Mass layoffs start at Disney as US Federal Reserve's moves to increase unemployment take effect

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Seven thousand previously announced layoffs will begin at the Walt Disney Company next week, the latest in a jobs bloodbath instigated by the US Federal Reserve's policies to keep workers' wages well below the rate of inflation. The layoffs affect roughly 15 percent of the total workforce in Disney's film and TV divisions.

Across the US, job cuts were up 15 percent month-to-month and a whopping 319 percent year-on-year in March, according to outplacement firm Challenger, Gray & Christmas. Employers announced 270,416 cuts in the first three months of 2023, the highest quarterly total since 2020, when much of the country was shut down due to limited pandemic lockdowns.

So far this year, layoffs have been particularly concentrated in tech and other white-collar industries. Meta, the company which owns Facebook, began its second round of layoffs Wednesday, with a third round planned for next month. Meta has announced it will cut 21,000 jobs out of a total workforce of 86,000. On Monday, London-based accounting firm EY announced it will cut 5 percent of its global workforce, including 3,000 based in the US. Cuts have also been announced recently at Redfin, Apple and Best Buy.

But significant layoffs are also beginning to impact industrial workers, especially in the auto industry. Stellantis, formed in 2021 out of a merger between Fiat-Chrysler and French automaker Peugeot, shut down its assembly plant in Belvidere, Illinois in late February and announced 400 job cuts at its huge Sterling Heights Assembly Plant north of Detroit. It also recently announced hundreds more layoffs at its Warren Truck and Toledo Jeep plants. These cuts take place in advance of the mid-September expiration of the contracts covering 160,000 Stellantis, General Motors and Ford workers in the US and Canada, when automakers will seek massive job cuts as they continue to switch to less labor-intensive electric vehicles.

The layoffs are the outcome of a deliberate monetary policy by the Fed and the Biden administration. Implementing a modified version of the so-called Volcker Shock of the late 1970s, when record rate hikes led to the worst recession in half a century and the elimination of millions of manufacturing jobs, Fed Chief Jerome Powell has hiked interest rates from near-zero to 4.65 percent in the space of a year.

While this is being done under the banner of "fighting inflation," the only price increases the Fed and Wall Street are really concerned about are wage increases, which have hovered around 5 percent—still well below inflation—over the last two years due to a pandemic-induced tightened labor market. A recent study by the European Central Bank found that profits, not wage increases, were the primary driver of inflation. Profit margins are at their highest levels in 70 years, according to the *New York Times*.

At the same time, central banks and regulators are moving to guarantee the bumper profits of the financial industry. JPMorgan Chase, the largest bank in the US, announced a 52 percent increase in profits for its first quarter. This was driven primarily by higher interest rates, and the bank is expected to make $81 billion in 2023 off of net interest rate income alone. Bank of America's profits increased to $8.2 billion for the first quarter, but the bank has still announced 4,000 job cuts. Billions of dollars, meanwhile, are being made available at the drop of the hat for military spending, especially for Washington's proxy war against Russia in Ukraine.

The defense of profits against challenges from the working class, and not fighting inflation, is the main goal of monetary policy. The Fed's target for wage growth is 3.5 percent, well below inflation, which would require the destruction of 1.5–2 million more jobs.

The only sector of the workforce where wage growth currently meets that benchmark is unionized workers, where wage growth is actually lower than for non-union workers. The trade union bureaucracy has worked closely with management and the Biden administration to ram through a series of sellout deals and prevent strikes.

In March, real wages declined in the US by 0.7 percent, the 24th straight month in which wages after inflation declined. Last month, the official year-on-year inflation rate declined from 6.5 to 5 percent. However, price increases for many key goods remain elevated, including electricity (10.2 percent), food (8.5 percent) and transportation (13.9 percent).

But for the ruling class, storm clouds are gathering on the horizon in the form of the class struggle. The massive strikes and protests which have rocked other major capitalist centers, including France and Britain, are making their way west towards the United States. Yesterday, an indefinite strike of 120,000 federal employees began in Canada.

In the United States, the contract for 340,000 UPS workers expires on July 31, and workers at the logistics giant are demanding substantial wage and benefit increases and an end to second-tier delivery drivers, under conditions where UPS' revenue topped $100 billion for the first time last year. Autoworkers are also pressing for strike action as their contract expiration looms.

While the rise in interest rates has produced a boom in profits for many of the largest banks, it has also introduced serious instability into the financial system, which has been built up over 40 years on the basis of virtually free money. The collapse earlier this year of Silicon Valley Bank and Credit Suisse, and the role that federal treasury bonds played in the collapse of SVB, portend a severe financial crisis. Therefore, the Fed's room for further rate increases may be limited.

This means that the ruling elite will have to resort to increasingly direct methods to beat back the working class. What flows from this is the increasingly close and intimate collaboration between the government and the trade union bureaucracy.

In spite of militant-sounding rhetoric from Teamsters General President Sean O'Brien at UPS, where talks officially began this week, O'Brien is a regular visitor to the White House, having made his latest visit just the previous week. Similar moves are already being made in the auto industry with new United Auto Workers President Shawn Fain.

But to the extent that rank-and-file opposition escapes the control of the union apparatus, the government is preparing to resort to more open forms of repression. A major milestone came last December, when the failure of a Biden-brokered rail contract in a vote by workers prompted an anti-strike law by Congress.

The conclusion workers must draw is the need to organize themselves independently of the trade union apparatus and the corporate two-party system. This means the development of new rank-and-file organizations controlled by workers themselves and the development of an industrial and political counteroffensive against the capitalist system and for socialism.