

Markets soar as companies announce mass layoffs

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As stock markets around the planet, led by Wall Street, climb to record highs, increasing the wealth of the ultra-rich by billions of dollars every day, growth in the world economy is falling to its lowest levels since the global financial crisis of 2008. Once again, the working class is being made to pay with announcements of major job cuts.

Economic data from the major capitalist economies point to an accelerating downturn. In the US, the world largest economy, growth is little more than 2 percent. This is the lowest for any “recovery” in the post-war period, despite President Donald Trump’s claims of the greatest boom in history.

China, the world’s second largest economy, experienced its lowest growth rate for 30 years in 2019. Large areas of the economy are still in lockdown due to the coronavirus outbreak, with estimates for first-quarter growth being slashed, in some cases to zero.

Japan, the world’s third largest economy, has been delivered a shock by the announcement that it contracted at an annual rate of 6.3 percent in the fourth quarter of 2019. While this was mainly the result of an increase in sales taxes, the hit was far larger than expected and the downturn is set to continue due to the effects of the coronavirus.

Growth in Germany, the world’s fourth largest economy, has flat-lined, with predictions that it could enter a recession, dragging down the rest of the Euro zone, which showed growth of just 0.1 percent in the fourth quarter last year.

In South Korea, one of the world’s major manufacturing centres, the government has called for “emergency” measures because of the downturn in China and Japan. Australia, the world’s 12th largest economy, looks set to end its 28-year run without a recession.

The class logic of the process underway stands out in stark relief. As the wealth of the financial elites is boosted by the rise of the stock markets, fuelled by the provision of trillions of dollars from the world’s central banks and the promise of still more to come, the working class is being made to bear the burden.

Job cuts are sweeping through manufacturing industry, particularly auto production. Every week brings new announcements. Last week, French car producer Renault unveiled a \$2.2 billion cost-cutting program to include job cuts. Last month, Volkswagen pledged to slaughter “sacred cows” as it announced 20,000 job cuts in Germany alone.

By the latest estimates, around 100,000 jobs will be eliminated in the global auto industry in 2020. This is on top of more than 500,000 job cuts in auto-related industries around the world last year. In India, there are warnings that as many as 1 million of the country’s 5 million auto parts industry jobs could be at risk.

This worldwide job massacre is being driven by two processes: the fall in the market for cars as a result of lower growth and falling demand, due not least to the stagnation of wages around the world, and sweeping changes in technology. Companies are preparing for a future of electric cars and self-driving vehicles by slashing costs in order to remain competitive in the new conditions.

Karl Marx laid out the essential logic of this process more than 170 years ago. The industrial war of the capitalists, he wrote, “has the peculiarity that its battles are won less by recruiting than by discharging the army of labour” as the generals “compete with one another as to who can discharge most soldiers of labour.”

This process is not confined to auto production, but is sweeping through all sections of the economy.

This week the London-based Hong Kong Shanghai

Banking Corporation (HSBC) said it would reduce its workforce by 35,000 in the coming period as part of what its chief executive Noel Quinn called one of the “deepest restructurings” in the global bank’s 155-year history, which his management team was “committed to executing at pace.”

The HSBC announcement followed last year’s decision by Germany’s Deutsche Bank to slash 18,000 jobs as part of a restructuring process.

The retail industry is likewise being devastated. Tens of thousands of so-called brick-and-mortar stores in the US and around the world have been shut down, with more job cuts to come.

This week the *Washington Post* reported that the US retail giant Walmart is planning to cut jobs as part of a restructuring to develop online sales to compete with Amazon. In the brutal language of the corporate world, it said store managers should follow “standard termination procedures” for any “active associate who has not been selected for another position in the company.” This edict will potentially affect thousands of workers, sometimes with decades of service.

The contrast between the situation confronting the working class and the accumulation of wealth on the heights of society is exemplified by the dizzying enrichment of Elon Musk, the owner of the electric car company Tesla.

Due to a spectacular surge in Tesla’s share price this month, Musk’s net worth rose by \$4.5 billion in just one day, making him the fastest-rising global billionaire. Over just six weeks, his wealth has risen by \$13.9 billion—\$316 million every day so far this year. There are even predictions that Musk could overtake Amazon billionaire Jeff Bezos as the richest man in the world.

The devastation of working class jobs and conditions is not some unfortunate or accidental outcome of the accumulation of wealth in the hands of a rapacious financial oligarchy. There is a causal connection.

The stock price of major corporations, from which the elites derive their fortunes, depends on the extent to which the financial markets judge they are successful in reducing costs by gutting their workforces and intensifying the exploitation of the remaining workers. The stock market and the entire financial system function as an institutionalised mechanism for siphoning up wealth.

Vast new developments in technology, associated with the advance of artificial intelligence and its use via the internet, increase productivity and have the capacity to lift the social and economic conditions of the mass of the population. Instead, through the operations of the capitalist profit system, they are being utilised to further concentrate socially produced wealth in the hands of a tiny minority.

There is no cure for this ever-worsening social disease through patchwork reforms or band-aids. It must be tackled at its source and overcome through the unified struggle of the international working class to establish a higher and necessary socioeconomic system. That is international socialism, in which the productive forces, created by the labour of the world’s producers, are publicly owned and used for the benefit of all.



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