15. Council of Environmental Quality, *Toxic Substances* (Washington, D.C., 1971), p. iv. See also, Rachel Scott, *Muscle and Blood* (New York: Dutton, 1974); and Paul Brodeur, *Expandable Americans* (New York: Viking, 1974).

16. The data upon which these calculations are based are incomplete due to the manner of their collection; only 16 states submit their data to the Department of Labor. According to estimates of labor unions, the annual number of accidents is four million, and according to a private research organization which conducted a study for the Department of Labor, the number of workers affected by work accidents is even higher.

17. R. A. Baron, *The Tyranny of Noise* (New York: St. Martins Press, 1970), p. 85.

than mandatory overtime. This demand, which may but need not stand in the way of rational production schedules, has already become one of the issues of what is known as the "work content" detrimental to physical and psychic health. Other sources of impairment are automated work processes and speed-up in times of high employment.¹⁸

Environmental disruption and unequal distribution of social costs

Uncontrolled economic growth tends to give rise to increasing social costs in terms of environmental disruption, particularly if the rate of expansion is determined by decisions based upon calculations of entrepreneurial costs and returns.¹⁹ Under these conditions the development and choice of technologies, the selection of inputs, and the scale and location of production are determined on the basis of a monetary calculus which permits omission of important and far-reaching environmental consequences and social losses. The resulting impairment may take various forms, including, in addition to air and water pollution, the spatial concentration of industries, traffic and populations in some areas while others remain underdeveloped, stagnant and depressed.²⁰

18. For evidence that conflicts over "work content" are becoming objects of labor disputes, see, Emma Rothchild, "GM in Trouble," *New York Review of Books* (New York: 23 March 1972), pp. 18-25.

19. K. William Kapp, *Environmental Policies and Development Planning in Contemporary China and Other Essays* (Paris and The Hague: Mouton, 1974), pp. 57-75.

20. The spatial concentration of industry and urban settlement assuming all the characteristics of a megalopolis is not confined to the United States. It has its counterpart in Japan with its Tokyo-Osaka axis versus

The socio-economic effects of deterioration of the physical and social environment threaten all members of society, but they affect different income groups unequally. Just as the emerging industrial proletariat during the 19th century carried most of the burden of social costs in terms of low wages, long working hours, high rates of accidents and occupational diseases, and social insecurity, the contemporary environmental deterioration affects different population groups unequally. Not only do higher and middle income groups have greater job security and better working conditions, but they are also able to evade the worst impact of pollution, noise and traffic chaos by moving to less polluted suburbs in the green belt areas and by spending vacations regularly in less affected areas. The poorer sections and ghetto populations have no means of avoiding unhealthy working and living conditions and are forced to live and work in polluted city centers with far fewer opportunities for recreation. The result is an unequal distribution of social costs in real terms.

The concentration of toxic substances such as carbon monoxide and sulphur oxides is 10 times higher in cities than in the country. In the city centers of the United States, which are more heavily populated by blacks and other minority groups, these toxic levels are much higher than in the suburbs. Similarly, the lead content in the blood of city dwellers in Cincinnati, Los Angeles and Philadelphia increased noticeably during 1962 to 1969, and

the stagnant North, Kyushu and Shikoku; in Germany with its Ruhr area; it is emerging in developing countries like Brazil, with its Rio-Sao Paulo axis.

higher concentrations were found among inhabitants of the city centers than among suburbanites. It is estimated that there are more than 400,000 cases of abnormal lead content in the blood in the United States alone. Lead poisoning in children in New York City in 1970 was found in 2,649 cases by a survey based on a sample of 87,000 children.²¹

This unequal distribution of the effects of environmental disruption represents a secondary redistribution of real income, particularly but not exclusively in times of high employment.

Sales promotion and wasteful consumption

Production and supply have always shaped demand and consumption. In modern industrial societies, periods of high employment are marked by high pressure salesmanship. These activities can be traced back to the oligopolistic market structures; they are part of the managerial functions of large corporations operating with capital intensive technologies. Under these conditions, the risks of investment induce management not only to anticipate demand and sales volume, but also to influence and plan them by all available methods and techniques. The age of mass media has

provided new outlets for sales promotion, making them increasingly effective. In periods of high output and employment, the material and financial means devoted to sales promotion are not only substantial, but also tend to increase as a proportion of total entrepreneurial outlays varying from industry to industry. In any event, sales promotion has become an effective instrument which channels consumers' choices and consumption in accordance with the requirements of large scale production.

In order to appraise the socioeconomic effects of sales promotion, it is insufficient to point to the notorious waste of resources, including manpower. The real problem lies elsewhere: what is the effect of sales promotion on the volume of consumption and the consumer's behavior, life style and personality? In this connection, the *modus operandi* of what has come to be known as Veblen's demonstration effect of conspicuous consumption is of particular interest. Each layer of society tends to model its style of life and its outlays for consumption by a comparison with, and imitation of, the next so-called higher social layer. High pressure salesmanship using modern mass media is playing upon this pattern of social and individual behavior. In order to increase the volume of sales, high pressure salesmanship does not simply inform the consumer by appealing to his rational judgment, but plays upon his emotions and sensibilities in a continuous effort to transform the potential consumer into an effective and profitable customer. That is to say, sales promotion is designed to persuade the consumer, by all means known to applied psychology and psychiatry, to commit his present and future earn-

21. The incidence of lung cancer is 37 percent higher in cities of more than one million inhabitants than in cities housing one-quarter to one million. See, Barry Commoner, *The Closing Circle* (New York: Alfred A. Knopf, 1971), p. 135. See also, Council on Environmental Quality, *2nd Report* (Washington, D.C., 1971), pp. 189-200; Paul C. Craig and Edward Berlin, "The Air of Poverty," *Environment* 13, no. 5 (June 1971), pp. 2-9; and Richard England and Barry Bluestone, "Ecology and Class Conflict," *Review of Radical Political Economics* 3, no. 4, pp. 31-55.

ings to specific purchases of differentiated commodities; in short, it goes all out to motivate human action and human aspirations by setting in motion a conscious and subconscious process of envious comparison. For this purpose it will deal with and play upon preferences for immediate, present consumption; it encourages all, and particularly the lower income groups, to mortgage future incomes by going into debt with the inherent threat of insolvency despite high employment. By playing upon the propensity toward variety and the expansibility of human desires and by lending its support to the creation of artificial novelties in appearance, design, style, packaging, fashion and the virtues of ostentation, sales promotion constantly stimulates new wants and a continuous drive for new goods, no matter how damaging to human health, or how trivial and unessential. Indeed, by playing upon the human propensity for envious imitation and by stimulating the desire for constant variety and supposedly higher standards of living, sales publicity seems to have succeeded in replacing the old whip of the subsistence wage by a relentless drive for new commodities.²²

Thus, sales promotion plays a key role in making the individual at all income levels the outer-directed personality and the compulsive consumer characteristic of modern industrial societies. More than any other single factor, it has brought about a continuous adaptation of human motivation, human behavior and the personality structure of the individual to his society. Such adaptation may be compared to the general process of enculturation which shapes the individual in the image of his society.

22. Daniel Bell, *Work and Its Discontent* (Boston: Beacon Press, 1956), p. 32.

However, in contrast to other forms of enculturation, high pressure salesmanship is undertaken by people and groups who have a commercial interest in the outcome of their actions. They use techniques and devices of which the individual is not aware and against which he is unable to defend himself. The fact that these techniques and devices include the systematic creation of artificial images and illusions, plus the promotion of fears and anxieties of losing one's status and prestige by falling short of the norms and standards of the majority, must ultimately give rise to a heavy toll of human suffering, mental imbalance and pathology.²³

CONCLUSIONS

Economic instability with alternating periods of high and low employment has not been brought under control despite all attempts at fiscal and monetary anti-cyclical policies. The relatively high levels of employment during the postwar period were probably the result of continuous high military expenditures and of deficit spending by all levels of government, industry and consumers. The resulting inflation of all monetary values was only one of the consequences of maintaining relatively high rates of economic growth measured in GNP. Other consequences were the cumulative social and environmental costs incurred over the years and, more recently, a new period of low employment with millions of workers losing their jobs while essential human and social needs remain unsatisfied.

Market economies have continued

23. We have dealt elsewhere with these psycho-pathological consequences of sales promotion. See, K. William Kapp, *Social Costs of Business Enterprise* (Bombay and London: Asia Publishing House, 1963), pp. 237-247.

to define their objectives and to gauge their performance in terms of questionable economic indicators which fail to take adequate, if any, account of social and environmental costs of productive processes. As long as these national income indicators, expressed in market values, continue to serve as a basis for the formulation of our goals, we shall continue to misuse our productive capacities and to develop technologies which threaten the quality of life, including the working and living conditions of millions of people and ultimately the process of socio-economic reproduction.

Is there a way out of this threat to human life, human health and human survival? Are there alternative ways of guiding the process of production and, if so, of what nature would the criteria of decision making have to be? An alternative model is at least conceivable, even though its feasibility depends upon far-reaching institutional changes. New criteria and guidelines of economic and technical development, which must be directly related to individual and social needs, seem to be essential. This means that goals, objectives and criteria of performance must be based upon a concept of human needs. The identification of such needs can not be left to arbitrary judgments and decision makers. Their formulation is not possible without a theory of individual and social needs, their dynamic structure, and the consequences of their neglect or nonsatisfaction.

Such a theory is in the process of being developed, and it is possible to identify some general principles: there exist basic individual and social needs which can not be sacrificed with impunity. While these needs can be identified factually,

tested empirically and expressed in terms of social and environmental indicators, such indicators, as their name implies, do no more than indicate a state of affairs. They are not norms of action. However, they can be transformed into social norms with the aid of a fundamental value premise and the demonstration of the inevitable effects of continued neglect of such basic or minimum needs as useful and rewarding work, human health and socio-economic reproduction.

Stated simply, the fundamental value premise is as follows: the value of fundamental minimum requirements of individual and social reproduction must be accepted unless we are prepared to deny the value of our own lives and survival, or that of society. Once this premise is accepted, we are able to establish a link between social and environmental indicators and norms of action. Of course, there may remain a lack of consensus as to priorities, distribution of costs, and the extent to which we maintain and improve minimum requirements for all. But this is a problem of socio-political choice, preference and conflict which can and must find its solution within the framework of representative government, with a maximum of participation of all members of society. By formulating policies of output, technology, location and employment in accordance with individual and social minimum requirements and not in accordance with maximum output regardless of social costs, genuine full employment and the improvement of the quality of life can become a fundamental objective of economic policies. These goals are bound to remain a continuous challenge both for industrialized and underdeveloped countries.