# Plant closures, layoffs mount in US and Europe

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Industrial and manufacturing firms in the US and Europe are sharply curtailing production and laying off workers as world economic growth stalls. Layoffs and plant closings, combined with a series of economic reports released in recent days, indicate that the US and European economies are in a significantly worse state than economists had previously believed.

US car makers, teetering on the edge of bankruptcy, are stepping up their attacks on auto workers' jobs. General Motors announced Thursday that it would lay off 1,600 workers at three plants, one in Delaware and two in Michigan (Pontiac and Detroit). GM also announced this week it was bringing forward previously planned plant closures in Janesville, Wisconsin, Grand Rapids, Michigan and Moraine, Ohio.

The former industrial giant has slashed its US workforce by nearly half since 2000, with the company's unionized workers down from 133,000 to just 72,000. More layoffs within the next few months are expected to be announced.

Chrysler and GM have held a series of merger discussions in a desperate attempt to find a way out of their financial crises. Chrysler is also considering other merger or partnership options with Renault-Nissan. Cerebus Capital Management, Chrysler's owner, has already eliminated 22,000 jobs since the beginning of 2007 and plans to cut at least 4,000 more next year, leaving the auto company with just over 60,000 workers.

Any merger involving Chrysler or GM would inevitably mean the elimination of tens of thousands more jobs. Gerald Myers, a former auto company chief executive and now management professor at the University of Michigan, spoke to the *Washington Post* about a potential Chrysler-GM merger. "It would be a bloodbath," he declared. "Chrysler would be cut up into small pieces. GM would spit out the things it doesn't want and hang onto the things it does want."

A Federal Reserve report released Thursday showed US industrial production down 2.8 percent in September, the biggest decline since December 1974 and substantially higher than the 0.8 percent decline expected by economists. For the third quarter as whole, industrial production was down 6 percent on an annualized basis.

A separate report issued by the Philadelphia Federal Reserve showed a record decline in manufacturing activity in the Philadelphia region. The report followed the release earlier this week of similar data for New York State.

A survey released yesterday by the University of Michigan showed that US consumer spending has fallen more sharply this month than in any other month since records were first maintained in 1978.

The housing market, another key indicator, continues to decline. The Commerce Department released data yesterday showing that the construction of new homes fell by 6.3 percent last month, far higher than the anticipated 1.6 percent decrease. Home construction is now at its slowest pace since January 1991.

The contraction is not confined to the US. In Germany, Europe's largest economy, the government this week revised its anticipated 2009 gross domestic product (GDP) growth figures from 1.2 percent to 0.2 percent. On Wednesday, the day before the official estimates were released, a report jointly issued by four leading German economic institutes also predicted a 0.2 growth rate, but warned that in a "worst-case scenario" the economy could shrink by 0.8 percent. The survey warned that up to 400,000 German jobs could go in 2009.

A report issued this week by the European Automobile Association found registration for new passenger vehicles in Europe down 8.2 percent last month compared to last year. Two large auto parts makers in Germany this week announced "significant" layoffs of temporary workers, and the German auto giant Daimler said it would close its Sterling Trucks division, shuttering plants in Ontario, Canada and Oregon.

Other European countries have also reassessed their expected growth rates. Reuters reported Thursday: "Italy has cut its 2009 growth forecast to 0.5 percent from 0.9 percent previously and French Prime Minister Francois Fillon said earlier this week that his country could undershoot an official projection for growth of 1.0 percent next year."

The International Monetary Fund expects the Spanish economy to experience a severe recession next year, with minus 2 percent GDP growth. A Reuters quarterly poll of 24 economists released this week found that 23 believed Britain was already in a recession; the median GDP growth forecast for 2009 was just 0.2 percent.

Nissan announced this week it was cutting 1,680 jobs at its plant in Barcelona, Spain. The *Guardian* reported that Volkswagen-owned Spanish car manufacturer Seat is planning to temporarily lay off 4,700 workers at one of its plants in Barcelona. This follows the company's earlier announcement that it was reducing annual production by 5 percent and laying off at least 750 workers. Also in Spain, tire manufacturer Bridgestone is reportedly planning to cut 2,800 jobs out of a total of 3,300 in two plants.

Paul Betts, commentator with the *Financial Times*, noted on Thursday: "Not a single day has gone by this week without some large European company announcing a significant scaling down of earlier investment plans, the shelving of an important acquisition or all sorts of other cost-cutting and restructuring measures."

The price of oil dropped below $70 a barrel this week for this first time in more than a year, reflecting slowing rates of world production and consumption.

The extreme volatility, mostly downward, on global stock markets, despite the series of bank bailouts announced in the US and Europe, reflects a growing awareness that the financial crisis is merely an expression of deeper contradictions wracking the world economy.

"Investors are recognizing that the financial crisis is not the fundamental problem," an article in Thursday's *New York Times* noted. "It has merely amplified economic ailments that are now intensifying: vanishing paychecks, falling home prices and diminished spending. And there is no relief in sight."

It is now widely acknowledged that none of the financial bailout measures will prevent the spread of recession. The trillions of dollars in public money being funneled into the world's banking and financial institutions are aimed at insulating the financial elite from the consequences of the crisis for which they themselves are responsible.

No government has proposed an emergency rescue package aimed at the social catastrophe engulfing the working class. There will be no bailout for the millions of ordinary people threatened with the loss of their jobs, savings or homes.

As the US presidential campaign enters its final two weeks amid the intensifying economic crisis, the gulf between the two major parties and the interests of the vast majority of the population has become ever starker.

Republican candidate John McCain has attempted to simultaneously engage in demagogic denunciations of the "greed and excess on Wall Street" while promising further corporate deregulation and a 10 percent cut in the corporate tax rate. He has pledged to balance the federal budget in five years, but has not explained how this is to be done given that the Bush administration's $2.25 trillion bailout package is now anticipated to raise the budget deficit as high as $2 trillion. McCain has, however, said he would impose a one-year freeze on all non-military spending and "reform" Social Security, Medicare, and Medicaid.

Democratic candidate Barack Obama's economic agenda likewise calls for cuts in various business taxes. His main concession to popular discontent is a promise to discontinue the Bush administration's tax cuts for people who earn more than $250,000 a year. At the same time he pledges to "scour the federal budget line-by-line" to eliminate social programs and reduce spending on other programs.

Congressional Democratic leaders are proposing a new $150 billion economic stimulus package, a mere drop in the bucket in relation to the social needs arising from the gathering slump. They have enthusiastically backed the allocation of 15 times this sum to bail out Wall Street.

Neither the politicians nor the media offer a serious explanation of the roots of the economic crisis. They cannot, because the crisis is an expression of the failure of the capitalist system which they defend.

Successive Democratic and Republican administrations over the last three decades have presided over the systematic dismantling of key sections of basic industry. At the same time, financial speculation flourished as the key mechanism through which a narrow elite generated profits that were divorced from the productive process and the creation of real value. The growth of financial parasitism, which took on an increasingly criminal character, saw enormous wealth transferred from the working class to the top 1 percent of the population. An unprecedented degree of social inequality developed as the "real economy" was hollowed out.

No "stimulus package" or other palliative is capable of resolving this crisis.

The only answer is to be found in a socialist program. The major banks and financial firms-together with the leading manufacturing, hi-tech, communications, transportation and health and pharmaceutical corporations-must be nationalized and converted into publicly-owned enterprises, with full compensation for small shareholders, and placed under the democratic control of the working class.

The fortunes accumulated by CEOs and financial speculators responsible for the crisis must be confiscated and placed in a public fund to compensate victims of predatory lending practices and home foreclosures. A $3 trillion public works program must be launched to rebuild the country's crumbling infrastructure, provide decent housing and schools, and provide well-paid, full-time jobs for the growing number of unemployed.

Such a program should be paid for through a progressive taxation system which shifts the burden from the working class to the ultra-wealthy, and through the dismantling of the US war machine.

This perspective can be realized only through the independent political mobilization of the American working class, in joint struggle with working people throughout the world, aimed at the establishment of a society based on social need, not profit and private wealth accumulation. In the US, the first step is for the working class to make a conscious break with the Democratic Party and establish its own party to fight for a workers' government.

This is the program advanced by the Socialist Equality Party. We encourage all workers and youth to support the campaign of the SEP's presidential and vice presidential candidates, Jerry White and Bill Van Auken, study our program and history, and make the decision to join the SEP and help build it as the new mass party of the working class.

*Contact the SEP* here *to join, or visit the party's web site at* www.socialequality.com *for more information.*