

Testimony before the United States House of Representatives  
Committee on Science and Technology  
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Hearing on  
*American Decline or Renewal? Part 2 – The Past and Future of Skilled Work*

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The following testimony was given on Tuesday, June 24, 2008 at the Rayburn House Office Building in Washington, D.C.

My name is John Russo and I am a Professor of Labor Studies at the Warren P. Williamson Jr. College of Business Administration and co-director of the Center for Working-Class Studies at Youngstown State University. I am also the co-author with Sherry Linkon of the book, *Steeltown USA: Work and Memory in Youngstown*. I want to thank the House Committee on Science and Technology for giving me this opportunity to discuss my research on deindustrialization and its impact on local communities such as Youngstown, Ohio.

This spring I was interviewed by more than 20 journalists from around the world on working-class voting patterns and on local and state economic issues. This attention was not new. Every four years, reporters and candidates return to Youngstown to test conventional wisdom about economic renewal and political responses in the face of deindustrialization. Since the 1980s, Youngstown has been the poster child for deindustrialization, losing 50,000 jobs in steel and steel-related industries. This decade the Youngstown area has continued to hemorrhage jobs, most recently through the downsizing of Delphi Automotive and GM (Lordstown). Since 2000, the State of Ohio has experienced the worst job losses, reduced standards of living, and social disruptions associated with unemployment since the Great Depression.<sup>1</sup> But what seems different this time is that reporters understand what Sherry Linkon and I wrote in *Steeltown USA*: Youngstown's story has become both Ohio's and America's story today.<sup>2</sup>

Deindustrialization undermines the social fabric of communities and nation-states. The social costs of deindustrialization include the loss of jobs, homes, and health care; reductions in tax base, which in turn lead to reductions in necessary public services like

police and fire protection; declines in non-profits and cultural resources; decaying local landscapes; increases in crime both, immediately and long-term;<sup>3</sup> increases in suicide, drug and alcohol abuse, family violence, and depression; and loss of faith in institutions such as government, business, unions, churches, and traditional political organizations.

So job loss does not affect individuals only, although it touches many who, having dedicated their lives and sometimes their health to employers, now feel betrayed and economically expendable. As one steelworker suggested to me, "We are too old to work and too young to die."

Rather, it is a systemic problem that affects the identity of whole families, their communities, and the nation. Deindustrialization brings with it a great deal of cynicism and an underlying discontent that may not be apparent to outsiders. Economic cheerleading or "bootstrap journalism" that labels large-scale job loss as "creative destruction" just reinforces the community's identity loss: When you lose your identity, other people define who you are, and you get blamed for your own situation.

Nor can simple governmental interventions ameliorate the dramatic social costs of offshoring and deindustrialization. Attempts to revitalize our area have largely failed: many represent what we might call the economics of desperation. Many displaced steelworkers in Youngstown got trained in refrigeration, but there were no jobs in refrigeration. Between 1992 and 2000, about nine percent of the economic growth in the area was a result of building prisons.

Youngstowners have begun to understand that the current economic thinking and political decision-making have often exacerbated the problem. For example, technologies developed with public research dollars are being used to offshore jobs. Tax incentives to

multinationals are being used to export jobs. In both cases, public policy is contributing to putting hard-working Americans out of work.

When challenged, many politicians and corporate leaders tender platitudes about long-range economic adjustments and suggest that displaced workers train for jobs that either don't exist or that will be moved offshore in the next wave of economic change.<sup>4</sup> Increasingly, Americans understand they are being sacrificed at the altar of traditional economic theory. They reject the argument that deindustrialization and offshoring are part of the "natural economic order" and that job losses and declining wages are an inevitable part of globalization. Instead, they see themselves as victims of conscious decisions by corporate leaders and government officials, and they are resentful. No longer will they accept short-term solutions or amelioration efforts. While important, such approaches are ultimately ineffectual. Americans recognize that we are in a new period of global capitalism and that the resulting problems and issues are systemic and will require systemic solutions.

If we are to reach solutions, we must raise the following questions: What is the purpose of the corporation? What is the relationship between markets, corporations, and nation-states? How is international trade structured? How can trade and tax policies better reflect changes in the global economy? Anything less than serious answers to these difficult questions will be window dressing. Without serious answers, cities like Youngstown will continue to lose faith in the American Dream.

Let's just take the first few questions. What is the purpose of the corporation? Is it merely a legal entity whose purpose is to maximize profits for shareholders by moving inputs and assets around like pieces on a chess board? Or do corporations have reciprocal

responsibilities with shareholders, managers, employees, and nation-states in the creation of value? As earlier speakers before this Committee have suggested, current practice appears to be in line with the former.

How we answer the first question informs how we approach our second question, on the relationship between corporations, nation-states, and markets. If we believe that corporations have little social responsibility other than creating wealth, then government should support free markets globally and pay scant attention to forms of government or working conditions in and between countries. In such a world, corporations can become as powerful as nation-states and override democratic values. If, however, we believe that government needs to balance reciprocal relationships and provide a social safety net for capitalism, then economic and trade policies must be systemic and proactive.

Governments should make decisions that benefit all citizens and hold corporations accountable to all stakeholders, not just a few. For example, government leaders need to take seriously labor, environmental, and political conditions in all countries that can lead to unfair trade.

In summary, while we need programs that more widely share the benefits and the risks arising from globalization and offshoring, I would argue that the global economy demands new forms of corporate and international regulation that will prevent some nation-states and corporations from engaging in economic blackmail by playing one country or one workforce against another. We can no longer afford to tinker with economic and trade policy or enact reforms that are simply window dressing. Without systemic reform, the growing discontent and incipient rebellion in American politics over

globalization and deindustrialization will only grow and breed a new politics of resentment.

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<sup>1</sup> Charles W. McMillion, "Ohio's Job Losses: 2000-2007 Worst since the Great Depression," MBG Information Services, Washington, D.C., February 2008.

<sup>2</sup> Forester Research, a consulting firm, estimates that 3.4 million white-collar jobs will be sent offshore between 2003 and 2015. The estimate of the exodus includes 542,000 computer jobs, 259,000 management jobs, 191,000 architectural jobs, 79,000 legal jobs, and 1.6 million back-office jobs. Outsourcing can also have a negative effect on the workers who remain in the U.S. A study by three Harvard economists estimates that for every one percent that employment falls in a manufacturing industry because of moving overseas, wages fall by five-tenths of one percent for workers who remain. As the recent, concessionary bargaining at American Axle, suggests those numbers may be an underestimate.

<sup>3</sup> In the early 1990s, the per capita murder rate in Youngstown was among the highest in the nation. Interestingly, criminal justice experts determined that the murders were being committed by young adults that were born between 1977 and 1984, the most intense period of the deindustrialization. But for the mill closings, Youngstowners of this age might have found well-paying work in the steel industry.

<sup>4</sup> Training and education have been the hope for many. But I in good faith cannot tell my students that just because they get a BA or an MBA now, or a degree in engineering, they are going to do better than their parents. A sense prevails that there is a decline in America, and that only by accepting a lowered standard of living will we be able to compete.

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John Russo is the Coordinator of the Labor Studies Program in the Williamson College of Business Administration at Youngstown State University. He received his doctorate from University of Massachusetts, Amherst, where he also served as a postdoctoral research fellow at the Labor Relations and Research Center. Dr. Russo has written widely of labor and social issues and is recognized as a national expert on labor unions and working-class issues. His current research interests involve two book length projects, *Who Will Protect Worker Rights?: Unions and the Use of Codes/CSR, Capital Strategies, Framework Agreements and Strategic Campaigns* and an historical study of the famous GM (Lordstown) Assembly plant. His most recent publications are a book co-authored with Sherry Linkon, *Steeltown, USA: Work and Memory in Youngstown* (2002). Also with Sherry Linkon, an edited book entitled *New Working-Class Studies* was published in 2005 by Cornell University Press. For his many activities, Dr. Russo is one of the few professors at YSU to have ever received Distinguished Professorship Awards in each of three areas: research and scholarship, teaching and public service.

Dr. Russo is also a founder and the co-director of the Center for Working-Class Studies at Youngstown State University. The Center is an interdisciplinary center for research, teaching, and community activity on working-class life, work, culture, and thought. Since its inception, the CWCS has provided a regional and national forum for scholarly activities; supported YSU faculty research; fostered collaborations within the academic institution and between the university and community; developed an annual lecture series; and become a national and international clearinghouse for information on working-class culture and pedagogy. For its work, the Center has been the recent recipient of two major Ford Foundation grants.