

Market crash portends major political shifts in the United States

1 September 1998

Monday's colossal fall in the New York Stock Exchange came barely nine months after the President of the United States declared that the financial upheaval in Southeast Asia was only a 'glitch' in the global economy.

Since then the crisis has moved from country to country, continent to continent, with the force of a tidal wave. There have been double-digit plunges in stock prices and currency values throughout Asia, continuing deflation in Japan, the world's second-largest economy, and most recently, the spread of financial panic to Russia and Latin America.

Monday's plunge, however, placed the United States itself at the center of the world crisis. It is increasingly acknowledged that the US cannot remain immune to the worldwide meltdown in financial values. On the contrary, the biggest liquidation is taking place in America.

Since July 17, when the Dow Jones Industrial Average reached its all-time peak of 9,337, the market index has plunged nearly 2,000 points, half of it in the four days beginning August 26. More than \$2.3 trillion in market capitalization has been wiped out--again, half of it in the past four trading days, with an estimated \$589 billion erased on Monday alone.

Monday's selloff saw a full-scale panic in the final hour of trading, with shares dumped on the market at any price and the Dow average falling 250 points in the last 30 minutes. The 512-point drop in the Dow, second only to the 554-point drop last October 27, represented a 6.3 percent decline.

The fall in the NASDAQ market, where high-tech stocks are concentrated, was even larger, 8.5 percent, the worst ever. The plunge was led by the most widely traded computer stocks: Intel, down 8.2 percent; Microsoft, down 9.7 percent; Compaq Computer, down 10.1 percent; Dell Computer, down 15.3 percent;

Amazon.com, down nearly 20 percent.

The Dow Jones index closed below 8,000 for the first time since late January, and was well below the level of 7,908.25 where it began the year. The losses since mid-July have wiped out the entire year's gains.

Just as significant as the actual losses was the changed psychology in the market. In previous plunges during 1998, small investors looked on the drops as an opportunity to buy stock cheaply and came back into the market. On Monday they viewed an upswing--the market rose 43 points in the first half-hour of trading--as a chance to get out.

The end of an era

The stock market slide sets the stage for a major shift in the political climate in the United States. It has deeply shaken the conception that the United States is insulated from international economic trends, and it has shattered illusions that American capitalism had entered into a new era in which markets always rose and profits were virtually guaranteed to those with the money to invest.

What has ended, therefore, is not simply an episode in the history of the stock exchange, but a period in the history of American society as a whole, which for the last decade has been dominated by the bull market and the increasingly frenzied focus on the amassing of private wealth.

The stock market boom was in part due to undeniable developments in technology and productivity, especially the revolution in computers and telecommunications. But even more than earlier periods of frenzied market speculation, the rise in share values to levels unsupported by corporate earnings was dependent upon certain political and subjective factors.

Among the most important of these was the surge in the self-confidence within the ruling class in the wake of the collapse of the Soviet Union, and the parallel putrefaction and breakdown of the trade unions and the old Social Democratic and Stalinist parties.

Even as the giant transnational corporations organized production globally to find the cheapest labor and most favorable tax laws, they knew that there would be no organized resistance to their efforts to drive the exploitation of the working class far beyond the levels previously considered the norm.

The ruling class was given a free hand to dismantle social benefits and the welfare state, while raiding the public treasuries in every country for tax cuts for the wealthy. Social inequality was driven to levels unheard of in half a century.

The whole upper reaches of American society--not merely the corporate elite, but a substantial layer of the upper middle class and its 'opinion makers'--were mesmerized by the stock exchange, in which the bulk of personal wealth was based, not on real earnings, but on fictitious paper values.

This society became addicted to speculation to a degree not seen since the 1920s, and the falseness and superficiality was manifested at every level, not just economically, but politically, culturally and morally. A reactionary politics, in which the market was proclaimed as the be-all and end-all of human existence, was combined with the desensitizing of public opinion towards the mounting indices of social crisis--homelessness, poverty, child abuse, the deterioration of education, the lack of access to health care.

American society is utterly unprepared for the shocks, which now lie just ahead. The fall in the market, the colossal liquidation of paper values, will be followed by mass layoffs and the turn of the whole economy to recession and slump, which is already under way.

Under those conditions, with the social safety net shredded and nothing standing between the masses of working people and complete destitution, the stupid worshipping of the blind forces of the market will be discredited, and there will be a new receptivity to a more profound--i.e., socialistic--perspective for the future of society.

See Also:

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