

# Bailouts for banks: Layoffs for workers

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Working people in the United States are confronting a wave of layoffs that is sweeping through every sector of the economy, with devastating social implications. The same prospect confronts workers in a host of other countries.

With the US economy now shedding approximately a quarter million jobs a month, the ranks of those officially counted as unemployed have swollen to more than 10 million. Over 6 million more have been relegated to involuntary part-time work, and nearly 2 million have fallen off the charts because they have ceased actively looking for a job. Younger workers trying to get their first job are increasingly finding the door to entry-level employment slammed shut.

Nearly one out of eight American workers is now unemployed or underemployed, and this at what most economists acknowledge to be only the onset of a recession and the beginning of what looks to be a very cold winter.

In the first week of this month alone, a range of companies announced a combined total of 15,000 layoffs. The past several days have provided ample evidence that the pace of job destruction is accelerating.

- The German-owned parcel delivery company DHL Express announced Monday that it is ceasing domestic shipping operations in the US, wiping out 9,500 jobs and threatening to turn Wilmington, Ohio, where 7,000 of those jobs are located, into a ghost town.

- On the same day the electronics retailer Circuit City filed for bankruptcy, laying off another 700 workers on top of the 7,000 layoffs it announced a week ago, together with the closure of 155 stores.

- Financial analysts and industry executives told the *Financial Times* of London that soon-to-be-announced budget plans for the financial industry will entail another 70,000 layoffs in the US.

- In New York City, Mayor Michael Bloomberg announced last Thursday that the city will cut 3,000

jobs from its workforce. Similar actions are being taken by local and state governments and other public agencies throughout the country, as they face declining tax revenues and increasing difficulty obtaining credit.

Among the sectors hardest hit by the deepening financial crisis is the auto industry, with the Big Three US carmakers—General Motors, Ford and Chrysler—all teetering on the edge of bankruptcy.

GM Tuesday announced that it will place nearly 2,000 more autoworkers on indefinite layoff in the first quarter of 2009. This comes on top of another 3,900 workers who are facing indefinite layoff as of this Friday. Ford announced 2,600 job cuts last Friday.

GM's announcement came as the company's stock price plunged by 15 percent, hitting the lowest level since the middle of the Second World War. Following third-quarter losses totaling \$4.2 billion, the country's biggest auto company reported that it is running dangerously low on cash needed to maintain operations, prompting fears that it could soon go bankrupt. According to some estimates, such a bankruptcy could result in the destruction of up to 2.5 million jobs as the impact spreads from GM and its own 325,000 employees to its suppliers, dealerships and related sectors of the economy.

In the face of this unfolding catastrophe, the political establishment has begun discussing an extension of the government bailout of the major US banks and Wall Street finance houses to the auto industry. Democratic President-Elect Barack Obama reportedly discussed such a proposal with President Bush at their White House meeting Monday, and Democratic House Speaker Nancy Pelosi said Tuesday that the House will convene next week to vote on a proposal to provide the Big Three with aid from the Treasury Department's \$700 billion financial rescue program.

While Democratic politicians are pitching the proposed aid to the auto companies as a matter of spreading the bailout from "Wall Street to Main Street,"

the real aim on both streets is the same: Rescuing the private fortunes and property of capitalist investors and executives, while forcing the working class to foot the bill.

The social interests being defended by this vast outlay of taxpayer funds were spelled out in a column written for the *New York Times* last week by two prominent Harvard University economists, David Scharfstein and Jeremy Stein. They warned that the bailout of the banks placed no restrictions on the payout of dividends to their wealthy shareholders—not to mention the absence of any other requirements on how the banks use the hundreds of billions of dollars in public funds they receive. If such dividends are paid out at current levels, fully \$25 billion of the \$125 billion in taxpayer money going to the country's nine biggest banks will be paid out in the form of dividends to these shareholders in the first year alone.

The government's outlay to prop up insurance giant AIG was nearly doubled to \$150 billion Monday. It was also revealed that the Federal Reserve's lending topped \$2 trillion for the first time last week. In this ever-expanding bailout, seemingly unlimited funds have been made available to secure Wall Street's fortunes, while Washington has failed to make available any significant aid to the millions of unemployed or the millions more facing the loss of their home.

There should be no illusions that a bailout of the Big Three would be any different. Its aim would be to restore profitability, and it would be conditioned on demands for a sweeping rationalization and downsizing of the auto industry, together with new attacks on wages and on health and pension benefits for both active workers and retirees.

The answer to the jobs crisis created by the parasitism of Wall Street and the looming bankruptcy of the auto industry and other sectors of the economy lies not in the bailout of their owners, but rather in the struggle for socialist policies, including the nationalization of these giant corporations and their transformation into public utilities, subject to the democratic oversight and control of the working population.

Instead of pouring billions more dollars into the private coffers of America's financial elite, the huge bonuses and compensation packages that the executives have awarded themselves while leading their

companies into bankruptcy should be confiscated and utilized to improve conditions of life for those facing unemployment, the loss of their homes, the shutoff of their utilities and the loss of their life savings.

Nationalization under workers' control would establish the foundations for reorganizing economic life in the interests of the majority and protecting working people from the return of conditions not seen since the Great Depression. It would create the framework within which production could be geared to the satisfaction of human needs, rather than the generation of profit and the accumulation of personal wealth by the financial aristocracy.

It would allow the rehiring of the unemployed and the provision of jobs to young people by reducing the work week to 30 hours, with no reduction in pay.

The incoming Obama administration will carry out no such measures. It will be committed to the defense of the corporate and banking interests which dominate both the Democratic and Republican parties and which financed the Obama campaign. It will impose whatever conditions are required to defend these interests at the expense of working people.

The struggle for nationalization under workers' control can be advanced only through the mobilization of working people independently of the Democrats and the entire two-party system, through the building of a new mass political movement based on a socialist and internationalist program. This is the aim of the Socialist Equality Party.

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