War on US workers drives stock market rise

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Wall Street stock indexes soared in April with the Dow Jones Industrial Average rising 490.81 points, nearly 4 percent, to 12810.54. The Dow has reached its highest level since May 2008, before the financial crash, and is just 10 percent below its peak of October 2007.

The Nasdaq Index has surpassed 2007 levels and is now approaching heights not seen since the dot.com bubble in 2000. The Russell 2000 small capitalization index is up 150 percent since its low in March 2009.

The bull market is being driven by investors' access to virtually free credit and a spike in profits for America's biggest corporations. About three quarters of the top companies reporting earnings so far have beat Wall Street expectations, according to Bank of America Merrill Lynch.

The market is also rising in anticipation of the multitrillion-dollar cut in entitlement programs and other social spending being debated by the Obama administration and congressional Republicans. While there was a one-day sell-off April 18 after the credit rating agency Standard & Poor's issued a warning on US government debt, the markets quickly rebounded as Wall Street investors realized the warning would be used to ram through historic budget cuts.

Last week, US Federal Reserve Chairman Ben Bernanke endorsed the demand for deep austerity measures, saying cutting the deficit was the "most important" problem facing the country.

Every objective measure points to a US economy still mired in a deep slump. Unemployment and long-term joblessness remain chronically high; the first quarter saw an anemic growth in the Gross Domestic Product of 1.8 percent annually, down from the 3.1 percent fourth quarter rise. In addition, the value of the dollar continued to plunge while speculation has driven up oil and other commodity prices.

Investors shrugged this off and celebrated the sharp increase in corporate profits, which were up 26 percent in the first quarter from the same period last year. "The economic recovery in the US is over. We're in expansion mode," Bob Doll, chief equity strategist for fundamental equities at money manager BlackRock Inc. told the *Wall Street Journal*. In spite of some obstacles, he said, "the market has chosen to pay attention to what has been really good earnings."

The rise in corporate profits is chiefly the result of an unrelenting drive to lower wages and ratchet up workers' output. Real wages fell for the fifth straight month in March, according to the Bureau of Labor Statistics, leaving workers' pay way behind the rising cost of food, gas and other expenses. The consumer price index rose 2.7 percent for the year ending in March, the fastest 12-month pace since December 2009. Average hourly earnings rose only 1.7 percent, resulting in an actual cut of 1 percent in real wages.

Corporations, which are doing little if any hiring, are exploiting high levels of joblessness to suppress wage demands or impose outright wage and benefit cuts. "If the labor market were tight, workers could say, 'I am getting squeezed, can I get a raise?'" Julia Coronado, chief economist for North America at BNP Paribas in New York told Bloomberg News, which added, "That's not an option with 13.5 million unemployed Americans competing for work and a jobless rate of 8.8 percent, she said."

The Obama administration set the stage for wage-cutting throughout the US economy with its 2009 restructuring of General Motors and Chrysler. After massive job cuts and a 50 percent reduction in wages for new workers—imposed with the collaboration of the United Auto Workers—the Detroit Three auto giants made $11 billion in profits in 2010. Last week Ford announced a $2.6 billion profit for the first quarter of 2011—the highest in 13 years. Chrysler said Monday it made $116 million in the first three months. GM will report on Thursday.

Caterpillar—the Illinois-based earth-moving equipment manufacturer—saw a 426 percent increase in quarterly profits to a record $1.2 billion. In March, the UAW signed a six-year contract that guts the wages, health care and

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pension benefits of its workforce. (See "UAW pushes through giveaway contract at Caterpillar").

"I am very pleased with our first-quarter results," said Caterpillar Chairman and Chief Executive Officer Doug Oberhelman. "Demand continued to improve, we increased production, cost control was excellent, and our operating profit margin improved." While workers have been reduced to near-poverty wages, the CEO's compensation quadrupled to $10.4 million last year.

Other major corporations announcing big first quarter profits include Boeing, which made $586 million—up 13 percent—despite falling revenue, and Xerox, which made $281 million. The copier and business services company cut 5,000 jobs last year after the takeover of Allied Computer Services.

Rather than spending their record cash hoards to hire workers, corporations have increased mergers and acquisitions—an activity that drives up stock prices while leading to even greater job cuts. On Monday, Arch Coal announced it had acquired International Coal Group for $3.4 billion, making it the second largest producer of steelmaking coal.

While Wall Street investors and corporate executives have cashed in, conditions for the vast majority of the working population are dire. This is underscored by several developments reported over the last week.

• Rising fuel and food prices have altered the spending habits of shoppers at Wal-Mart, which serves 140 million people a week. People are spending more on the first day of the month when they receive their paychecks, Wal-Mart CEO Mike Duke told *MarketWatch*.

"Our customers are running out of money, buying smaller pack sizes and less discretionary items near the end of the month," Duke said. "It shows greater pressure on consumers. Rising fuel price has been one of the factors that affect consumer spending. The end-of-paycheck cycle is pronounced among our core customers."

• Nine out of ten Americans currently have financial worries, according to a telephone survey conducted for the American Institute of Certified Public Accountants. The biggest worry is over retirement, with 40 percent saying they will never be able to afford it. More than half of Americans, 56 percent, say they cannot save. Only 16 percent say they are better off financially than a year ago.

• According to a report by the *Economist* entitled "Decline of the Working Man," America has the lowest share of prime age males in the work force of all the Group of Seven wealthy economies. Just over 80 percent of those aged between 25 and 54 have a job, compared to 95 percent in the late 1960s.

The rise in the stock market is a reflection of the class war being waged against the working class. In addition to the destruction of wages and benefits, the corporate and financial elite is demanding the elimination of all of the social gains won over the last century.

With Congress returning this week, the Obama administration is resuming negotiations with the Republicans on austerity measures to gut Medicare, Medicaid and other social programs, even as the government squanders trillions on tax cuts for the rich and war spending.

Each day brings reports of the passage of new anti-worker legislation by Republicans and Democrats alike on the state level. The aim of these measures is to illegalize any collective resistance by workers to the social counterrevolution being conducted by the American ruling class.

The eruption of mass struggles in Wisconsin marked the beginning of a fight back. The struggle was betrayed by the trade unions, which shackled it to the Democratic Party and limited its demands to the narrow institutional interests of the labor apparatus, above all, the preservation of its ability to collect union dues.

New organizations of struggle must be built, independent of the unions and the Democratic Party, to initiate the fight to defend the basic social rights of the working class: for a decent-paying job, education, health care, housing and a secure retirement.

Above all, workers need to build a mass political movement to oppose all cuts. In opposition to the claim that there is "no money" for basic social needs, the Socialist Equality Party calls for a radical redistribution of wealth through sharply increasing taxes on all incomes over $250,000 and confiscating the ill-gotten wealth of the financial elite through the nationalization of the banks and major corporations under workers' control.

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