Funding the Future

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The Financial Times reported this weekend that a “white-collar recession” is emerging in the United States, suggesting that a decisive shift in the structure of the US economy is now being seen.

For decades, economic insecurity was concentrated among blue-collar workers in manufacturing, logistics, and the retail sector. These were the people displaced first by offshoring, then by automation, and more recently by the gig economy and so-called platform economics.

The professional and managerial classes, by contrast, were told they were the winners of the system. They were sold the promise that digital skills, higher education, and corporate employment would insulate them from the volatility of the market. The myth was that the middle classes were immune to the challenges posed by the modern economy. That story is now unravelling.

First, the numbers tell their own story. In just the past week, Amazon, Paramount, UPS and Target have announced a combined 31,800 white-collar job cuts. Amazon alone is removing 14,000 roles, explicitly saying it must become “leaner” to capitalise on artificial intelligence. Across 2025, US companies have announced almost one million redundancies, the highest total since the pandemic, while hiring plans are at their lowest since 2009.

At the same time, GDP growth has swung wildly, from contraction in the first quarter to 3.8 per cent annualised growth in the second. Poor data and wild responses to Trump's oscillating tariff policy might have contributed to that swing, but the suggestion is also being made that the volatility reflects what many economists refuse to admit, which is that the system is not stabilising and is instead oscillating between short-term stimulus and chronic weakness.

Second, this is not a temporary correction. It is structural. AI is now being used to justify the redundancy of knowledge workers in exactly the way globalisation was once used to justify the redundancy of factory workers. Shopify’s CEO has, for example, told staff they must prove why AI cannot do their work before requesting new resources. This is not innovation for the public good. It is cost-cutting dressed up as progress. When

Microsoft, Intel, and BT are sacking staff while their profits rise, the logic is not technological advancement but shareholder extraction.

Third, government policy is amplifying the pain. President Trump’s tariff regime and his immigration clampdown are raising costs and tightening labour supply in contradictory ways. Companies are responding by cutting white-collar staff wherever they can to offset tariff impacts. In contrast, while blue-collar recruitment in construction and manufacturing is apparently rising because low-wage migrant labour is no longer available. The result is a labour market that is neither balanced nor resilient, and one in which inflationary pressure comes not from wage demands but from supply constraints created by bad and unpredictable policy.

Fourth, the Federal Reserve’s response remains entirely reactive. Jay Powell has said the Fed is watching these layoffs closely, as if they were an external event rather than the consequence of both the monetary policy it has pursued and the fiscal policy Trump is pursuing. By keeping interest rates high to suppress wage growth, as still seems to be Fed policy, it has encouraged companies to find supposed efficiencies in sacking people and automating roles. The data show the cost in terms of weakening recruitment, ever-more precarious employment, and a narrowing base of consumer demand, which only increases the economic instability in the USA.

So what does this tell us? Very obviously, the implication is that the neoliberal model of growth through corporate concentration, financial engineering, and technological displacement has reached its limits. AI is not creating new markets or opportunities for human development. It is, instead, being deployed as a weapon of labour suppression. The supposed white-collar elite is discovering what blue-collar workers learned long ago, which is that under this form of capitalism, everyone is expendable.

The apparent onset of this whole-collar recession does, however, mark something deeper than a new round of redundancies. It is also signalling the breakdown of the old social contract between business, labour and the state. The promise that education and effort would guarantee stability is collapsing, and the state, trapped as it is in its own austerity dogmas and determined decline, is not stepping in to rebuild security.

What should be done? There are a number of possibilities:

* First, the state's responsibility for delivering fuel employment should be reasserted. Governments that issue their own currencies can and should act as employers of last resort. Full employment should again be a central policy goal.
* Second, we need to redefine productivity. Investment in AI should be directed towards reducing ecological impact and improving public service delivery, rather than creating short-term corporate profit.
* Third, countries such as the USA should be taxing extraction and not work. Income and gains from wealth derived from exploitation are lowly taxed, whilst employee vulnerability is being increased, along with income precarity.
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Fourth, we need a politics of care. People must come before algorithms. The purpose of an economy is to let everyone live, work and care within the limits of the real world and not to serve the quarterly expectations of shareholders.

If even the white-collar workforce is now “holding its breath and trying not to pass out,” as one economist told the FT, then the crisis of neoliberalism is complete. What comes next must be a politics that recognises that work is not a cost to be cut, but a relationship to be sustained, and that care, not capital, is the foundation of any functioning economy.