

DR. LEANA: Well, I'll see if I can do that as well. Thank you for the opportunity to address the Commission at this very important field hearing in Pittsburgh. This panel was to address the issue of trade's impact on the economy, and we've had several economists here on the panel who have made remarks on issues like macrotrends in trade and employment levels, wages, et cetera.

My own area of expertise is a little different in that I've spent a good part of the past 12 years studying the effects of plant closings and job loss on the people, the communities and the organizations that directly experience these circumstances.

In our own region here, much of that job loss was attributable to foreign competition in our traditional manufacturing industries. I've published many scholarly articles on the topic, and a book and several popular press articles. I've provided the Committee with a sample of this work and a listing of some of those articles at the end of my written remarks.

The general conclusion of this work, not surprisingly, is that when we have policies made at the national level that result in plant closings and job loss, there are considerable costs that are incurred. Moreover, these costs are disproportionately born at

the local level by the individuals who lose their jobs and by the communities in which those people live.

I think one of the big questions, really, for this Committee is how to manage those costs. There may indeed be benefits from trade, and I'm sure the Committee has heard from others on those benefits, but the management of those costs is, I think, really one of the big tasks before us.

I'd like to talk about some of those costs in my time today, and I'd also like to talk about some of the hidden costs to businesses of job loss and downsizing. And those hidden costs really take the form of depletions in social capital, which I'll also discuss.

First, the cost of job loss on individuals and their families. There has been a lot written on this. I think we know an awful lot about what happens to people when they lose their jobs. There are a lot of adverse psychological, physiological, emotional and stress-related effects. Losing your job is generally not a good thing. It's a bad experience for nearly all people that go through it.

We also have a good deal of research on the long-term consequences of job loss, everything from financial hardships to the effects on families and social relations, et cetera. Someone this morning

mentioned reemployment, and underemployment and the loss of wages when people find new jobs, the so-called success stories after, say, a plant closing, and that those people usually go to work at substantially lower wages. We certainly found that in our studies here in Pittsburgh with steel workers.

More recently, we've been doing a lot of national studies on downsized executives, people who lost their jobs in the 1990's over the past couple of years, and, again, we find the same pattern. There are a couple of winners, but most people end up with jobs that I think on most dimensions would be described as worse.

Another issue that I just want to raise is what I call this free agent career orientation that I think we're fostering in our volatile economy today. Now, you can think of this free agent career orientation as really this sort of "me first" attitude toward work. I do a lot of executive training, and one of the things that you see more and more demand for in companies is how to train employees so that they manage their own careers, and they think of themselves rather than us having to think for them.

Now, there are some obvious advantages to that, but, again, there are also costs, and I think what makes sense in the short-term often doesn't in the

long-term, either for individuals or for the organizations where they work. We're teaching employees to always have their resumes out. Again, some of that is a good functional reaction to the changes in the economy, but there are also certainly costs attached to that as well.

One set of costs that we see are costs to local communities. Some of the other panelists have talked about the economic changes in our community as a result of plant closing, but I think it's also important to think about the social costs in communities. There's a concept known as social capital. Most of you are familiar, particularly if you're economists, with ideas of human capital. We all know about financial capital; there's also a concept called social capital that really resides in the relationships among people, and it exists in how much cooperation, how much trust and how much cohesiveness there is in a community. When you have a community such as Pittsburgh that has undergone the massive economic changes and transitions that we have, you're going to also have a corresponding loss in social capital.

Now, social capital is valuable for a lot of reasons. It's one of the things that make our communities good places to live. It also enhances

citizenship behavior; it enhances people's sense of self, so that they're not always talking about "me" but also talk about "we," something that psychologists and sociologists, would all agree is positive. Social capital also facilitates human capital development.

I think we see the same sort of losses in social capital occurring in some firms as a result of these job losses. My recent research is concentrated on a phenomenon that my colleagues and I have labeled "relational wealth." We define that as the resources that are created in the firm because of the relations among employees, and between employees and employers.

Relational wealth creates value for a firm.

It creates value for an individual for a whole host of reasons, but it creates value for a firm because it's unique -- that in order to compete over the long term, our corporations have to have some competitive advantage that's not easily duplicated elsewhere. I think that we certainly can't do it by being the lowest cost producers in areas like steel. I think it's harder to do it on technology, because technology is much more easily duplicated now than perhaps in the past, and capital markets are much more democratized than they have been in the past.

Many firms are trying to create a competitive advantage that can't be easily imitated,

through their workforce. Now, you do that through the skills of your workforce but also through the ways in which your workforce works together as a team. What kind of process is developed to foster efficiency? To foster creativity? To foster intellectual capital at work?

I'd like to close with a reminder: I think it's worthwhile for us to consider some of our past economic transitions when we think about how we want to manage this one. The movement from an agricultural society to an industrial one in the United States earlier in this century was one that I think most of us would look back on and, on balance, say it was a good thing, that this was positive for society. But that doesn't mean it was positive for every member of society, and that doesn't mean we managed it as well as we could have. We saw laws banning child labor being passed, environmental protection laws being passed, et cetera, really to make up for the excesses that we saw during that period. I think over the past several decades, we have had an economic transition that is at least as great as that one, and again, the question before is how we as a society want to manage that?

One thing to keep in mind, I think, is that individuals in their communities assume a lot more risk than do companies and investors. Companies, investors,

and the economists among us all know about portfolio theory, that you spread your risk around by investing a little bit here and a little bit there so you don't get caught up in sudden changes in a particular industry or in a particular market.

Individuals don't have that luxury; an engineer in New Jersey can't trade a 15 percent share of himself for an architect in Los Angeles to spread his risk around. So, I think we have to be particularly careful, again, about these higher risks that individuals and communities assume.

Thank you for the time today.