Wall Street cheers the prospect of mass unemployment

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An event took place yesterday which encapsulates the essential class dynamic at work in the deepening crisis of the global capitalist economy as inflation surges to its highest levels in four decades, interest rate hikes by the US Fed and other central banks continue, and the danger of world recession looms ever larger.

Following a Bloomberg report that a US recession is virtually certain in the next twelve months, according to its economic model projections, stocks on Wall Street surged for the second day in a row after taking a battering in the recent period.

The financial speculators are salivating at the prospect of a recession, knowing full well that the Fed's policies are aimed not at curbing corporate price gouging and bumper profits, but at slashing workers' wages.

The class content of the so-called "fight against inflation," which is the mantra of the Fed and other central banks, was spelled out by former Trump economic adviser Gary Cohn.

"We're going to have to see job destruction if we're really going to see inflation be curtailed," he said in an interview with Yahoo Finance on Monday.

Cohn let the cat out of the bag so far as the "fight against inflation" is concerned, making clear it has nothing to do with the price hikes ripping apart living standards and that its central focus is only on one price: that of labour power, wages.

"We now have a smaller labour force population in the United States so businesses are having to pay workers more to attract them into the labour force which is inflationary. Wages go up and so this is inflationary," he said.

This claim is a total falsification. As every economic report indicates, including the *World Economic Outlook* issued by the International Monetary Fund last week, wages have not kept pace with inflation, either in the US or the rest of the world.

The inflationary spiral is the outcome of the actions of the capitalist ruling classes. The refusal of governments around the world to undertake public health safety measures to eliminate COVID-19 from the human population, lest they adversely impacted on the stock market, set off the supply chain crisis.

The price hikes have been exacerbated by the US-NATO war against Russia in the Ukraine, the major increases in military spending by all governments and the speculative bubble created by the flow of ultra-cheap money into the financial system over the past decade and a half.

On top of this, there is rampant profit gouging by the food and energy giants and speculation by hedge funds and others in food, metals, energy and other basic commodities as the United Nations Conference on Trade and Development (UNCTAD) made clear in a report issued earlier this month.

But the central banks, and the representatives of finance capital have never let the truth get in the way of their class war agenda directed against the working class.

Cohn's remarks on job destruction underscore comments made some months ago by former Democratic US Treasury Secretary Lawrence Summers, who called for an unemployment rate of 5-6 percent for several years or a jobless rate of 10 percent for at least a year.

The financial aristocracy is deploying two weapons to pursue its agenda.

On the economic front, it is following in the footsteps of former Fed chair Paul Volcker, who lifted interest rates to record highs in the 1980s to induce the deepest recession since the 1930s to batter down wage demands

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and restructure class relations.

At the same time, it is relying on the trade union apparatus to continue and deepen the role it has played during and ever since the Volcker assault: the suppression, by any means necessary, of the independent struggle of the working class against the escalating cuts to its living standards and the increasingly intolerable working conditions imposed over decades and intensified in the course of the pandemic.

Because of its central role in the global financial system, the Fed interest rate hikes are ripping through the world economy. The International Monetary Fund has warned that at least a third of countries will suffer an economic contraction over the next year. The World Bank and UNCTAD have said that the synchronised lifting of rates is inducing a global recession.

A vicious circle is in operation. The US rate hikes are raising the value of the dollar against other currencies. Currency depreciation means that the cost of their imports, most often priced in US dollars, rises, fuelling inflation. Central banks around the world then lift their rates, leading to further economic contraction.

As the *Financial Times* columnist Edward Luce recently noted, the Fed is the "engine of global contraction" and "monetary pain is America's fastest growing export."

But wages are by no means the only target as the ongoing financial crisis in the UK has demonstrated. The massive edifice of debt and fictitious capital, built up over the past decade and a half, can only be sustained if there is a continuous flow of the surplus value extracted from the working class into the coffers of finance capital.

The pool of surplus value on which it feeds must be expanded through the suppression of wages on the one hand and cuts to vital social services on the other. This is the meaning of the financial storm in Britain in the past month.

The objection of finance capital to the Truss government's mini-budget was not that more money was to be showered on the corporations and super rich via £45 billion worth of tax cuts but that these measures were not funded. That is, they had to be financed through further cuts to already eviscerated social services such as health and education.

That program is now being undertaken as the rejigged Tory government prepares major cuts to be announced at the end of this month to "restore confidence."

And this class war agenda must be followed worldwide as the IMF's *Fiscal Monitor Report*, issued last week, spelled out. It said that in the context of high inflation, rising debt and interest rates consistency between monetary and fiscal policy was "paramount," meaning that governments had to keep their budgets on a "tightening course."

But that "tightening" will not be applied to military spending as governments around the world devote ever increasing resources to their war budgets.

As for inflation, the policy is "let it rip" with the IMF declaring that "attempts to limit price increases through price control, subsidies or tax cuts will be costly to the budget and ultimately ineffective."

What must be the response to this unleashing of class war at home and the growing dangers of world war, with potential nuclear consequences? That is the key question confronting the working class in the US, the centre of the global capitalist system, and in every country.

The *World Socialist Web Site* and the International Committee have advanced a clear program: the development in every industry and workplace of rank-and-file committees to break the stranglehold of the trade union bureaucracy and advance the independent struggle of the working class to meet its needs. In the United States, the highest expression of this fight is the campaign of Will Lehman for president of the United Auto Workers.

This perspective raises the necessity for a political program, based on the understanding that, whatever the immediate form of the myriad of depredations inflicted upon the working class, they are rooted in the deepening crisis of the system as a whole and that the fight for socialism is the axis of the struggle to overturn the dictatorship of the profit system.

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