Warnings of deep recession as US layoffs spread coast-to-coast

By Patrick O'Connor
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Dozens of mass layoffs have been announced by American employers, both private and public, in recent days. The impact of the downturn has begun to spread well beyond the imploding financial sector and such depressed industries as automobiles, to the economy as a whole.

The United States has now entered what analysts widely anticipate will be the worst recession in more than a quarter of a century. JPMorgan Chase economists estimated Friday that gross domestic product fell an annual rate of 0.5 percent in the third quarter this year, and forecasted a decline of 4 percent in the three months up to December. This would mark the steepest decline since the 1981-82 recession.

Unemployment is set to rapidly increase. “My view is that it will be near 8 or 8.5 percent by the end of next year,” Nigel Gault, chief domestic economist at Global Insight, told the New York Times.

According to statistics collated by outplacement firm Challenger, Gray & Christmas, the top five sectors for layoffs in the nine months through September this year are: financial, with 111,200 job cuts; automotive, 94,900 layoffs; government/non-profit, 66,800 layoffs; transportation, 62,000 layoffs; and retail, with 51,300 jobs lost.

Seventeen of the US’s 29 steel mill blast furnaces have shut down in response to slowing demand. This is set to accelerate the slowdown in production which saw output decline 4 percent in the month from August to September. Chicago-based steel analyst Michelle Applebaum told the Times these figures reflected “nearly instantaneous production cuts in response to declines in global steel demand as steel buyers deferred purchases in favor of living on their own inventories during this period of uncertainty.”

The US auto giants have announced new rounds of job cuts nearly every day over the past fortnight. On Friday, Chrysler revealed that 25 percent of its salaried employees would be sacked before the end of the year, and that further restructuring will be seen “in the near future”. The announcement affects approximately 5,000 white-collar workers and came just a day after Chrysler revealed plans to cut 1,825 other jobs. A company spokesperson said the cuts were driven by declining domestic sales and were not related to a potential merger either with General Motors (GM) or Nissan and Renault.

Auto industry experts rejected this claim. “The people they’re cutting probably wouldn’t go forward, with the various alternatives they’re looking at,” Van Conway, senior managing partner with Detroit restructuring firm Conway MacKenzie & Dunleavy, told the Wall Street Journal. “Why carry them if GM or Renault or whoever is going to take over? They’re cutting things out, clearly, and they appear to be a seller. It's pretty obvious."

The layoffs are a mere foretaste of the tens of thousands of job cuts that will accompany a finalized merger involving the major auto companies.

GM last week announced it was suspending many salaried employee benefits, including matching contributions for workers' 401(k) retirement plans, and also said it planned to cut an unspecified number of jobs in its salaried and contract workforce in late 2008 and early 2009. In another indicator of the former industrial giant's rapid decline, the Journal reported Saturday that Toyota would likely supplant GM as the world's top selling auto maker for October. GM has held the leading position for more than 50 years.

The downturn across the manufacturing sector is set to exacerbate the social crisis already affecting wide layers of the working and middle classes. States dependent on industrial employment such as Michigan and Rhode Island, with official jobless rates of 8.7 and 8.8 percent respectively, have been particularly hard hit.

The job cuts have spread from coast-to-coast and affect every industry and many service employers as well. Auto-related production has been hard hit, with Diez Group announcing the closure of three Michigan metal-stamping plants, cutting 352 jobs. DMAX, a joint venture of GM and Isuzu in Moraine, Ohio, cut 300 jobs. B.F. Goodrich cut 500 jobs at its tire plant in Woodburn, Indiana. Thomas-Built cut 205 jobs at its bus plant in High Point, North Carolina.

Other industrial cuts included a combined total of 1,000 jobs at three North Carolina factories now set to close: Silver Line Building Products in Durham, UCO Fabrics in Rockingham, and IWC Direct at Elm City. ADC Telecommunications cut 190 jobs in Minnesota, and Align Technologies 111 jobs in Santa Clara, California.

Healthcare and public services are also beginning to be hit. Cambridge Health Alliance in Massachusetts cut 650 jobs, Blue Cross Blue Shield of Michigan 100, and the University of Pittsburgh Medical Center 500. Lost Angeles County gave layoff notices to 200 workers because of a budget shortfall.

Even greater public service jobs cuts are coming as the recession hits state tax receipts. One of the biggest government employers, the US Postal Service, has informed its unions that 16,000 craft employees are not covered by the no-layoff clause and could face dismissal.

The Bush administration has proposed no emergency rescue package for the millions of ordinary Americans threatened with the loss of their jobs, homes, or savings. As the recession deepens, discussion has instead centered on extending the financial sector bailout, potentially worth more than $2 trillion, to broader sections of big business.

The Wall Street Journal reported Saturday: "The Treasury Department is considering buying equity stakes in insurance companies, a sign of how the government's $700 billion rescue program could turn into a piggy bank for a range of beleaguered industries … The Financial Services Roundtable, a Washington trade group, sent a letter Friday to Treasury asking for expansion of the government's equity injection program to include broker-dealers, insurance companies, auto makers and foreign-controlled firms."

Insurance companies are major players on the financial markets, with $1.3 trillion of corporate debt on their books. The Treasury had already planned to buy out the industry's "bad assets", and is now considering whether to inject more public money directly into the sector by purchasing equity stakes. Auto companies want to be included in the scheme so they have access to sufficient capital to proceed with merger plans. The Journal noted that the likely extension of the bailout program "could put a strain" on the sum of money initially proposed, further blowing out the federal government's budget deficit.

The overriding priority of the ruling elite is to ensure that the financial oligarchy which is responsible for the economic crisis remains unaffected by its impact by placing the full burden of the disaster on the backs of the working class. This strategy will remain unaltered in the event of a Democratic victory in the coming presidential election.

Barack Obama's senior economic advisor, Robert Rubin, granted a revealing interview to CBS's "Face the Nation" television program yesterday. Rubin, currently a director of Citigroup, was Treasury secretary during the Clinton administration and is also a former senior executive with Goldman Sachs. He stressed that additional spending under the Democrats' so-called "economic recovery" stimulus plan would be "married to a commitment to long-term fiscal discipline so that we don't risk undermining our bond market and our currency market" and "married with a long-term commitment to re-establishing sound fiscal conditions".

In other words, the agenda remains that of substantially reduced spending on social programs and infrastructure.

The Democrats' proposed $150 billion stimulus is a mere drop in the ocean compared to the bailout package for Wall Street, not to mention the real social needs of the population. But even this meager sum will be targeted towards boosting selected economic sectors, not alleviating rising social distress.

CBS presenter Bob Schieffer asked Rubin whether the stimulus package would involve "some sort of massive public works program like President Roosevelt put into effect during the Great Depression," or whether it would see people in need receiving government checks.

After chuckling in derision after the 1930s public works programs were mentioned, Rubin replied: "Bob, I would say it's neither of the two in quite the way you've described it." He explained that the money would be channeled to city and state administrations so that existing economic and social programs—which are grossly inadequate—can be maintained. He also said that additional tax rebates would be made available.

A New York Times' front-page story yesterday, "Democrats see risk and reward if party sweeps", made clear that there will be no significant shift in domestic economic and social policy even if, as appears likely, the Democrats win the presidency and large majorities in both houses of Congress. Such a victory, the Times' noted, including a 60-member majority in the senate which would break threatened filibusters, "could give Democrats extraordinary muscle to pursue an ambitious agenda on health care, taxes, union rights, energy and national security".

But the article continued: "Chastened by their years in exile, Democrats said they were determined to avoid those pitfalls [of 'overconfidence'] should voters deliver them control of the White House and Congress… The nature of the Democratic majority, expanded partly through the election of centrists and even conservatives, would also temper Democratic zeal to pursue an overly ideological agenda, Democrats said."

Under the spurious guise of appealing to "centrists" and eschewing an "ideological agenda", Obama and his colleagues are preparing to further entrench the right-wing agenda promoted by successive Republican and Democratic administrations. These developments have exposed Obama's liberal and "left" backers, who have sought to cultivate the illusion that a Democrat election victory would mark some sort of break from Bush's reactionary program.

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