Wall Street celebrates mass layoffs by Macy's

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Wall Street rose to new record highs on all three major stock price indexes Thursday, powered by rising oil prices and the announcement by Macy's, the biggest US department store chain, of better-than-expected profits and a massive store-closing program, which could wipe out as many as 12,000 jobs.

Macy's stock price rocketed 18 percent, the best showing for the company in nearly eight years. Other large retailers also saw huge gains in their share prices, with Kohl's up 17 percent on higher quarterly profits, J. C. Penney up 9.34 percent and Nordstrom's up 7.23 percent.

Thursday marked the second consecutive day that all three stock market indexes posted records, with the Dow-Jones Industrial Average rising 117.86 points to close at 18,613.52.

The Macy's announcement of mass closures (and mass layoffs, although the exact number was not made public) was widely regarded as "bullish" for the stock market. TheStreet.com headlined its report, "Macy's Stock Jumping as Investors Cheer Store Closure News."

As *USA Today* reported it, "Investors … cheered an announcement by Macy's that it would close 100, or nearly 15 percent, of its 728 stores in early 2017, a move that Macy's CEO Terry Lundgren says was a 'proactive' step to jumpstart growth going forward …"

The store-closing program comes on top of the closure of 41 Macy's stores over the past year, at the cost of 4,800 jobs. At that rate, the 100 stores to be closed in 2016-2017 would mean the elimination of as many as 12,000 jobs.

Macy's did not reveal which locations would be closed, indicating that workers would be notified later in the year. Lundgren said the company was shifting its focus more to online sales, where it is third in merchandise sales volume, after Amazon.com and Walmart.

Company President Jeff Gennette, who moves up to CEO next January, said in a statement, "Nearly all of the stores to be closed are cash flow-positive today, but their volume and profitability in most cases have been declining steadily in recent years. We recognize that these locations do not yield an adequate return on investment …"

Lundgren made it clear that the downsizing of Macy's was only in its initial stages, and part of a process that would sweep through the entire retail industry. He cited figures showing 7.3 square feet of retail space for every American, five times more than most other developed countries. He told CNBC it was time to close all but the most profitable locations.

Many stores are worth more as real estate than as sales locations, company officials said. Macy's is in negotiations to sell off its iconic 250,000-square foot Union Square location in San Francisco. Macy's main New York City location, a full Manhattan city block, is valued at $3 billion to $4 billion.

One research firm estimated that the US retail industry should close 800 department stores—one fifth of all mall anchor space—to restore per-store sales levels to those of ten years ago, before the Internet sales revolution took hold. Given the average number of employees per store, this could mean the elimination of 100,000 retail jobs.

Then there are the knock-on effects of such closures. Macy's stores, for example, are either the focal point of a downtown shopping area or the anchor of a shopping mall. In either case, closure will have a huge effect on smaller shops nearby, which depend on the traffic generated by the department store to sustain their business.

US retailers have already announced a major wave of closures this year, including all 460 Sports Authority stories, after the company's bankruptcy; 154 Walmart locations and all of its smaller Walmart Express stores;

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113 Aeropostale stores (the company filed Chapter 11 bankruptcy in May); 78 Kmart and Sears stores; 50 Ralph Lauren stores; and 18 Kohl's department stores.

Beyond the immediate effect on the jobs and living standards of retail workers, the crisis in the industry is an expression of the decline of working class living standards overall. Wages are stagnant or falling in real terms, compared to the steady rise in prices, particularly for food, rent and other necessities.

Median family income in the United States was 8 percent lower in 2013 than in 2007, the last full year before the Wall Street financial crash touched off the deepest economic slump since the Great Depression. There has been little improvement over the past two years.

The 2016 elections have unfolded under conditions of deep dissatisfaction among working people, who, as is now widely acknowledged, have not had a raise in 16 years, a period that spans two full administrations, eight years of a Republican, George W. Bush, and eight years of a Democrat, Barack Obama.

The failure of both parties to address the decline in living standards is the driving force of the political upheavals of this year—the victory of billionaire demagogue Donald Trump in the contest for the Republican nomination, and the widespread support for Vermont Senator Bernie Sanders, a self-proclaimed "democratic socialist," in the campaign for the Democratic nomination.

With Sanders' capitulating to the favored candidate of Wall Street and the military-intelligence apparatus, Hillary Clinton, and Trump daily revealing his noxious combination of fascistic demagogy and loyalty to his billionaire class, the two-party system offers nothing to working people seeking a way to defend their jobs and living standards.

The "economic programs" announced this week by Trump and Clinton, in dueling appearances in the Detroit area, underscored the bankruptcy of the profit system and the two corporate-controlled parties that defend it.

Trump spoke Monday at the Detroit Economic Club, telling his well-heeled audience that he would slash taxes on the wealthy by trillions of dollars, cutting the tax rate for corporations by more than half and eliminating the estate tax entirely, while offering workers nothing but the false promise that imposing restrictions on foreign imports would restore jobs in manufacturing.

Clinton's speech Thursday at a former auto parts factory in suburban Warren was just as right-wing and even more demagogic, as she denounced Trump for his tax cuts for billionaires, while avoiding any mention of the fact that more billionaires actually support her own campaign. She also sought to outdo Trump in appeals to economic nationalism, reiterating her promise to oppose the Trans-Pacific Partnership and attacking Trump for outsourcing his branded products to foreign manufacturers.

Clinton promised to launch the biggest infrastructure investment program since World War II, although the amount would be less than one-third of the "stimulus program" enacted during the first year of the Obama administration. This was largely a failure in terms of job creation, and paved the way to the destruction of 300,000 jobs by state and local government, mainly in public education.

Like Obama's, Clinton's economic plan would consist of federal handouts to private business, either in contracts or wage subsidies to hire the unemployed. In other words, it would rely entirely on the private sector, with no federal public works program or any other direct job-creation measure.

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