

Markets, profits soar amid signs of deepening slump

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Stock markets in Asia, Europe and the US rose sharply Monday as major banks and corporations reported bumper profits despite signs of slowing economic growth. In Europe, stocks rose to a three-month high after the continent's biggest bank, HSBC, and France's largest lender, BNP Paribas, reported higher-than-expected earnings. The stocks of mining giants BHP Billiton and Rio Tinto also soared.

In the US, the Dow jumped 208 points, or 1.99 percent, and the other major indexes recorded similar rises. The rally came despite the Commerce Department report last Friday that US gross domestic product growth in the second quarter slowed to 2.4 percent at an annual rate from 3.7 percent in the first quarter and 5.0 percent in the fourth quarter of 2009. The negative economic news was reinforced with Monday's report of a drop in US manufacturing activity in July.

Earlier in July, the International Monetary Fund forecast slower economic growth worldwide over the next 18 months and revised downward its previous estimates for 2011 for the United States and major economies in Europe, Asia and Latin America.

Such anemic growth rates ensure that unemployment will remain at near-depression levels for many months, and even years, to come. It has now become routine for US officials to declare matter-of-factly that there will be no significant easing of the jobs crisis any time soon.

In Europe, virtually every government is imposing draconian austerity measures, slashing jobs and wages, raising taxes on consumption, and gutting social programs. In the US, the Obama administration has dropped even its miserly stimulus initiatives. It is proposing nothing either to bring down unemployment or provide relief for the 26 million unemployed and underemployed workers, including nearly 7 million

who have been out of work for more than six months. Instead, it is pledging to cut basic social programs in the coming months.

The financial markets on Monday celebrated the results of this deliberate policy of the international bourgeoisie to use mass unemployment to drive down wages, increase productivity and boost corporate profits, even under conditions of stagnating or falling sales and revenues.

In Europe, about 60 percent of companies in the Stoxx 600 to have reported earnings since July 12 have exceeded analysts' projections. In the US, with 70 percent of companies in the Standard & Poor's 500 stock index reporting their earnings, profits are running 42 percent higher than a year ago, even though sales are up only 9 percent.

The banks and big investors were further encouraged by remarks from Federal Reserve Chairman Ben Bernanke, who in a Monday speech confirmed that the Fed would keep extending virtually free credit to Wall Street by holding interest rates to near-zero. At the same time, he made clear that unemployment would remain extremely high for an indefinite period, and indicated the Fed had no plans to take measures to bring the jobless rate down.

The same day, President Obama gave a television interview in which he touted the supposed success of his economic policies and declared that the US was "half-way" back to full recovery. This as more than one in five Americans suffered an income loss of 25 percent or more in 2009, over a million families a year are losing their homes in foreclosures, and 1.4 million people unemployed for 99 weeks or more have exhausted all benefits and are without cash income.

The financial markets were also, no doubt, buoyed by the Greek social democratic government's successful

use of the military to break a strike by truck drivers over the weekend.

Economist and *New York Times* columnist Paul Krugman on Monday wrote frankly about the class-war strategy of the ruling elite. He noted “growing evidence that our governing elite just doesn’t care—that a once-unthinkable level of economic distress is in the process of becoming the new normal.”

He suggested that “those in power” would “soon declare that high unemployment is ‘structural,’ a permanent part of the economic landscape....” He went on to predict, “Two years from now unemployment will still be extremely high, quite possibly higher than it is now....”

The key factor in enabling the bourgeoisie, thus far, to impose such a policy is the treachery and complicity of the trade unions. In Europe, the unions, aided politically by their allies among the middle-class “left” groups, have worked to contain and dissipate mass working class opposition to austerity measures, especially in Greece, Spain, Portugal and France. They have limited resistance to token strikes and protests, while collaborating with their respective governments to impose the cuts demanded by the international banks and financial markets.

In the US, the AFL-CIO and the rival Change-to-Win union federation barely make a dent on the political landscape. They propose nothing, organize nothing and devote their efforts to providing political cover for the Obama administration and diverting working class anger along the reactionary channels of economic nationalism.

The role of the American unions was summed up last week when the United Auto Workers showcased Obama’s appearance at two auto plants in Detroit. In a revolting spectacle, Obama boasted of “saving” the US auto industry with his bailout of General Motors and Chrysler, ignoring the role of his Auto Task Force in cutting the wages of newly hired workers to \$14, half that of older workers, closing plants, slashing tens of thousands of auto-related jobs, and slashing the health benefits of retired workers.

Nearly two years after the financial meltdown of September 2008, the banks exercise a tighter grip on government policy than ever before. They will continue to use mass unemployment to destroy workers’ wages and living standards until the working class breaks free

of the trade union bureaucracy and mounts a mass industrial and political struggle against the financial-corporate oligarchy and its political servants.

This requires a socialist program, calling for a massive program of public works to provide jobs for all, and the nationalization of the banks and major corporations under the democratic control of the working class.

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