

Financial giant Citigroup cuts 53,000 jobs

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The world's largest financial conglomerate Citigroup announced plans on Monday to slash 53,000 banking jobs over the next several months. The job cuts are in addition to the 22,000 positions the company eliminated last year.

After four consecutive quarterly losses—including a \$2.8 billion decline in the third quarter—company executives more than doubled the head count reductions they announced just last month. By early next year, the company is expected to reduce its worldwide workforce to 300,000, down 20 percent from a high of 375,000 workers in 2007.

About 21,500 people will be directly laid off according to the *Wall Street Journal*, with the remaining positions axed through the selling of various business units. The bulk of the job cuts are expected at the bank's main operations centers in New York City and London, but the impact will be felt worldwide.

Some 12,500 jobs will be lost through the pending sale of Citi Global Services Ltd., an Indian business unit that handles processing and other “back-office” operations. Another 5,600 positions will be eliminated through the sale of the firm's retail banking operations in Germany.

Citigroup is one of the most powerful and politically-connected financial institutions in the world. Its director is Robert Rubin, the former Treasury Secretary under the Clinton administration who played a critical role in the deregulation of the banking industry during the 1990s.

And just last year, the banking giant was forced to write off \$11 billion in toxic mortgage-backed assets. It then became one of the first nine banks chosen by Treasury Secretary Henry Paulson for a cash injection from the \$700 billion Wall Street bailout, receiving \$25 billion in taxpayer funds.

Monies received from the bailout, including that received by Citigroup, have chiefly been used to buy up

smaller institutions and consolidate power in the hands of four mega-banks—JPMorgan Chase, Bank of America, Wells Fargo, and Citigroup itself. This is resulting in a rationalization of the industry and the destruction of tens of thousands of banking jobs.

Banks and other financial institutions have already wiped out more than 166,000 jobs worldwide since the collapse of the credit markets. According to a September article in the *New York Times*, the credit-rating agency Moody's Economy.com had predicted that 45,000 to 65,000 financial workers in the New York area would lose their jobs by the middle of 2010. Now Moody's is predicting that 70,000 employees will suffer such a fate, even while accounting for the fact that some of these workers will find new positions.

Citigroup—whose share values have fallen to single digits for the first time in over a decade—saw its shares fall 6.6 percent on Monday, while competitor Bank of America dropped 8.5 percent on continuing signs of a deep and protracted economic downturn. The Dow Jones Industrial Average ended 223.73 points lower on Monday, down 2.6 percent to 8273.58.

In its latest survey, the National Association for Business Economics said the US was in for a “prolonged” recession dragging well into 2009. It predicted that fourth-quarter growth results would show that the economy had contracted for the second consecutive quarter—meeting the official definition of a recession—but acknowledged that 96 percent of the economists it had surveyed said the US had already entered one.

Meanwhile, the Japanese economy entered its first recession since 2001, as third quarter results showed a second consecutive contraction of GDP. The collapse of demand in the US and other countries has sharply hurt export-oriented industries in Japan, as it has in Germany, which announced last week that it too had joined the growing list of countries officially in recession.

And in the US, gloomy retail sales, falling consumer demand and a collapse of manufacturing activity all point to a deepening economic crisis. Big box retailer Target and the home improvement chain Lowe's saw revenues fall 24 percent each, as rising unemployment, falling home values and tight credit markets squeezed consumers.

The Federal Reserve said industrial production rose 1.3 percent in October, a bigger gain than expected. However, the slight increase was relative to a downwardly revised tally for September, when production registered its steepest drop in 62 years. "Manufacturing activity, which cushioned the economy earlier in the year on the strength of exports, appears to have plunged into a deep recession," wrote economists John Ryding and Conrad DeQuadros of RDQ economics.

Meanwhile, auto parts companies have joined Detroit's Big Three automakers—General Motors, Ford and Chrysler—in seeking a portion of the \$700 billion government bailout. Economists predict that if one or more of the automakers were to fail, some three million jobs could be wiped out throughout the economy. Congress is holding discussions on the bailout under conditions of a growing consensus—reiterated by President-Elect Barack Obama in his "60 Minutes" interview Sunday—that any government aid package would be contingent on auto workers accepting sweeping wage and benefit concessions.

The economic downturn is already taking a massive social toll. The number of personal bankruptcy filings jumped almost 8 percent in October over the previous month—after increasing sharply over the last two years—according to Mike Bickford, president of the Automated Access to Court Electronic Records, a bankruptcy data and management company.

The *New York Times* reported that bankruptcy filings totaled 108,595 last month, surpassing 100,000 for the first time since a law that made it more difficult and expensive to file for bankruptcy took effect in 2005. That translated to an average of 4,936 bankruptcies filed each business day last month, up nearly 34 percent from October 2007.

recent filers have had much more credit card debt, often run up in an attempt to keep current on a mortgage that now exceeds the value of their home, bankruptcy lawyers said in interviews. A recent study found that the typical family who filed for bankruptcy in 2007 was carrying about 21 percent more in secured debts, like mortgages and car loans, and about 44 percent more in unsecured debts, like credit cards and medical and utility bills, than filers in 2001."

The sharpest increases in bankruptcies were in states where real estate prices have fallen the furthest, including Nevada, California and Florida. In Nevada and California, filings were up 70 and 80 percent respectively over last year.

As tens of millions face the loss of their jobs, homes and financial ruin, years of budget cutting by Democratic and Republican administrations have left the population with little if any government safeguards against destitution. While the current downturn is already developing into the worst seen since the early 1980s, the social safety net that existed then has largely been eliminated.

The Center for American Progress and the National Employment Law Project issued a report Friday noting that tighter restrictions on jobless benefits mean that just 37 percent of unemployed Americans are receiving such benefits today, down from 42 percent during the 1981-82 recession and 50 percent during the 1974-75 downturn.

The report also noted that under conditions in which 1.2 million people have lost their jobs this year, unemployed workers receive a maximum of only 39 weeks of benefits, down from 65 weeks in the 1970s. The average weekly benefit is \$293, an amount that only ensures poverty.

Moreover, as a result of the gutting of welfare programs under the Clinton administration and the imposition of tougher restrictions by state governments, just 40 percent of poor families who qualify for public assistance today actually end up receiving it, compared with 80 percent in the recessions of 1981-82 and 1990-91, according to the Center for Budget Policy and Priorities.



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"Not only are filings up," the newspaper reported, "but