Job cuts mount as global recession takes hold

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Share markets in the US and internationally fell sharply again yesterday. The renewed round of sell-offs was a reaction to growing signs that a severe recession is taking hold in the United States and engulfing Europe, Asia and the rest of the world.

Despite massive injections of government funds into the banking systems of the US and other major industrialized countries, the economic crisis is spreading rapidly from the financial sector to the broader economy and affecting basic production.

The Dow Jones Industrial Average fell 514 points, or 5.7 percent, on Wednesday, largely in response to weak earnings reports from Boeing, AT&T, Merck, Wachovia Bank and other companies. Britain's FTSE 100 declined 4.5 percent, France's CAC-40 fell 5.1 percent and the German DAX dropped 4.5 percent.

In Asia, Hong Kong's Hang Seng closed more than 5 percent down and Japan's Nikkei 225 index fell by 6.8 percent, in part due to mounting evidence that critical export markets in the US and Europe are contracting.

Commodity prices continue to fall sharply, reflecting slowing global economic activity. The Reuters/Jefferies CRB Index of 19 raw materials declined by a further 3 percent yesterday to its lowest level in four years.

Oil fell below $70 a barrel, declining more than 50 percent since its peak in July. Copper plummeted to its lowest price since 2005 and is now 50 percent below its record high set in July. Nickel is down 80 percent from its peak in May 2007. Agricultural commodities were also down, with wheat declining to a 16-month low.

"Frankly, the notion that there is going to be a short and shallow recession, six to eight months, is out of the window," New York University economist Nouriel Roubini told CNBC. "I believe we're going to have two years of negative economic growth. The last two recessions lasted only eight months each ... This time around this is going to be three times as long, three times as deep. This is going to be the worst recession the US has experienced since the 1980s."

In the US, some 60,000 jobs have been cut since the beginning of October, and mass layoffs are being announced on a daily basis. Pharmaceuticals giant Merck said yesterday it would cut 7,200 jobs, more than 10 percent of its workforce. Yahoo is slashing its global workforce of 15,000 by at least 10 percent. National City Bank this week announced 4,000 jobs cuts, 14 percent of its workforce and PepsiCo announced 3,300 layoffs earlier this month.

According to the *Wall Street Journal*, electronics retailer Circuit City is considering a plan to close at least 150 stores and cut thousands of jobs as an alternative to filing for bankruptcy. Merrill Lynch announced this week that it expects thousands more job cuts after it is taken over by Bank of America.

The outlook for manufacturing jobs is especially bleak, particularly in the auto industry. All of the Big Three US auto makers are flirting with bankruptcy, the private equity firm Cerberus, which owns Chrysler, is actively looking to sell the auto company, and a possible merger between Chrysler and General Motors will cost at least 40,000 jobs.

But workers in every sector are under threat. A survey conducted by the National Association of Colleges and Employers found that businesses expect to hire just 1.3 percent more college graduates in 2009. This is down from a projected 6.1 percent increase as of only two months ago.

The Bureau of Labor Statistics released data yesterday showing that businesses initiated 2,269 "mass layoff actions" in September, each affecting at least 50 workers from a single employer. The number of workers involved totaled 235,681 on a seasonally adjusted basis. These figures are the highest recorded since September 2001, when the terrorist attacks in New York and Washington DC triggered an economic slowdown. The official unemployment rate now stands at 6.1 percent, up from 4.7 percent a year earlier.

During the recession of the early 1980s, the official unemployment rate rose above 10 percent. If a similar figure is reached in the next period, as appears increasingly likely, the social consequences will be even more severe than they were two decades ago. In the last 25 years, the limited social safety net has been largely destroyed by successive Republican and Democratic administrations. A series of punitive restrictions on unemployment benefits have been enacted, aimed at preventing people from claiming their entitlements. According to the Center on Budget and Policy Priorities, in 2007 just over one-third of all unemployed workers received benefits.

A protracted recession will see the re-emergence of explosive class tensions which have been building up beneath the surface over the last period.

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While the Bush administration, with the full support of the Democratic Party, has committed up to $2.5 trillion in public money to bail out the banks and insulate the financial elite from the effects of a crisis of its own making, there is no emergency package for the millions of working class Americans faced with the loss of their home, job or retirement savings.

In Europe as well, no plans have been proposed to provide relief for working class families that are hit by the economic crisis. The unfolding social catastrophe is of a global character, with recessionary indicators now evident in virtually every major economy.

Hopes that the European and Asian economies had somehow "decoupled" from the US market have been dashed. *Financial Times* commentator Martin Wolf published a column entitled "The World Wakes From the Wish-Dream of Decoupling" on Tuesday.

"The US retains the capacity to disrupt the world economy which it has possessed since at least the 1920s," he stated. "Even though decisive action has saved the financial system from its recent heart attack, the patient remains enfeebled ..."

In Britain, the official quarterly unemployment rate has increased from 5.2 to 5.7 percent, the biggest rise in 17 years. The number of unemployed stands at 1.79 million. According to the BBC, most economists expect this to rise to two million by the end of the year, and at least one forecaster, Capital Economics, expects the figure to reach three million by 2010.

Manufacturing is especially affected. On Tuesday, the Confederation of British Industry (CBI) announced that it had recorded the sharpest single quarter fall in manufacturing confidence for 28 years. The CBI expected 65,000 jobs to be lost in the five months from August this year to January 2009.

In a speech on Tuesday, Bank of England Governor Mervyn King admitted for the first time that the British economy was entering a recession, and concluded that it will be a "long, slow haul" before economic growth rates return to previous levels. On the financial crisis, he declared: "It is difficult to exaggerate the severity and importance of those events. Not since the beginning of the First World War has our banking system been so close to collapse."

These extraordinary remarks saw the pound sterling fall 2.5 percent against the dollar to its lowest value in five years. The euro has also weakened dramatically against the dollar, reflecting the anticipation of interest rate cuts aimed at countering the slowdown in the Eurozone.

Workers across Europe are faced with an intensifying assault on their jobs and conditions. In Germany, the official unemployment figure at the end of September was 3.08 million, or 7.4 percent. According to a recent *Der Spiegel* analysis, another 350,000 jobs will be lost next year.

Mass layoffs have already been announced in several industries. In the IT sector, Hewlett Packard (HP) has announced it will cut 24,600 jobs worldwide and 1,400 in Germany. In the auto industry, Opel (General Motors) has stopped work at its Bochum plant for two weeks for the second time. It has also stopped production for two weeks in Eisenach (Germany), Antwerp (Belgium) and Ellesmere Port (Britain).

GM also plans production stops in Luton (Britain), Gliwice (Poland), Trollhättan (Sweden) and Saragossa (Spain). Daimler has also experienced dropping sales figures and said it might reduce its workforce. Ford is reducing engine production in Cologne because of shrinking orders from the US.

The ruling elites in the US, Europe and other regions are incapable of mounting a coordinated effort to avert a global recession. The historically unprecedented global integration of economic life that has been reflected in the rapid spread of the crisis from the US to the rest of the world cannot overcome the irrational system of separate and competing currencies, financial regulations, tariffs, trade policies, etc. On the contrary, capitalism remains rooted in the nation state system, and the crisis can only intensify the tensions between rival nationally-based capitalist elites.

While the bankers and corporate chiefs of each country try to offload the brunt of the crisis onto their counterparts in other countries, within each country the ruling class uses its ownership and control of finance and industry to impose the full burden of the crisis on the working class.

Workers in every country face mass unemployment and impoverishment. They confront the same attacks at the hands of the capitalist class and the governments which serve as the political instruments of that class. It is imperative that the working class develop its own international strategy to unify its struggles in defense of jobs and living standards.

Such a strategy must proceed from the need to establish workers' power, replace private ownership of finance and industry with social ownership under the democratic control of the working population, and build a world socialist society whose driving principle is not private profit and exploitation, but genuine equality and the common good.

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