Why bad news for workers is good news for Wall Street

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For all the volatility on the American stock market, one persistent dynamic is the stark opposition between the interests of the masses of working people and the big Wall Street investors. Again and again, bad news for working people—slow job growth, stagnant wages—is greeted with barely disguised glee and an upward spike in share values.

Friday, March 3 provided a particularly striking example. After a week of sharp declines that had dropped the Dow Jones Industrial average below the 10,000 mark, the Dow surged 202 points. The hi-tech Nasdaq index soared a record 160 points.

What sparked the rally? The Labor Department released an employment report showing a significant decline in job growth in February and a negligible increase in workers' wages. The US economy created just 43,000 jobs last month, well below forecasts of a 235,000 gain, and the official unemployment rate edged up from 4 percent to 4.1 percent. Despite a very tight labor market, average hourly wages rose by only 0.3 percent. Recently released statistics on labor productivity have shown an actual decline in unit labor costs.

These figures are cause for concern for millions of working people, especially since most families are dependent on both spouses working one or two jobs and laboring longer hours to keep up with rising expenses. The consequences of losing a job—particularly when household debt is at record levels and government programs for the unemployed have been gutted—can be disastrous.

But the bad news for workers was a shot in the arm for the stock market. CNN's financial network described it as a "party on Wall Street." Investors and market analysts made no attempt to disguise the fact that the unemployment report was a key factor in the market's rise. "Less people at work means better things for the stock market," Arthur Cashin, director of trading at PaineWebber, told CNN's *In the Money*.

One might think that the transparent link between social distress for the masses and euphoria on Wall Street might provoke at least some serious commentary in the press or broadcast media. But then again, this is America, where the media functions as an unofficial arm of big business and the capitalist state, and serious social issues are barely acknowledged, let alone honestly and intelligently discussed.

Nevertheless, broad layers of working people are not oblivious to the fact that both Wall Street and Washington thrive on their economic insecurity. It is, however, necessary to probe more deeply the question: what kind of system considers economic security for the masses of people to be a positive evil? To answer this question, one needs to demystify the stock market boom and disclose the social and class issues that underlie it.

While many workers and middle class people have investments in the market, the rise in share values has chiefly benefited the richest 10 percent of American households, which, according to the Federal Reserve Board, own 90 percent of the value of all stocks and mutual funds. Of this layer, the richest 1 percent of American households have accumulated the vast bulk of new wealth, and now hold more wealth than the bottom 95 percent of the population.

The frenzy on Wall Street has increased the number of billionaires in America from 13 in 1982 to 267 last year. The *New York Times* recently profiled the spending habits of some of the new "cyberbillionaires" who cashed in when their e-commerce businesses went public. The newspaper noted that at Harry Winston, the high-end jewelers at Fifth Avenue in Manhattan, a growing number of Internet millionaires barely out of college have taken to buying diamond engagement rings in the $125,000 to $1 million range. Even those who got rich from the market in the 1980s—but remain mere millionaires—are complaining about the shameless flaunting of wealth by this nouveau super-riche.

The rise of share values has been contingent, however, on the maintenance of unrelenting pressure on the jobs and living standards of the working class. If one were to chart the movement of the stock market over the last 20 years, one could roughly show the inverse relationship between the trajectory of share values—generally upward—and the social position of the masses of working people—consistently downward.

During this period of unprecedented business prosperity corporations have downsized millions of jobs, replaced higher paying and steady jobs with part-time, temporary and contingent employment and forced workers to labor longer hours and increase productivity. By 1998 the average American worker's inflation-adjusted weekly wages had fallen to 12 percent below what they were in 1973.

This has taken place in a definite political climate, in which Republican and Democratic administrations have backed corporate union-busting, slashed social spending and handed billions in tax breaks to the rich.

At the same time Federal Reserve Board Chairman Alan Greenspan has used interest rate hikes to keep unemployment sufficiently high to preempt a broad-based movement by workers for wage increases. In a speech at Boston College March 6, the Fed chairman reiterated his standard warning that the tight labor market encourages workers to press for better wages and benefits. Such demands, Greenspan said, “would intensify inflationary pressures or squeeze profit margins, with either outcome capable of bringing our growing prosperity to an end.”

The reality of growing social inequality, persistent poverty, homelessness and hunger, and such indices of social distress as the rising number of people without health insurance—all in the midst of a record economic expansion—makes a mockery of the old canard that “a rising tide lifts all boats.” As the March 3 stock market rally underscored, prosperity for the financial elite comes at the expense of the living conditions of the masses below. Nothing more clearly demonstrates the irrational, anti-social and anti-democratic character of the capitalist system, whose holy of holies is the New York Stock Exchange.