Mining job cuts: The destructive anarchy of the capitalist market

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Friday's announcement by two major global mining companies that they plan to slash tens of thousands of jobs points to the gathering crisis in the world economy. It came amid stagnation in the advanced economies, a slowdown in China and other so-called emerging markets, and the mounting instability and outright destruction of productive capacity being created by the rise of financial parasitism.

The British-based mining conglomerate Anglo American, the world's fifth largest mining company, announced it would cut 53,000 jobs over the next few years—35 percent of its present workforce—after reporting a $3 billion loss for the first half of the year, mainly the result of a slump in iron ore prices.

On the same day, the platinum producer Lonmin, which has extensive operations in South Africa, said it planned to close or mothball several mine shafts, threatening the jobs of around 6,000 workers. The price of the metal, which has a wide range of industrial uses, has fallen so low that Lonmin's operations are regarded as unprofitable.

The main reason for the Anglo American loss was a $3.5 billion write-down on the value of its assets, including $2.9 billion on its Minas-Rio iron-ore mine in Brazil. The $8.8 billion project was launched only last year. It was established to take advantage of the "super-cycle" in commodity prices, as a result of infrastructure investment in China that saw iron ore prices rise to as high as $180 per tonne in 2011.

The iron ore price is now below $50 and threatens to go even lower as industrial commodities plummet across the board. In the first half of this year, iron ore has dropped 41 percent, platinum 19 percent, copper 18 percent and coking coal 15 percent. And the fall has not ended.

As the *Wall Street Journal* stated in an article published on Friday: "The world's biggest mining companies are haemorrhaging jobs as they downsize to cope with a prolonged China slowdown and a commodity-price slump that they no longer expect to end soon."

The article noted that the slump in commodity prices over the past two years has already eliminated tens of thousands of mining-related jobs across the world—from the gold mines of South Africa and iron mines in Canada to steelworks in the US. In America, mining sector employment is at its lowest level in five years, while in Australia it has fallen 13 percent over the past year.

The plunge in commodity prices and the swathe of job cuts in its wake have underscored a number of significant features about the state of world capitalism.

Nearly seven years after the collapse of Lehman Brothers, these developments make clear that the resulting financial crisis was only the beginning of an ongoing breakdown of the world economy. Despite the provision of trillions of dollars of ultra-cheap money by the world's central banks, productive investments in the major economies—the US, Europe and Japan—remain at historic lows.

The flood of money into financial markets is only fuelling speculation in share and other markets, leading to an explosion of parasitism. This is further undermining the real economy through destructive operations, such as mergers, acquisitions and share buy backs, in which jobs are destroyed and profits are accumulated through financial manipulations.

In a speech earlier this month, US Federal Reserve chairwoman Janet Yellen noted that productive growth was "weak" because business owners and managers were not increasing their capital expenditures. Instead, businesses were "holding large amounts of cash on their balance sheets."

Last week, the Bank of England chief economist Andy Haldane said the "main reason why world growth has been subpar is because businesses have not been investing sufficiently." He cited figures showing that, whereas in the 1970s only 10 percent of company profits were returned to shareholders, this figure had risen to between 60 and 70 percent. Businesses "are almost eating themselves," he said.

In other words, the productive forces and resources, created by the labour of billions of workers around the world, are being destroyed by the insatiable profit appetites of the financial oligarchy that dominates the global economy

This wave of devastation is not the product of some peculiar mindset of CEOs and managers. It is the result of the relentless pressure generated by the wall of money in financial markets for an ever-higher rate of return. This is one of the key factors behind the Anglo American decision. A recent Reuters report, published before the latest job cuts were announced, noted that "investors" were concerned that the company's efforts at restructuring—selling off productive assets—had "run out of steam" and "some shareholders are starting to lose patience." The result of the financial oligarchs' impatience was seen in Friday's announcement.

The commodity price collapse has shattered the myth, promoted assiduously in the wake of the financial crisis, that China and other emerging markets could provide a new platform for global economic growth. As if to emphasise the bankruptcy of that conception, Anglo American's announcement came the same day as data from China revealed the lowest increase in manufacturing for more than a year.

One of the chief ideological nostrums promoted by the defenders of the profit system is that only through the "magic of the market" is it possible to organise the rational use of the world's productive forces.

The Anglo American decision rips this claim to shreds, revealing that the market in fact functions as a global wrecking ball.

At the height of the "super-cycle" commodity boom, created by the Chinese government's decision after 2008 to launch a $500 billion stimulus package and expand credit by an amount equivalent to the entire US financial system, Anglo American decided to massively invest in its Brazilian venture in the belief commodity prices would keep on rising. Now that the speculative bubble has collapsed, the mining industry worldwide has been hit by a crisis of over-capacity, going from boom to bust virtually overnight.

Instead of the rational organisation of production, the industry is being torn apart and tens of thousands of jobs destroyed. In a dog-eat-dog war, large producers, such as BHP Billiton and Rio Tinto, are increasing production with the aim of driving higher-cost producers like Anglo American out of the market.

A statement issued by the National Union of Mineworkers in South Africa pointed to the situation facing the working class. It said the Lonmin job cuts decision was a "bloodbath."

This term has more than a metaphorical sense. In August 2012, the same trade union was a direct participant in the violent police attack organised by the company and the African National Congress government that led to the shooting deaths of at least 34 miners during a wages strike. Similar violent measures will be employed to impose job cuts, with the full collaboration of the trade union bureaucracy, whether in South Africa or internationally.

However, the mining industry crisis is only symptomatic of what confronts the working class in every industry worldwide as the financial and industrial elites impose social devastation in their relentless pursuit of profit.

This destructive anarchy cannot and will not be alleviated by any "reforms." It must be ended through a unified global struggle of the working class for an international socialist program, based on the expropriation of the major industrial and financial corporations, thereby opening the way for economic planning on the basis of human need.