

More major layoffs hit US economy

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Major US corporations are continuing to make major layoffs amid an accelerating economic contraction. On Monday, a total of 75,000 workers in America and internationally were sacked; additional layoffs announced yesterday included:

- Liquid-crystal-display glass and fiber-optic equipment Corning Inc. said it will cut 3,500 jobs, 13 percent of its total workforce, in 2009.

- Label maker Avery Dennison Corp. said it will eliminate about 10 percent of its workforce, or about 3,600 jobs.

- IBM, while refusing to make any official jobs announcements, is believed to have laid off more than 4,000 of its staff in the past week.

- Texas-based oil company Baker Hughes has begun laying off nearly 4 percent of its workforce, affecting 1,500 employees internationally. About 850 of these are based in the US.

- Discount retailer Target Corp. announced it will cut about 600 jobs at its Minneapolis headquarters, leave another 400 positions unfilled, and close a distribution center in Little Rock, Arkansas, that currently employs 500 workers.

- Electronics retailer Best Buy is also to cut staff at its Minneapolis headquarters. Details regarding the number and type of positions to be cut will be announced next month. Best Buy said that 500 of its 4,000 headquarters workers had accepted voluntary exit packages, but that this had proved insufficient.

- According to reports, coffee giant Starbucks is set

to announce about 1,000 layoffs, affecting one third of all employees at the company's headquarters.

The total number of mass layoffs in December will be released later today by the Bureau of Labor Statistics; the bureau has previously reported that more than 2.5 million jobs have been lost since the recession began.

The toll is set to substantially worsen. *BusinessWeek* reported yesterday: "Some economists say in their most optimistic view the US has only reached the halfway mark in terms of the layoffs expected for this recession. A growing number of economists also say that the US economy is not just shedding jobs temporarily, but may be undergoing a painful restructuring process that will eliminate some types of jobs for good."

The magazine cited Professor Peter Morici, of the University of Maryland's Robert H. Smith School of Business: "We are seeing very large layoffs—the kind you get when companies don't expect to be re-employing any time soon," he said. "They [represent] structural, not cyclical, changes to the economy. We're looking at a permanently smaller economy with prolonged unemployment at an unacceptable level."

The Labor Department has released new data on unemployment across the country's 50 states. Nineteen have a jobless rate above the official national average of 7.2 percent. The highest are Michigan (10.6 percent), Rhode Island (10 percent), South Carolina (9.5 percent), California (9.3 percent), Nevada (9.1 percent) and Oregon (9 percent).

Key indicators of economic activity continue to worsen across the country.

The S&P Case-Shiller home price index recorded

another sharp decline in property values for November. The index has now fallen for 28 consecutive months. Every city surveyed suffered another monthly price drop, while values in 10 major metropolitan areas decreased by a record 19.1 percent from a year earlier. The largest falls were recorded in Phoenix (down 33 percent from November 2007), Las Vegas (-32 percent), San Francisco (-31 percent), Miami (-29 percent) and Los Angeles (-27 percent).

On Monday, the National Association of Realtors reported that sales of existing homes rose by 6.5 percent to an annualized rate of 4.74 million in December. This figure was higher than anticipated but is not evidence of any initial rebound in the housing market. A large proportion of the house sales were in areas most stricken by foreclosures—indicating that wealthy property speculators are beginning to move in as the banks foreclose on unprecedented numbers of working people.

A survey conducted by the National Association for Business Economics (NABE) found that business conditions were the worst ever found since the NABE report began in 1982. Falling profit margins were reported by a large majority of firms—a ratio of 5 to 1—also a record. Nearly 40 percent of businesses said they expect to lay off workers in the next six months.

Consumer confidence is also sharply down. The Conference Board, an international business association, announced that its US consumer confidence index hit 37.7 in January—the lowest mark in the survey’s 42-year history.

Fourth-quarter gross domestic product figures are to be released on Friday. Economists expect an annualized contraction of more than 5 percent. This will be the sharpest decline since the 1982 recession, which was triggered by the decision of Federal Reserve head Paul Volcker (now chairman of Obama’s Economic Recovery Advisory Board) to deliberately induce mass unemployment and lower workers’ living standards by setting interest rates higher than 20 percent. Economists are now also forecasting a GDP contraction in the first quarter of 2009 of as much as 5 percent.

The ruling class has no viable solution to the deepening crisis. President Barack Obama’s \$825 billion stimulus package is woefully inadequate and centrally oriented to the needs of the financial elite. (See “The capitalist market and Obama’s stimulus plan”.)

The Federal Reserve has few options. “When Federal Reserve policymakers begin a two-day meeting today, they will be starting a new era in American monetary policy,” the *Washington Post* explained yesterday. “The Fed has pushed the federal funds rate, a bank lending rate it controls, effectively to zero, and indicated that it will likely leave it there for some time. That has exhausted the central bank’s primary policymaking tool, meaning its leaders will use less conventional methods to bolster the rapidly worsening economy.”

Most of these “less conventional” mechanisms involve handing over yet more public funds to the financial sector. Under the guise of freeing up credit for businesses and consumers, the Fed has already unilaterally committed hundreds of billions of dollars through various programs, surpassing the \$700 billion Troubled Assets Relief Program (TARP) approved by Congress last year.



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