

As US Fed seeks to rescue financial markets and corporations demand bailouts

## Workers hit by job losses and pay cuts

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18 March 2020

Nearly one fifth of all American workers have already lost their jobs or had their work hours reduced as a result of the economic shutdown due to the coronavirus, according to a survey released yesterday.

Conducted by the public broadcasters, NPR and PBS News Hour, in conjunction with the Marist organisation, the survey found that 18 percent of the adult workforce had been hit.

The impact is heaviest on the lower paid. The survey showed that for workers making less than \$50,000 a year, the proportion rose to 25 percent.

The poll also indicated a growing distrust in the actions of the Trump administration. Only 46 percent said the federal government was doing enough to halt the spread of the virus, down from 61 percent in February.

Only 37 percent said they had a good amount or a great deal of trust in what the president was saying, while 60 percent said they had not much or no trust at all.

The US job losses are certain to be replicated in other major economies around the world as lockdowns extend, initially hitting industries that employ large proportions of casual or part-time labour, such as cafes, bars and the hospitality sector.

Mass layoffs are looming in the global airline industry as large companies slash their international and domestic flight schedules.

The survey results on US job losses came as the Federal Reserve announced still further measures to try to prevent a freeze in financial markets.

On Sunday evening the Fed announced a major intervention, cutting its interest rate by 1 percentage point to near zero, together with a resumption of

financial asset purchases, or quantitative easing, to the tune of \$700 billion.

This was not enough to prevent a market plunge on Monday when Wall Street fell by more than 12 percent, the largest one-day fall ever, except for the “Black Monday” crash of October 1987.

Share prices recovered somewhat yesterday, with the Dow Jones index recording a gain of more than 1,000 points, or 5.2 percent, and rises of around 6 percent in the S&P 500 and Nasdaq indexes.

The market rise was the result of two measures announced yesterday by the Fed to attempt to ease tightening in the short-term credit markets and prevent a total freeze as happened in the financial crisis of 2008.

Another factor was indications that the White House will launch a major economic package, reported to be of the order of \$1.2 trillion, involving massive handouts to corporations and possible payments to citizens.

Because of continuing spikes in the overnight “repo” market, the Fed announced it would conduct daily repo operations of \$500 billion through to the end of the week. Repos involve banks and financial institutions submitting high quality collateral such as US Treasury bonds in return for cash with which to fund short-term operations.

The other major action was the Fed’s decision to intervene in the \$1.1 trillion commercial paper market. This market consists of short-term IOUs, generally maturing in less than 270 days, issued by companies to finance their day-to-day business operations.

In its statement, the Fed said the commercial paper market had been under “considerable strain in recent days” as a result of the coronavirus outbreak.

The *Financial Times* reported that borrowing costs, calling \$113 billion was now “undoubtedly” too low. have “soared in recent weeks, causing the market to freeze and prompting some apprehensive companies to draw down credit lines from their banks to shore up liquidity.”

In order to create the new facility, last used during the 2008 financial meltdown, the Fed had to invoke special powers. It cited “unusual and exigent circumstances” to authorise the New York Fed, which conducts its financial operations, to extend the new line of credit.

In a media conference, US Treasury Secretary Steven Mnuchin appeared to indicate the intervention was virtually unlimited. This is a sign that, because of the central role of debt in the economy, the overriding fear of the administration and financial authorities is a credit market freeze.

“We heard loud and clear there were liquidity issues,” he said. “That is a \$1 trillion market. We have the ability to have the Fed purchase up to \$1 trillion of commercial paper as needed.”

The latest moves appear to have been insufficient because yesterday evening, after markets closed, the Fed took further action. It announced that approved dealers in government debt would be able to borrow cash secured by some stocks, municipal debt and higher-rated corporate bonds.

The Fed said the new facility would operate for six months. It would allow primary dealers, mainly large US and international banks, to “support smooth market functioning and facilitate the availability of credit to businesses and households.”

Mnuchin issued a statement saying the new measure would “help address illiquidity” and “mitigate disruptions in funding markets.”

Even as the Fed tries to prevent constrictions in the credit markets, the economic situation in the US and global economy is worsening.

The US airline industry, battered by travel restrictions, has called on the government to provide up to \$200 billion in emergency support to prevent mass bankruptcies within two months.

The International Air Transport Association (IATA), the main industry body, said that while some airlines are in a stronger position, “the majority are in a very fragile place.”

Indicating the speed of the crisis, IATA said its worst-case scenario issued just over a week ago of losses

The credit ratings agency Moody’s is lowering its ratings on the debt issued by a wide range of European airline companies.

Boeing, the giant US aircraft manufacturer, called for \$60 billion to be made available to the aerospace industry. The request came as the company revealed it has used up its entire \$13.8 billion line of credit.

Marriott International, the global hotel group, announced it will put tens of thousands of staff on unpaid leave.

In Europe, the major car manufacturers, Volkswagen, Ford, Daimler and Nissan, have halted work, bringing much of the industry to a standstill.

Yesterday, economists from Goldman Sachs and Morgan Stanley joined others in declaring that a global recession has been set in train. The only question is how long and how severe it will be.

The fall in the real economy will not be halted by interventions in financial markets or further handouts to the corporations. It will continue to deepen, bringing massive job losses and pay cuts around the world, as the US survey data reveals.

This crisis will not abate until the spread of the virus is brought under control. But the problems in containing the outbreak are principally the outcome of decades of cuts in health services and other basic social facilities, imposed by governments at the dictates of the financial markets and corporate elites.

Now, as those responsible demand bailout operations, they are again seeking to make the working class pay for the crisis caused by their relentless class war against the needs of society.



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