

Commentary.

Applications to Economic Analysis and Population Research

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As an economist, I have found the papers throughout this volume very educational because they have forced me to re-examine familiar terrain from a perspective very different from that commonly used in economic analysis. It has been enlightening.

My specialty is population research. Its practitioners are very adept at developing the “big picture” of society, although our instrumentation tends to be somewhat blunt compared with that used in psychological research. My field is good at assessing bottom line summaries of individual decision making, but we struggle at assessing the behavioral processes antecedent and subsequent to the decision-making process. Population research has progressed to a point at which we must begin investigating the behavioral roots underlying the social phenomenon that we are examining. This is why I have enjoyed my experience with authors who are discussing one of the most important links between the individual and society at large.

Economic Analysis and Behavioral Roots

Stress and Expensive Disease Outcomes

They have forced me to ask why, as a scientist, I would be interested in a construct like stress. One obvious reason is that stress leads, directly and indirectly, to expensive disease outcomes. This is worthy of attention all by itself.

Stress and the Degradation of Human Capital

As I thought about the ideas developed by the authors throughout this volume, I realized that there are other more fundamental aspects of stress that ought to be of interest to an economist. Notably, stress degrades human capital. It degrades its accumulation. It degrades our stock of human capital, and it blocks our ability to use it efficiently. Yet, we are probably at a point in economic history at which human capital is the most important asset in our economy and one of the few important economic parameters that can be efficiently influenced by government intervention. Stress also radiates from adults to children, which greatly affects the human capital accumulation process. If stress is closely connected to human capital, then it is in our national interest to examine its mechanism of action.

Stress and Market Efficiency

Another more subtle economic aspect is that stress is a type of transaction cost that can greatly affect market efficiency. An economist views society as a series of transactions-- individual, institutional, societal, and commercial transactions. All of these transactions are organized by markets or market-like institutions. Protecting and optimizing market operations is one of the most important roles of government. If stress is a transaction cost that detracts from market efficiency, then stress limitation must compel the attention of economists and anyone who would protect the ability of the free-market system to satisfy the competing demands within society.

An Interplay between Social and Behavioral Science

There has been a healthy interplay between social and behavioral science in these papers. Ideas developed in different research traditions have evolved in ways that now need each other to progress further.

Macro- and Micro-Approaches to Behavioral Processes and Life Course Consequences

Many papers have referred to the work of Sara McLanahan and others who have derived their research funding from the National Institute of Child Health and Human Development (NICHD). This work has traced a rough outline of how family structure and changes in family structure can lead to adverse consequences during the life course. The next step is to determine the mechanism of action relating family structure to later life consequences. Economics and population research work from this macro- perspective to discover the micro- mechanisms producing the macro- results. I am intrigued that many of the authors have taken the converse approach by applying a micro- approach to behavioral processes and attempting to relate them to life course consequences.

Income Redistribution Interventions and Life Course Consequences

Another example centers on the effect of income redistribution interventions. My field has noticed that different types of income transfers have different consequences for children. Moreover, these income transfers tend to have different types of effects depending on the age of the child. Many exhibit strong effects early in a child's life, but seem to disappear during the school years only to reappear in adult life. We need the help of behavioral science to explain this result. Another puzzling result is that some types of transfer payments are more powerful in children's lives than others, and all are inferior to transfers made by non-custodial parents. Could this imply that different types of parental behavior are associated with different sources of income? Again there are hints of why this might be so in many of the papers in this collection; my field needs more work in your areas to solve this puzzle.

Trends in Socioeconomic Antecedents of Stress

What are the socioeconomic antecedents of stress? This is a recurrent question in many of the papers. I would like to identify two societal trends that may cause stress and inhibit attempts to ameliorate it.

Disengagement in Intimacy

The first trend is what I call the “red shift” of human relationships. When analysts first examined the data from the first round of the National Survey of Families and Households, which was fielded in 1988–89, they noticed that Americans were disengaging in almost all dimensions of their intimate lives. The rapid rise of cohabitation as a substitute for legally sanctioned statuses is a good example of how family ties are loosening, and preliminary evidence from the five-year follow-up of the NSFH indicates that this trend is accelerating. When people put distance between themselves and others in their intimate relationships, anxiety at the ramifications of disconnectedness emerges as a real consideration and disconnectedness undermines the ability of society to deal with the consequences of the trend.

Emerging Gradient in the Command of Capital

A second trend is an emerging gradient dividing society into those who can command physical or human capital and those who cannot. The world marketplace will reward those who have capital, but those who do not possess much will be left behind. The resulting structural realignment has made the American economy very competitive but anxious and has greatly elevated stress levels for those living in the neighborhood of the emerging gradient. These economic forces are powerful and can easily defeat governmental attempts to reverse them. This trend greatly limits the ability of government at any level to deal with the consequences of the structural redefinition of our society.

Psycho-economic Interventions

Taking all of this into consideration, how do we intervene? An economic approach would be to assist people in the process of physical and human capital accumulation. In the past, we tried to accomplish this through income transfer payments, but these strategies do not seem to create the capital accumulation needed to cope with the emerging world market. Perhaps, behavioral approaches are necessary for successful economic adaptation; they are certainly necessary to avoid the unintended consequences of our traditional approaches, such as intergenerational welfare dependency. Perhaps we need a hybrid approach combining economics and mental health. Are we entering the age of psychological economics?

Asset Trajectories and Poverty Among the Elderly

There are new approaches to policy intervention on the horizon that offer the opportunity for economics and psychology to work together. Jim Smith at the Rand Corporation reports that, if one views the asset position of the elderly, a new view of the gradient growing within our society emerges. There is a stark difference between those with assets and those without. The antecedents of this gradient have much to do with events occurring early in life, notably marriage and divorce. Asset positions seem to offer a new approach by which devastating poverty conditions late in life can be ameliorated.

Household Turbulence in Childhood and Lifetime Trajectories of Well Being

Another idea about poverty and adverse outcomes for children concerns household turbulence. Frequent changes in the adult composition of the household are adversely correlated with child well being. Turbulence may explain most of the adverse consequences later in life that children growing up in deprived conditions will likely experience. Managing household turbulence will likely involve behavioral intervention and may be another tool for social intervention.