

## ***5. The Social Costs Of Deindustrialization***

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During the 2008 presidential primary election season, political candidates and journalists from around the world visited Youngstown, Ohio. For the politicians, Youngstown provided dramatic visual backdrops of boarded-up businesses and decaying factories for speeches on economic development and the importance of blue collar workers and jobs. For journalists, Youngstown area residents gave faces and voices to stories about economic struggle and questions about how the working class votes.<sup>1</sup> 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, when it lost 50,000 jobs in steel and steel-related industries, Youngstown has been the poster child for deindustrialization.

Over the next three decades, Youngstown and the surrounding Mahoning Valley have faced a long-term economic struggle, seen declines in population and tax base, and battled persistently-high crime rates, urban decay and questions about whether there just wasn't something wrong with the community. Local leaders have used tax abatements to entice new employers to the area, including prisons, warehouses and most recently computer software companies, all in the desperate hope of digging out of 30 years of economic hardship. While new urban planning and state funding for the development of high-tech industries help, the area has continued to hemorrhage jobs, most recently because of the downsizing of the automotive sector, such as at Delphi Automotive.

Yet Youngstown is not alone in this story. Since 2000, the state of Ohio has experienced the worst job losses since the Great Depression, and factories around the country continue to close and downsize.<sup>2</sup>

The changes wrought by deindustrialization do not affect only places like Youngstown, Ohio, or Gary, Ind., or only industries like steel and automaking. Today, communities with strong high-tech industries,

like San Jose, Seattle, Austin and Cambridge, are experiencing significant job losses due to offshoring as globalization makes it easier for companies to hire well-trained but less expensive workers somewhere else.<sup>3</sup> Most American workers and their communities are vulnerable to dislocation, even when their work and economies have nothing to do with manufacturing. As the U.S. economy struggles in 2009, we see the whole country experiencing the kinds of struggles that places like Youngstown and its sister cities around the nation know all too well. Thousands of American communities are facing economic hardships that could last a generation or more.

When deindustrialization was seen as a matter of losing jobs in “dinosaur” industries, few leaders seemed to care. But as the middle class and “knowledge workers” face the economic and social struggles of major job loss, policymakers and corporate leaders began to take note. Even former treasury secretary and current chairman of President Obama’s White House National Economic Council, Lawrence Summers, now acknowledges the “growing disillusionment” among Americans and the growing “anxiety about the market system that is unmatched since the fall of the Berlin Wall and probably well before.”<sup>4</sup>

White collar and professional jobs are now being lost. Forrester Research, a consulting firm, estimates that 3.4 million white collar jobs will be sent offshore between 2003 and 2015. It is a harbinger of a new round of deindustrialization in other economic sectors. Forrester estimates that the exodus will include 542,000 computer jobs, 259,000 management jobs, 191,000 architectural jobs, 79,000 legal jobs and 1.6 million back-office jobs.<sup>5</sup> Alan Blinder, former vice chairman of the Board of Governors of the Federal Reserve and a member of Bill Clinton’s original Council of Economic Advisors, estimated that between 30 million and 40 million high-end U.S. service sector jobs could be outsourced. “Shipping electrons is a lot easier and cheaper than shipping physical goods,” said Blinder, a professor of economics at Princeton University and director of the university’s Center for Economic Policy Studies. While still in its infancy, “electronic offshoring has already begun to move well beyond traditional low-end jobs such as call center operators to highly skilled jobs such as computer programmers, scientists and engineers, accountants, security analysts and some aspects of legal work — to name just a few.”

Communities around the country are learning that unemployment brings reduced standards of living and a variety of social disruptions not only for displaced workers and their families but also their

communities and states. Youngstown's story in the 1980s is America's story today.

In the introduction to their edited collection, *Beyond the Ruins: The Meanings of Deindustrialization*, Joseph Heathcott and Jefferson Cowie point out that, "Deindustrialization is not a story of a single emblematic place, such as Flint or Youngstown, or a specific time period, such as the 1980s; it was a much broader, more fundamental, historical transformation. What was labeled deindustrialization in the intense political heat of the late 1970s and early 1980s turned out to be a more socially complicated, historically deep, geographically diverse and politically perplexing phenomenon than previously thought."<sup>6</sup>

Indeed, while deindustrialization is often thought of as a trend of the 1970s and 80s and its history dates back to the early 20th century, it is not merely history. On the one hand, the social costs of deindustrialization persist over decades and generations. Jobs lost in the late 1970s continue to affect communities and individuals today. On the other hand, factories are still closing and industries are still downsizing, so deindustrialization continues to affect American workers and their communities. As scholars such as Cowie, Tami Friedman and others have noted, beginning as early as the 1910s and continuing through the 1980s, one community's plant closing often meant new jobs for another community in another region.<sup>7</sup> According to economist Barry Bluestone, the 1980s saw some growth in manufacturing of new products like instruments, paper products and electronic equipment. But today, even plants that opened a few decades ago are closing, and when factories remain open, new technology and increased wage competition due to globalization allow companies to downsize, displacing thousands of workers. As Bluestone suggests, "technologically driven productivity is a double-edged sword. While manufacturing is holding its own, manufacturing employment continues to shrink."<sup>8</sup> Between January 2000 and April 2009, manufacturing employment dropped by 5 million jobs.<sup>9</sup>

Conservative commentators and economists have long claimed that deindustrialization is merely a "natural" shift from a manufacturing to a service economy. Using Joseph Schumpeter's concept of "creative destruction," they argue that deindustrialization and disinvestment allow for the mutation of assets and individuals from older industries to more productive and efficient uses.<sup>10</sup> Seen in a national context, this concept suggests that deindustrialization frees capital for more efficient use in new industries and ultimately creates new jobs for displaced workers. But deindustrialization is not necessarily

natural or creative, nor does it reliably generate good jobs to replace those that are lost. Rather, it is the result of a complicated set of factors including globalization, offshoring, deregulation, downsizing and technological change that are inherently interconnected. For example, technological change not only allows for more efficient production but also makes the movement of money and material goods, communications and management easier across great distances. Consequently, reinvestment is not confined to any particular country and so may not generate an economic or industrial transition for the nation or displaced workers. In addition, deindustrialization is largely controlled by corporations to enhance stockholder value. Put differently, the economic shifts of the past 35 years are the direct result of decisions made by corporate and government leaders to pursue economic profit rather than the good of either communities or the environment.

Yet America still makes things. While much of today's economy could be described as either a service economy or, to use a buzz phrase, a "knowledge economy," manufacturing continues to play a key role, employing 9 percent of all U.S. workers (12.3 million) and 9 percent of all scientists and engineers. Manufacturing produces 12 percent of the total gross domestic product and is responsible for 60 percent of the nation's research and development.<sup>11</sup> Stephen Cohen and John Zysman argue that "we are experiencing a transition not from an industrial economy to a service economy, but from one kind of industrial economy to another."<sup>12</sup> In other words, while manufacturing continues to be a major part of the U.S. economy, the quality of industrial jobs has changed in significant ways, and this combines with ongoing major job losses in the manufacturing sector to create a real crisis not only in the economy but in the quality of American community life.

This is not just an American phenomenon. Across the developed world and increasingly in developing countries, social, political, technological and economic changes have enhanced the ability of companies to move work to wherever labor is cheapest. So even in China, which is widely seen as the winner in the global battle for industrial jobs, workers have been displaced, first by privatization and more recently by companies moving factories to Indonesia and other countries where they can pay even less and face fewer environmental regulations. While our focus is on the American situation, we must keep in mind that deindustrialization reflects changes in the global economy.

The social costs of deindustrialization are significant, long-lasting and wide-ranging, if for no other reason than sheer numbers. The

deindustrialization of the 1970s and 80s was “cataclysmic”; more than 32 million jobs were lost, according to Bluestone.<sup>13</sup> More recently, Howard Rosen has found that between 1995 and 2004, almost 700,000 firms closed each year, affecting 6.1 million workers, and an additional 1.7 million firms contracted annually, affecting another 11.8 million workers.<sup>14</sup> But 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 a laid-off Johnson Controls worker in Louisville, Ky., explained, “I’ve always been a hard worker....You go in there and give a guy a day’s work for a day’s pay.” But, he lamented, the company didn’t see it that way: “I gave them 110 percent. They paid me for 110 percent but they did everybody out there wrong.”<sup>15</sup> Another laid-off worker suggested that U.S. companies were “letting the people of America down,” and this would “eventually come back to them.”<sup>16</sup>

Deindustrialization undermines the social fabric of communities, states and the nation. The social costs of deindustrialization include the loss of jobs, homes and health care; reductions in the tax base, which in turn lead to cuts in necessary public services like police and fire protection; increases in crime both immediately and long-term; decaying local landscapes; increases in suicide, drug and alcohol abuse, family violence and depression; declines in nonprofits and cultural resources; and loss of faith in institutions such as government, business, unions, churches and traditional political organizations.

Even when workers find new jobs or when communities succeed in bringing in new employers, these new jobs often pay less, offer fewer benefits, are less likely to provide union protections and, in many cases, are temporary, contingent or part-time. Finally, widespread job loss, especially in communities that rely on just one or two industries, undermines the community’s identity and sense of competence. Deindustrialized communities too often become sites of persistent struggle, creating a cycle of failure from which it is difficult to escape.

## **Economic Struggle as a Social Cost**

Whether caused by offshoring, outsourcing, new production methods, technological change or privatization, and regardless of industrial sector, deindustrialization creates economic struggles that affect both individuals and their communities.<sup>17</sup> While most measures of deindustrialization emphasize how many workers have lost jobs, the

real figures both of people affected and economic costs are much larger. Many of them cannot be measured. Individual workers and their families face several specific economic challenges because of unemployment — challenges that are exacerbated when unemployment is concentrated by large-scale plant closings or industry cutbacks. But these individual struggles are just part of a large, complex economic web that shares the social costs of economic struggle with whole communities. Further, because communities in economic distress often turn to state and federal governments for assistance, the social costs of deindustrialization affect every citizen in the nation.

Job loss creates economic crises for workers and their families as they lose wages and often benefits — losses that can create long-term financial difficulties. This is especially true when unemployment lasts more than six months. Over the past three decades, as American industries have declined, long-term unemployment has become a larger portion of overall unemployment. In 1979, 8.6 percent of the unemployed had been out of work for more than six months; in 2005, 19.6 percent experienced long-term unemployment. Since 2001, this has become particularly significant as a result of “jobless recoveries” that varied from historical, cyclical patterns of unemployment. After six months, many individuals have exhausted government assistance and largely depleted their savings. Many resort to increased personal and credit card debt, reducing retirement savings, and, if necessary, incurring relocation expenses.<sup>18</sup>

Long-term unemployment occurs most often in communities where many people have lost jobs due to plant closings. Local economies simply cannot absorb so many displaced workers, and widespread unemployment persists, often for years. In Flint, after several years of cutbacks at GM and the closing of its Buick plant, unemployment in 1980 was over 25 percent.<sup>19</sup> In 1982, after a series of staffing decreases and closings at several companies in Newberry County, S.C., unemployment tripled in the course of a year to 16 percent, four times higher than normal.<sup>20</sup> In Gary, a few years after a major downsizing in the steel industry, one-fifth of local households lived below the poverty line.<sup>21</sup>

Similar patterns occurred in other Rust Belt cities like Detroit, Cleveland, St. Louis and Milwaukee. More recently, consistent unemployment associated with deindustrialization stretches from Baltimore and Philadelphia to Oakland, Fresno and Sacramento.<sup>22</sup> The highest unemployment rates in the nation are mostly in the Far West. Among the 14 American cities with the highest unemployment rates in the na-

tion, 10 were in California. El Centro, Calif., had the highest unemployment rate in the nation, topping out at 24.5 percent in February 2009, followed by Merced, Calif. (19.9 percent), Yuba City, Calif. (18.9 percent), Elkhart, Ind. (18 percent), Visalia, Calif. (17 percent), Modesto, Calif. (16.9 percent), Salinas, Calif. (16.2 percent) and Stockton, Calif. (15.8 percent).

While the economic crisis associated with job loss may not hit immediately, before long even workers who were earning good hourly wages (and who therefore may have some accumulated savings) encounter difficulty securing basic needs like food, clothing, utilities and transportation. Many working-class families regularly live paycheck-to-paycheck, and the loss of a job can throw them quickly into poverty. In Flint, the local United Way reported a 25 percent increase in calls for assistance during the months after GM closed its plant there.<sup>23</sup>

Unable to keep up with mortgage payments, or forced to move in search of work, some families lose their homes. While this can occur with any type of unemployment when major local employers shut down, local housing markets can become glutted, making it as hard to sell a house as it is to find a new job, and for the same reasons. In Rock Island, Ill., after International Harvester, John Deere and Caterpillar all closed plants or reduced their workforces, the unemployment rate was more than 10 percent, a number of houses had been abandoned and home prices fell by about 20 percent.<sup>24</sup> For many working-class households, the home represents the family's largest and in some cases its only investment. Losing that home due to foreclosure or losing money on the sale of that home represents a significant reduction in the family's worth.

Of course, jobs provide more than just wages to families. Despite COBRA programs, many displaced workers and their families lose access to health care. A recent report by the Urban Institute predicts that each time the unemployment rate rises by one percentage point, another 1.1 million people become uninsured.<sup>25</sup> While some workers retain some form of health insurance when they are laid off, they may nonetheless find themselves unable to afford co-pays and deductibles and so avoid seeking treatment. For others, the loss of the job means losing both insurance and the ability to pay out-of-pocket health care costs. Along with exacerbating health problems, lack of access to health care creates an additional source of stress. As a laid-off worker from the KEMET factory in Shelby, N.C., explained in 1999, "We're up a creek [if] anybody gets sick or dies. There's just that little feeling in the pit of your stomach like please don't let disaster come."<sup>26</sup>

Industrial jobs also brought the promise of good pension programs. When factories close, the best scenario for displaced workers is that they would stop accruing pension funds and have to work for more years in another job. In their study of workers laid off from two plants near Louisville, Ky., Joy Hart and Tracey K'Meyer explain that "the reward for hard work in brutal conditions was not just high wages, which people felt they deserved, but the promise of a comfortable and early retirement. These workers felt robbed of the latter, coloring the lessons they would take from the whole experience."<sup>27</sup>

Bitterness and a longer worklife are only part of the problem. For many workers, companies ultimately defaulted on pension programs altogether. In some cases, pension programs have been underfunded, and some companies have used bankruptcy to escape their pension obligations. When this occurs, the Pension Benefit Guarantee Corporation (PBGC) steps in to provide payments. While workers affected by such moves may still receive pension payments, the value of those payments can decline precipitously.

For example, a typical steelworker with 30 years of service in the 1980s might receive about \$1,800 a month, including a \$1,000 pension payment, \$600 for health care and a \$200 shutdown bonus. But by declaring bankruptcy, some steel companies shifted the burden to the PBGC, which guarantees only 80 percent of the pension benefit and provided no other benefits. Thus, the PBGC would pay the same worker just \$800 a month, less than half of what he had been promised. That \$800 would have to cover health care costs as well as any other household expenses.<sup>28</sup> In some cases, displaced workers have been offered early retirement. But as pension programs falter, many older workers must find new jobs, often in the low-wage retail and service sector. This combined with the move to defined contribution pension plans, reduced access to health care and the recent declines in housing and stock values, makes "early retirement" a misnomer. Worse, this pattern not only reduces the standard of living of these workers, it also reduces opportunities for young workers to enter the labor force.<sup>29</sup>

Dramatic hardships for workers and their families filter directly into communities. The sources of economic challenge for cities are a bit different, but as with families, communities lose their source of income: taxes. Cities rely on local sales, property and income taxes to provide various community services. Large-scale plant closings drastically reduce cities' budgets, and this is especially true for smaller cities where a single employer or industry dominates. The closing of a major local employer often creates a ripple effect.

As other local businesses lose customers after a plant closing, they, in turn, lay off workers. In Anaconda, Mont., for example, within two months of the closing of ARCO, other local businesses had laid off about 20 percent of their workers. Over time, many local businesses simply closed.<sup>30</sup> That can create a cycle of fiscal problems for cities, as Camden, N.J., discovered when it began to lose jobs in the 1950s. Federal assistance helped for a while. Then the state stepped in, but ultimately, the city grew increasingly isolated. As Howard Gillette, Jr. writes, "Disinvestment is not a one-time process. It has cumulative effects."<sup>31</sup>

The loss of tax income for cities creates a variety of social problems. Among the most obvious cumulative effects of plant closings are cut-backs in local services. From police and fire protection to maintenance of city parks and streets to garbage collection, cities must cut their costs when they lose a significant portion of the local tax base. Those cuts create further problems. Cuts in police and fire protection make it difficult to respond to the increases in crime or waves of arson that often accompany unemployment and the threat of losing homes. Lack of maintenance or reduced garbage collection makes the local landscape look run-down and unattractive, which in turn makes it difficult to attract new businesses or residents. These changes can bring down property values, which reduce taxes even more. Deindustrialized cities often find themselves trapped, without the funds to improve their circumstances and, as Gillette points out about Camden, N.J., with "few tools available to alleviate its permanent fiscal crisis."<sup>32</sup>

Crime increases in deindustrialized communities for several reasons and over a long period of time. While some crime occurs as laid-off workers run out of money and options, and decreased police presence contributes to the problem, crime is a long-term problem for such communities. Criminologists have found that street crimes increase as unemployment spreads, but after a lag period, more serious criminality can develop.<sup>33</sup>

In the 1990s, a decade or more after Gary and Youngstown were both hit by deindustrialization, the two cities traded back and forth the embarrassment of having the highest per capita murder rates in the United States.<sup>34</sup> During that period, criminal justice experts determined that most of the murders in the Youngstown area were being committed by young adults who were born between 1977 and 1984, the most intense period of the deindustrialization. But for the mill closings, Youngstowners of this age might have been earning a decent living in the steel industry. Having a reputation for crime also creates a tough challenge for local boosters in bringing new jobs to the area.

In order to preserve police and fire protection, many cities cut back on maintenance. As a result, local streets may not be repaired regularly and street lighting may be cut back. Landscaping in pedestrian areas may not be maintained or cleared of trash quite so often. All of this creates a kind of “broken window syndrome” in which decay begets more decay. Such problems are often exacerbated by other economic costs.

When companies abandon factories, they often leave behind significant soil and water pollution. This can create large swaths of unusable or undesirable land. In Youngstown, for example, much of the area where the steel mills once stood remains empty 30 years after the structures were torn down. Although Environmental Protection Agency regulations push companies to clean up these areas, such rules sometimes backfire. When Anaconda, Mont., was named a Superfund site, selling homes and bringing in new industries became even harder, because no one wanted to buy a home or build a business in an area known to be polluted with dangerous toxins. While the community eventually built a golf course on the brownfields near the abandoned mines, the course has specially-trained workers to retrieve golf balls that land in areas where parts of the mine are still exposed, and other rules strive to ensure that golfers don’t contribute to erosion that would release toxic chemicals into local drinking water.<sup>35</sup>

But a site doesn’t need toxic chemicals to scare away visitors or new residents. The downtown areas of many former industrial towns fell into decay and gained a reputation for crime and ugliness when the local economies declined. Bryant Simon describes how this decline occurred in Atlantic City as that city struggled economically in the 1960s:

“With department stores and small shops closing, taking people off the sidewalks, the few middle-class patrons who did come downtown to see a film hustled back to their cars when it was over and raced home....Without customers milling around, storeowners locked up before dark and turned their shops into fortresses. The few window shoppers had to peer through metal gates. German shepherds barked back at them as they glanced at shoes and cabana wear. The dogs and bars replaced the eyes of the street, the free-form dance of people that the influential urbanist Jane Jacobs has argued kept traditional mixed-use urban areas, like Atlantic City’s Main Street, safe and alive.”<sup>36</sup>

Deindustrialized communities across the country have witnessed similar transformations. When small shops close because of lost business, their boarded-up facades create a sense of abandonment, even though neighboring businesses may still be operating. As Simon suggests, this creates a ripple effect. Decades later, cities may still struggle to entice area residents downtown. In Youngstown, for example, neither new businesses and entertainment venues nor a crackdown on street crime has persuaded some residents of nearby suburbs that the city is a safe and attractive place to spend an evening. Yet again, disinvestment becomes cyclical. If people won't patronize downtown businesses, the area will continue to struggle long after real problems may have been solved.

Decay affects residential neighborhoods, as well. When displaced workers cannot keep up with mortgage payments or move away in search of work, their abandoned homes create problems for neighbors and the city. In some cases, drug dealers have taken over abandoned properties. Elsewhere, abandoned homes have been looted and vandalized. Any items worth selling, such as moldings, light fixtures, copper pipes, and old-fashioned door knobs, have been stolen, making the home less attractive to any potential buyer. Eventually, such properties become not only unsightly but also dangerous, and they must be demolished. This cost is often borne by cities, which can ill afford such additional expenses.

In some communities, people have turned to an alternative "solution": arson. As economic distress increases, homeowners who are threatened with foreclosure have a strong economic incentive to engage in arson, because that may be the only way to hold on to some of their investment. Similarly, neighbors in areas where many homes have been abandoned and are falling into disrepair may view arson as a way of protecting their own property values.<sup>37</sup> This is one of the reasons why Detroit became known as the arson capital of the world.

In some cases, the declining tax base of deindustrialization directly undermines a city's ability to redevelop. In Ohio, city governments use property taxes to repay loans for development projects, but this creates a double trap. As property values in deindustrialized areas decline, loans taken out 10 years ago for redevelopment projects are harder to repay today because the city takes in less tax money but owes the same amount. Moreover, state law requires voters to approve property tax hikes to pay those loan costs, and workers who have experienced job loss are not likely to support new taxes. Thus, Ohio cities like Cleveland face an additional challenge in creating economic development.<sup>38</sup>

In most communities, nonprofit organizations help to address the needs of families and neighborhoods that have fallen on hard times. When job loss and the associated problems are widespread, the need is even greater. Unfortunately, the economic woes that face displaced workers also lead to declines in donations to local nonprofits. Similarly, cultural institutions that provide inspiration and enrichment also struggle with funding. Not only do these declines affect local residents directly, they also make the community less attractive to new businesses. Disinvestment creates an almost inescapable cycle.<sup>39</sup>

As Howard Gillette illustrates in his study of Camden, N.J., when cities falter they usually turn to state and federal governments for assistance. Some of this involves direct appeals for aid, but much of it takes the form of increased demand for services. When unemployment increases and wages and hours decline, workers turn to welfare and food stamps. While the demand for public assistance has fluctuated over the years due to changing economic conditions, eligibility rules, enlistment drives and natural disasters, the dramatic increase in recent years is the result of the continued downsizing of America's industries. In 2008, 27 million Americans were receiving food stamps and the average enrollment in the food stamps program surpassed the record set in 1994.<sup>40</sup> This is higher now than during previous recessions and is expected to grow even higher. Not only is this occurring in areas traditionally associated with manufacturing, such as Ohio, Michigan, Illinois and Pennsylvania, but also in Arizona, Florida, Maryland, Nevada, North Dakota and Rhode Island, despite apparent economic growth.<sup>41</sup>

Demand may also increase for higher education, as displaced workers seek training for new jobs, and this means more requests for loans and grants as well as increases in state subsidies and funding for colleges, universities and training programs. Demand may also increase for mental health programs, many of which get at least some of their funding from government sources.

All of these demands make deindustrialization costly not only for local communities but also for states and the federal government.

At the same time, deindustrialized communities are likely to lose political clout. On the one hand, communities lose political power because of population loss, which may lead to consolidation of state and federal legislative districts, declines in local donations to state and national political parties and candidates, and the fact that legislators can no longer claim that their districts represent important industries. On the other hand, as deindustrialized communities demand more sup-

port from state and federal sources, they can come to be seen as problems rather than as assets. Where such regions once contributed significant economic strength to a state or region, they may now be seen as draining public resources. So at a time when a struggling community most needs to enlist support from state and federal governments, it may find itself with the least political influence.

## **Job Loss and Health Problems**

Deindustrialization and job cuts often lead to long periods of unemployment, intermittent employment and increased underemployment, and the effects transcend simply the loss of pay, medical benefits and purchasing power. Financial strain creates stress, depression and family tensions, which can manifest in a variety of ways, from increased use of drugs and alcohol to suicide and domestic violence. At the same time, unemployment correlates with increased physical health problems. Reduced access to health care makes it less likely that displaced workers and their families will receive appropriate care. The mental and physical health costs of deindustrialization do not harm only patients; increased demand for health care combined with decreased economic resources leads to health care workers and systems that are overburdened and ultimately unable to meet the community's needs.

Displaced workers, especially primary breadwinners, are likely to feel significant pressure and anxiety about providing for their families. But job loss causes more than just financial distress; work plays a key role in shaping individual identity and social relations. The loss of work can disrupt an individual's sense of self and his or her value and competence. As Al Gini writes, "To work is *to be* and not to work is *not to be*."<sup>42</sup>

Even when clear external reasons exist for layoffs, individuals may internalize the loss, blaming and doubting themselves. Given that job loss undermines both financial and personal security, it's not surprising that many studies have shown that unemployment correlates with higher levels of anxiety and depression.<sup>43</sup> A 1988 study showed that workers displaced by the closing of an Indiana RCA plant reported significantly higher levels of symptoms of depression. While 5 percent of employed workers indicated on a survey that they "very often" felt "hopeless about the future," 38.2 percent of the displaced workers gave the same response.<sup>44</sup> More than half of physicians surveyed in the south-suburban area of Chicago indicated that they were seeing higher rates of alcoholism after a series of plant closings.<sup>45</sup>

While it might be expected that men struggle more than women with the loss of work — given their traditional role as breadwinners and the image of masculinity associated with some industrial jobs (such as steel making) — studies show that women, especially single mothers, display more symptoms of depression and anxiety after being laid off.<sup>46</sup>

Plant closings limit workers' economic opportunities, and "anxiety, depression, and other forms of anguish may be the normal result of rational calculation of these life chances," according to Hamilton.<sup>47</sup> Finding a new job does not entirely alleviate these fears, because the experience of being laid off can generate persistent fear about losing the next job. The security that workers once felt, especially those who worked for local companies that seemed to be dependable employers, disappears.

These problems are exacerbated by the loss of social networks that come with deindustrialization. Workplaces provide connections for most people that are built on shared experience and daily interaction. Many workers describe their co-workers as being "like family." For many, the workplace becomes a site of their most intimate relationships. When plants close, workers lose this easy day-to-day interaction. Feelings of shame, anger and sadness may make it difficult for co-workers to maintain close ties once their shared work disappears. To lose such networks during a time of personal crisis is doubly hard. Displaced workers without good social support networks show higher rates of both physical and mental illness.<sup>48</sup> For a significant number of individuals in a single community to lose a major support system at one time is devastating.

Job loss also correlates with increases in family violence. Perrucci found that almost one-third of displaced workers (31.7 percent) indicated that the financial strains of unemployment were undermining marital relationships. Job loss also undermines men's feelings of self-sufficiency and disrupts household structures. Such tensions related to gender roles increase the probability of domestic violence.<sup>49</sup> A 2002 study found that the risk of domestic violence increased 30 percent when a man's contributions to household income declined and increased 50 percent for every period of unemployment.<sup>50</sup> This probability is increased even further when economic distress exists throughout a community.<sup>51</sup> Increases in interpersonal violence may not be limited to the family. According to Steve May and Laura Morrison, "observers have begun to note the relationship between deindustrialization and workplace (and domestic) violence, workplace litigation and workplace stress and injury."<sup>52</sup>

Laid-off workers also experience declines in physical health. Studies consistently report that physical health problems, such as headache, high blood pressure, cardiovascular disease and digestive problems, as well as mortality rates, increase when people lose their jobs. Increased death rates result from disease as well as from suicide and accidents.<sup>53</sup>

As M.H. Brenner has shown, in cross-cultural studies conducted over the last 25 years, unemployment contributes to elevated mortality rates.<sup>54</sup> These effects can appear quite quickly: within a year after a major mine closing in Lewis County, Wash., the county public health office reported that it was already seeing increased rates of death due to heart disease as well as an increase in the death rate for people between ages 25 and 44.<sup>55</sup>

When unemployment is combined with other problems associated with economically-struggling communities, such as poor housing, increased levels of drug use and higher crime rates, the result is what the *Executive Intelligence Review* terms “death zones” — areas where the death rate for various age groups exceeds the national average.<sup>56</sup>

Health problems caused by deindustrialization also affect local clinics and hospitals, and this may reduce access to health care for everyone in the community. Public hospitals, which provide care for patients in financial need, including the poor and unemployed, feel the strain when demand from such patients increases. These hospitals already struggle to provide care as they face cuts in Medicare reimbursements and increased demand as the percentage of Americans without health insurance rises. Add increased demand from a significant number of laid-off workers and their families, and they face a serious crisis.

Hospitals have attempted to address the financial strains by cutting services and staffing, including emergency rooms, which further reduces both access and quality of care, but sometimes even these cuts are not enough. A 2005 report shows that public hospitals in cities and the surrounding suburbs, especially lower-income suburbs, are already closing at significant rates.<sup>57</sup> While these closings may not be traced directly to deindustrialization, they illustrate the connection between economics and public health.

A recent report by the Urban Institute suggests that the problem will only worsen, as rising unemployment could add hundreds of thousands of children and adults to state and federal health programs, requiring an increase of \$3.4 billion for Medicaid and the State Children’s Health Insurance Program. Of the additional money needed, \$1.4 billion would come from the states.<sup>58</sup>

## Deindustrialization Undermines the Quality Of Jobs for Everyone

Although unemployment in deindustrialized areas often remains high for a number of years after major plant closings, many workers do find new jobs. What is too often left out of this discussion is any consideration of how old and new jobs compare or how declines in large-scale manufacturing and industrial unions have affected the quality of jobs in other sectors.

When so many steelworkers in Youngstown lost their jobs in the 1980s, anyone with a pickup truck and toolbox could move into construction. The flooding of the labor market with displaced steelworkers reduced employment opportunity and wages for union contractors and their employees. Called “independent contractors,” the displaced steelworkers became part of an underground economy that evaded government regulation, especially in relation to occupational safety and health and workers’ compensation.<sup>59</sup>

Deindustrialization harms workers and communities not only by eliminating existing jobs but also by undermining the quality of the jobs that remain, and when families and communities rely on lower-quality jobs, there are social as well as economic costs.

Conservative commentators and traditional economists often argue that the job losses associated with plant closings and widespread declines within specific industries reflect larger trends that are part of a “natural” economic change. Among the most common variation of this argument has been the claim that the manufacturing economy is giving way to a service economy. But this shift has contributed to the nation’s growing inequality. Between 1979 and 2005, the employment share of goods-producing industries dropped by over 11 percent while the service sector grew by almost the same amount. Many of the job losses were in high-paying sectors, including manufacturing, that have been affected by deindustrialization.<sup>60</sup> Employment gains were made in the low-wage and benefit service sector. This may explain why *New York Times* business writer Louis Uchitelle found that even when displaced workers find new jobs, within two years of being laid off they still earn only about 40 percent of their previous income.<sup>61</sup>

If service-sector wages and benefits in the United States were more closely aligned with those in manufacturing, as they are in European countries, deindustrialization wouldn’t reduce household income as much, and income inequality would not continue growing so quickly.<sup>62</sup>

The idea that deindustrialization is part of a “natural” economic

shift reinforces the argument that the solution to job loss is retraining. The assumption is that plenty of good jobs are available, but that workers are not appropriately prepared for them. This belief in the power of education runs deep in American culture, in part because it fits well with the “pull yourself up by your bootstraps” view of the American Dream. A belief in education also reflects a modernist, progressive view of history that assumes that something new and better is always coming.

In recent years there has been much talk about the growing “knowledge economy,” and displaced workers are increasingly encouraged to seek training in high-tech areas. This encouragement has been widely supported by state and federal aid to both individuals and educational institutions.<sup>63</sup> To be effective, however, training programs must be geared to emerging labor needs in the local area. Otherwise, the implicit promises of education prove empty.

In the Youngstown area in the years after the steel mills closed, hundreds of local workers enrolled in training programs in refrigeration or computer repair. Yet there were almost no jobs in refrigeration, and computer repair jobs disappeared as simple modular replacement, which required little or no special training, became the industry standard. The training proved largely useless.

More recently, after a major textile plant closing in Kannapolis, N.C., the local community college was not given permission to develop training programs for small business skills, even though the local area needed more people with these skills to work in small businesses like real estate and cosmetology.<sup>64</sup>

Ironically, both cases reflect a conflict between training needs and government programs that were intended to help displaced workers. When education programs provide irrelevant training, workers’ frustration increases. Some will internalize the experience, blaming themselves for failing, while others will feel more resentful and angry toward local institutions and government regulations. The result is the growing politics of resentment and the loss of faith in basic institutions and the American Dream.<sup>65</sup>

Even when retraining programs work, new jobs are often not as good as the jobs from which workers were displaced. In manufacturing, especially, while the work was sometimes dangerous, physically difficult and tedious, unionization ensured good wages and benefits. Working in a major local industry or for the largest local employer offered a sense of belonging as well as security. Despite irregular work

patterns due to slowdowns, workers in the steel and auto industries had job security and seniority that balanced occasional economic strain with long-term certainty, until plants closed permanently. In many cases, new jobs offer less of everything, from wages to security.

In many communities, tourism and entertainment have been touted to revitalize deindustrialized communities. While bringing in visitors' dollars does help the local economy as a whole, for displaced workers, the jobs associated with the entertainment industry represent a sharp and dramatic decline. When a new Wendy's fast food store opened in downtown Gary in 1985, local officials saw it as a sign of economic growth, but S. Paul O'Hara points out that "several of the new employees of the restaurant were former steelworkers who had traded their mill wages for \$3.35 an hour." As one local worker explained, they had little choice: "'Sure we would rather have the \$15-to-\$20-an-hour jobs that the steel mills used to provide, but that is not reality.'"<sup>66</sup>

At the same time, the shift from industrial to retail and service jobs may hit workers of color especially hard. As Robert O. Self argues in writing about deindustrialization in Oakland, "The service sector was extraordinarily slow in absorbing African-American and Latino workers, except in low-paying 'back of the house' occupations."<sup>67</sup>

The shift to lower wages, fewer benefits and less unionization has occurred not only in the service sector but also in manufacturing, where restructuring, technology, and specialization have created a niche for smaller companies. Even within unionized industries such as the auto industry, restructuring has created lower-wage tiers for many workers, especially newer employees. Some might argue that lower wages simply reflect a correction of the "inflated" wages and benefits unionized workers once earned in the steel and auto industries — labor costs that some claim were the cause of America's industrial decline.

Starting in the 1950s, American industrial workers began to earn high enough wages to gain middle-class lifestyles, and they bargained for benefit packages that included good health insurance and pensions. The pay and benefits negotiated by unions rippled through the national economy, raising the standard of living for all workers in what economists call wage pull. But deindustrialization and associated deunionization have had the reverse effect. As unionized industries close, wages and benefits have fallen across the board, for all workers. At the same time, benefits are declining, as workers are being asked to pay for all or part of their health insurance. To put this differently, one of the social costs of deindustrialization is the declining economic security

of the entire American middle and working class. Even workers who were never displaced by plant closings or industry declines have been affected.

Job security has also declined, again not only for the individual workers displaced by deindustrialization but across the board. Especially in the service sector, jobs are more likely to be temporary, part-time and contingent. Workers without unions have little or no protection against lay-offs.

For companies, these policies reflect a move toward greater flexibility, even as they allow employers to offer lower wages and fewer benefits to more workers. Those who work less than 40 hours per week and those who remain on a specific job for less than six months can more easily be denied raises and benefits.

The lack of job security no doubt helps the corporate bottom line, but for workers — and perhaps especially for workers who once enjoyed the benefits and protections of unionized jobs — the financial insecurity of the new employment patterns can be devastating. For many, replacing a single good industrial job requires working two or three service industry jobs, adding to household stress and increasing vulnerability to sickness and injury.

These patterns can be traced not only to changes in business management practices but also to the overall decline in unionization. While government and business policy play an important role in this trend, workers' own experiences of deindustrialization also play a part.

Displaced workers often lose faith in institutions of all kinds, including unions. If the union couldn't protect them from losing a factory job, how could it provide protection in a different industry? At the same time, workers have been encouraged to fear that unionization activism will drive employers away.

Tami Friedman notes that this pattern appeared in Yonkers, N.Y., as early as the 1950s. After local companies began to downsize, the local newspaper "warned unionists to consider the enormous need for caution against upsetting our bread-winning applecart." When one company sought wage concessions, even during a period of record sales and profits, "frightened union members quickly accepted the firm's proposals by a nearly three-to-one margin."<sup>68</sup>

More recently, a PBS *Nightly Business Report* story during the 1998 General Motors strike in Flint, Mich., used images of abandoned buildings and steel mills in Youngstown to illustrate a warning that the demands of workers could drive the company to move jobs to Mexico, something that had already happened in the Youngstown area. The

story closed with reporter Stephen Aug's comment that autoworkers "may have jobs now, but what about next year, and the year after?"<sup>69</sup>

In an environment where workers are afraid of losing jobs — and in communities that have experienced wide-scale job loss such fears are endemic. Warnings like these are likely to be taken to heart. The problem is that without unionization, workers earn less, receive fewer benefits, endure poorer working conditions and have less job security.<sup>70</sup>

Deindustrialization and deunionization have additional effects. When displaced workers in Youngstown entered the construction industry in 1980s and 1990s, employment opportunities in construction became more episodic. This led many younger workers to reject the idea of entering apprenticeship programs in the building trades. Employers began to worry about the "graying" of the workforce.

In other industries, lower wages and benefits have led to higher turnover rates, which means that companies have fewer skilled employees. The "churning" of the workforce may undermine the quality of American manufacturing. In 2008, Ohio Policy Matters researchers found that despite the weak labor market in Ohio, employers were having difficulty hiring skilled workers. The report cites evidence of declines in apprenticeship programs and occupational shortages in both manufacturing and health care. They argued that recent employer concerns about occupational shortages and skill deficits should be taken seriously. Furthermore, government and business leaders must work together and engage in a "comprehensive long-term human resource strategies that provide meaningful career opportunities for workers."<sup>71</sup>

While deindustrialization may not be caused by a "natural" economic shift, it has clearly contributed to wide-ranging changes in the nature of work in America. Those changes are making economic stability and upward mobility increasingly elusive for many workers.

New employment patterns developed in what some call the "post-industrial era" are affecting workers in many industries, from manufacturing to health care, education to the media, finance to government. Job security, good benefits and long-term relationships between employers and workers are becoming relics of a fading past. The result is economic vulnerability, constant change and uncertainty that are reshaping the experience of work as well as the management of companies.

While current management theory extols the virtues of flexibility, in the long run it remains to be seen whether this shift will contribute to or continue to undermine the American economy.

## **Deindustrialized Communities Face Long-Term Economic and Social Challenges**

Any community in which a significant portion of the population loses good jobs at the same time will face a crisis. For communities that have relied primarily on one or two key industries, the social costs of deindustrialization can be especially damaging. In both structural and social ways, communities lose the essential resources that allow them to function well. As Robert Bellah argued in his 1985 study of American community life, *Habits of the Heart*, communities thrive when they have a shared sense of history and identity, a “community of memory” that facilitates common visions of the community’s strengths and weaknesses and collective faith in the community’s ability to take effective action on its own behalf.<sup>72</sup>

A “community of memory” is not idealized or nostalgic; rather, it embraces the triumphs and difficulties of a community’s past, identifying in a shared story of “who we are” the basis for moving ahead. Industrialization provided many cities with clear identities, tying Pittsburgh to steelmaking, Detroit to automaking, Lowell to textiles and so on. When this shared identity is lost, communities struggle. The loss of population, decline of the local landscape, loss of faith in both the community and its institutions, and internalization of an image of the community as a site of failure undermine the social resources that might otherwise allow communities to recover and redefine themselves. When this happens, communities can become desperate, and the economics of desperation can further undermine a city’s well-being.

Deindustrialization often leads to population declines, both immediately after major job losses and in subsequent years, as some displaced workers move in search of work. While such moves may or may not provide workers and their families with more secure futures, their departures undermine the effectiveness of the communities they leave behind. As Robert Putnam and Lewis Feldstein have argued, social capital is an important resource for responding to community challenges, and social capital is created through human networks. By working together, playing in softball or bowling leagues and serving on church or neighborhood committees, people who live near each other create community. They come to know each other, build trust and develop a sense of investment in the place where they live, its culture and its people.<sup>73</sup> Especially in cities where many people work for the same company or industry, shared work contributes to this sense of belonging, so social networks in places like Youngstown, Flint, the Silicon Valley,

or various mining towns become especially strong. When people leave these areas, the loss involves more than simply numbers.

Social capital involves not only people's relationships with each other but also their relationships with place. Lost jobs in a major industry ripple through the community, affecting other businesses, leading to home foreclosures and increases in crime and reducing the tax base that allows cities to respond to problems like abandoned houses and rising crime rates. As a result, an almost iconic marker of deindustrialization is urban decay: boarded-up businesses, abandoned buildings, once-vibrant neighborhoods that become eerily quiet and seemingly dangerous. At the same time, when industries shut down, they often leave physical markers on the landscape — crumbling factory buildings or brownfields where factories once stood. This landscape of loss also undermines social capital, in two ways.

First, as Dolores Hayden has argued, landscape is an important “storehouse” for memory, providing visual cues that represent major events and aspects of individual and community life.<sup>74</sup> When buildings are torn down or allowed to decay, communities lose a resource for the shared memory that is the basis for effective action. At the same time, the altered landscape creates a new sense of place. To put it simply, living in a deteriorating environment reinforces feelings of hopelessness that often accompany job loss. Further, this response affects not only displaced workers but the community as a whole. Anyone who visited the downtown area of a place like East St. Louis, Braddock, Penn., or Compton, Calif., during the years after their local industries shut down, understands this effect.

Over time, a struggling community may become divided, as those who promote a new vision of the city blame displaced workers for the area's problems. For example, civic leaders and developers in Anaconda, Mont., blamed former smelter workers for having the “wrong mentality.” As one planner explained, the community's main problems were “not the economic loss or ecological impact that had torn the social fiber of the city, but a particular mentality embraced by the community.”<sup>75</sup> Another stated that she hoped the redevelopment would, “‘inject’ the community with new kinds of residents,” an attitude that, as Kent Curtis suggests, reflects the “marginalization of members of the traditional working-class community, who, like the ruins of the hillside, were mere props to be trotted out when circumstances seemed to demand, but who were otherwise useless to the future of the town.”<sup>76</sup>

The division between workers and developers in Anaconda shows that even when communities begin to revitalize, economic growth can

happen at the expense of local cohesion and community memory. As Curtis explains, displaced workers saw the development of a new golf course “as only the latest stage in a long process of change that has been alienating them from their place in the community since the early 1970s.”<sup>77</sup>

Dissolving social networks and decaying landscapes work together with unemployment and declining local tax bases to undermine deindustrialized communities’ confidence. While those who study deindustrialization understand that corporations shut down plants for a variety of reasons that usually have little to do with local culture, affected communities often move from initial anger at the departing company to self-doubt. Some area residents, and too often local leaders, begin to wonder whether a plant closing could be attributed to some quality of the community and its people, and this can in turn persuade area residents that the city’s failure to bounce back is its own fault. In some cases, this attitude is couched in specific terms.

In Yonkers, N.Y., for example, Friedman reports that local leaders began to worry about the city having a “bad labor name” as early as 1954. They suggested that the area couldn’t attract new business due to its reputation for a strong local labor movement.<sup>78</sup>

In Youngstown, some local residents have come to assume that their community is almost naturally incompetent. When the public address system at Youngstown State University’s football stadium ran into problems during a game a few years ago, one exasperated fan was heard to comment, “Well, what do you expect? This is Youngstown.” Such attitudes both reflect and contribute to the community’s loss of confidence in its ability to take effective action.

For many residents of such communities, loss of confidence in the community is part of a larger pattern of lost confidence in institutions. Area workers paid their taxes, tithed at church, devoted their work lives and sometimes their health to corporations, maintained union memberships and faithfully voted for whatever political party dominated in the local area for years, expecting that they could count on these institutions to reward their loyalty and to have the power to protect them from serious problems. For many, these institutions represented reciprocal and core community relationships.

In exchange for workers’ support, cities were supposed to maintain streets, churches would provide spiritual comfort, employers would provide and unions would protect jobs, and politicians would protect the community, and all failed. When the organizations that people count on all prove unable to bring back old industries or attract

new jobs, people become skeptical and resentful. In some cases, people become insular and wary of outsiders, trusting only their closest social networks. If people come to see institutions as inherently ineffective, they may view most efforts at development or addressing crime and urban decay as doomed from the outset. Lacking strong leadership or faith in the effectiveness of local institutions, some communities have become paralyzed and unable to launch effective responses to deindustrialization.<sup>79</sup>

Deindustrialized and economically struggling communities risk losing control of their identities as citizens lose faith in the community. Outsiders, especially the media, are left to define the area's story. Too often, deindustrialized communities are assigned negative images as places of failure and loss. Places like Gary and Youngstown know this difficulty all too well. O'Hara suggests that loss of its former identity made Gary vulnerable to being defined in entirely negative terms:

“Without the sense of itself as a producing steel town, Gary lost the ability not only to create or control its own urban image but also to defend itself against its harshest critics. Instead, Gary became a national example of deindustrialized rustbelt decay. This dramatic change in the composition and viability of local image is one of the strongest and longest-lasting effects of deindustrialization.”<sup>80</sup>

During the two decades after the mills closed, Youngstown was defined first as a site of struggle. Immediately after the shutdowns, local religious and labor leaders organized an effort to buy and operate the mills locally. As the city fell into decay and lost more jobs, Youngstown became one of several places (together with Gary and Flint) that took on iconic status as “symbol[s] of the failure of American industry.”<sup>81</sup>

When the city did not recover within a decade, as the crime rate rose in the early 1990s and when a series of incidents made local patterns of political corruption visible nationally, Youngstown became known for corruption. During the same period, as the city grabbed at every possible opportunity for economic development — often coming up empty handed — the area gained a reputation for desperation. These versions of Youngstown's story told by the national media resonated in the community because local residents were themselves frustrated about the continuing problems.

When deindustrialized communities are defined in persistently

negative ways, that image becomes an additional barrier to recovery. The city must fight even harder to attract new businesses, engage community members in development efforts and promote their cause in the public arena.

Combine this image problem with the competition for jobs, and we see former industrial areas going to great lengths — and often undermining their own stability — in order to attract new economic opportunities. In some cases, deindustrialized cities have pinned their hopes on tourism, hoping to attract visitors and their dollars through convention centers (Youngstown's Chevrolet Center), amusement parks (Flint's Auto World), casinos (Gary, Ind.), golf courses (Anaconda, Mont.), shopping malls (Homestead, Penn.), or historic sites built around and sometimes literally on abandoned industrial sites (Bethlehem, Penn.). Such efforts provide construction jobs initially, and the more successful efforts bring in new tax dollars, but they rarely bring high-quality jobs. City tax coffers may gain, but area workers continue to struggle.

Elsewhere, deindustrialized communities have welcomed public and private prisons. Northumberland County, Penn., a former mining community, built two prisons in the 1990s, creating jobs for about 550 people, and in 2001 they considered building another. As the chairman of the County's Board of Commissioners explained, "Anything that can bring recession-proof jobs, we want it here."<sup>82</sup>

Similarly, Youngstown saw prisons as a growth industry in the 1990s, supporting the development of four new prisons within a five-year period, including a state super max facility and a private prison operated by the Corrections Corporation of America (CCA). While some area workers found jobs building these facilities and later as guards, neither the pay nor the working conditions made them high-quality jobs.

When six prisoners escaped from the CCA prison, investigations suggested that they were assisted by guards whose low pay had made them susceptible to bribes. Worse, the city's reputation for crime and economic desperation was exacerbated when it became known as a prison economy, which made it more difficult for the area to attract other kinds of businesses.<sup>83</sup>

Among the tools that struggling communities use to attract new businesses are tax abatements. By deferring or waiving taxes, cities lower the cost of establishing a company in the hope of attracting new jobs. But the idea that such deals generate new jobs is often simply a myth.

Greg LeRoy has found that companies often take advantage of deindustrialized communities, rely on taxpayers' confusion about the relationship between subsidies and job creation, and are rarely held accountable for the promised investments and jobs.<sup>84</sup>

Even when tax abatement succeeds in attracting new employers, it may also bring its own problems. First, because new industrial sites often require less extensive or complex physical structures, companies easily leave communities behind once the tax abatements end. This process is facilitated by the ongoing competition among communities for jobs. As Robert Self argues, "...the frantic competition for private capital investment" creates a "savage rivalry" among cities as they fight to attract jobs and investors.<sup>85</sup>

This benefits the corporations but puts cities at risk as they gamble on whether the businesses they attract by waiving taxes will stay long enough to make a real contribution to the local economy. When these opportunities fail to transform the local economy, people's expectations of failure are further reinforced.

In the long term, communities face significant challenges in redefining their identities and rebuilding their economies. In a 2007 report, MIT researchers identified some 150 cities, mostly in Northeastern, mid-Atlantic and Midwestern states, that continue to struggle long after major plant closings. Three chronic problems affect communities like Camden, Allentown and Hartford, according to the report: "a lack of civic engagement and institutions, inadequate governing capacity and a chronically negative collective mindset." They have "been left behind by the global economy, the media, major foundations and policy trends." These "forgotten cities," as MIT calls them, have difficulty creating effective coalitions and revitalization schemes.<sup>86</sup>

Yet while these cities may have been forgotten by some, they still matter to the people who live there. Some can't leave and others choose to stay and continue to struggle economically. Some of these "forgotten" areas are experiencing a boomerang effect, as a combination of loyalty to place, family ties and affordable housing lure former residents back home. Urban development specialist Hunter Morrison notes that such communities often have a "loyal diaspora" for whom their home towns, regardless of economic struggles, remain at the core of their individual identities. That loyalty, authenticity and a sense of a real place may serve as countervailing resources to help deindustrialized communities recover, even after long periods of economic difficulty.<sup>87</sup>

At the same time, deindustrialized communities continue to wrestle with some core structural problems, especially declining populations, economic development, crime and poverty. Some have come to accept economic decline and the hollowing out of neighborhoods and are trying to redefine themselves as smaller cities. As part of a planning process begun in the early 2000s, Youngstown decided that the only way to move forward was by embracing a new identity as a shrinking city. A community planning effort, forcefully directed by a local city planning agency, created the “2010 plan” for rezoning some areas for light industry, turning some largely abandoned residential areas into green spaces, and discontinuing city services in some neighborhoods.<sup>88</sup> In its annual “ideas” issue in 2006, the *New York Times Magazine* named Youngstown’s “Creative Shrinkage” plan one of the nation’s best ideas.<sup>89</sup>

On the one hand, the 2010 plan acknowledges and attempts to deal proactively with one of the most immutable realities of deindustrialization: declining population. On the other hand, it’s unclear whether shrinking the city will in fact contribute to economic development. Turning decaying neighborhoods into green space may prove to be just another phase of the “undevelopment” story, or worse, another injury to an already wounded community.

While MIT’s “Forgotten Cities” report highlights communities that continue to struggle, other areas have been held up as shining examples of recovery, including places like Cleveland, Providence and Pittsburgh. In these and other former industrial towns, one can see new office buildings, riverfront parks, gentrified neighborhoods and increased pedestrian traffic downtown. No doubt, such cities should be applauded for reinvigorating their urban cores.

Yet localized development, such as downtown projects, can provide the appearance of recovery while masking deeper continuing problems. Despite new areas of development, unemployment, crime and poverty rates remain high long after plant closings occur. In the past decade, Cleveland has revitalized its lakefront area with new museums, attracted visitors downtown with an annual film festival and revitalized old working-class neighborhoods with ethnic restaurants and loft housing, but it still has among the highest poverty and crime rates of any city its size in the United States.<sup>90</sup> Similar stories could be told about other supposedly recovered cities, because the wounds of large-scale job loss and major economic shifts simply do not heal quickly.

Nor is the poverty caused by deindustrialization confined to urban

areas. Suburbs are also suffering. While the suburban areas around Cleveland, Cincinnati, and Columbus, Ohio, do not look like deindustrialized cities, they are among the 16 U.S. metropolitan areas with the highest poverty rates in 2008.<sup>91</sup>

The development we see today in Cleveland may well be the first signs of a more widespread recovery that will eventually reduce the area's poverty rates and in turn lower crime. But such a recovery cannot be built on tourism and entertainment alone. Cities and regions that have been devastated by the major economic shifts of the past three decades need secure, high-paying jobs that are not in constant danger of disappearing.

## Conclusion

Hundreds of cities in America now know what Youngstown learned in the 1980s. Youngstown learned about the social costs of deindustrialization, but the community also, sadly, came to understand just how difficult it is to recover from the loss of major industry and the injuries done to thousands of workers, their families and the community itself.

Deindustrialization is not a new story. Nor does it, as some have suggested, follow the traditional historical narratives about natural economic evolution. Those who have lived in deindustrialized communities have long argued that the social costs and significance of deindustrialization are larger and more lasting than the dominant economic discourse about "creative destruction" and the fading of the old industrial economy. Deindustrialization is the direct result of corporate and governmental decisions that have not only displaced millions of American workers, but also done major harm to American communities. These injuries to our cities create social and economic costs that everyone pays.<sup>92</sup>

Unfortunately, many economists still don't get it. In *Outsourcing America: The True Cost of Shipping Jobs Overseas and What Can be Done About It*, Ron and Anil Hira have described the current public debate over the outsourcing component of deindustrialization as "misleading." In fact, they have been "amazed at the lengths they [proponents of outsourcing] are willing to go to throw away any semblance of objectivity in their analysis."<sup>93</sup>

Unfortunately, public policy toward globalization, outsourcing, technological change and unemployment has largely remained wed-

ded to increasingly discredited neo-liberal economic concepts. The result is what *New York Times* reporter Steve Greenhouse describes as a "...glaring disconnect between the way government and business leaders talk about globalization and the way average Americans view it."<sup>94</sup>

The point here is not to say "we told you so." It is, rather, to suggest two things. First, because the social costs of deindustrialization affect every American, policymakers should take more seriously the long-term and widespread consequences of major industrial declines, regardless of industry. Second, addressing the social costs of deindustrialization and preventing further industrial losses in the U.S. will require a dramatic rethinking of the nature of the economy and the corporation as well as the role of government in creating a business environment that promotes investment and generates good jobs.

As William Galston argues in *The American Prospect*, "we should use public policy to spread the gains of economic growth, create equal opportunity for all and insure workers against wage and income losses against which they cannot protect themselves."<sup>95</sup>

We should advocate a new vision of capitalism that takes social and human capital every bit as seriously as it does materials and money. And we should advocate policies that encourage forms of economic development that build strong communities as well as strong companies.

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