

# Behind the global stock market surge

Andre Damon, Barry Grey  
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The first quarter of 2012 has seen a huge surge in stock prices around the world. Japan's Nikkei index rose by 20 percent. Britain's FTSE and Germany's DAX were both up by more than 14 percent.

In the US, the Dow gained 994 points, its biggest-ever quarterly point gain. The Standard & Poor's 500 index rose 150 points, likewise posting a record quarterly point gain. In percentage terms, the Dow was up 8 percent, the S&P gained 12 percent (its largest year-on-year increase since 1998), and the Nasdaq soared more than 18 percent, its best first quarter since 1991.

Rising stock prices, however, have long since ceased to provide any real barometer of the underlying health of the economy. Over three decades in which financial speculation has increasingly come to dominate the economic activity of the ruling elite, the financial markets have become a mechanism for funneling an ever greater share of the social wealth into the private bank accounts and investment portfolios of the rich and the super-rich.

The current market boom takes place within the context of economic contraction in Europe, declining growth rates in China and India, and an expansion of gross domestic product in the US that is, by the standards of previous post-recession recoveries, anemic. There are no signs in the US and most of Europe of any genuine recovery in production or productive investment in the fourth year of the deepest economic crisis since the Great Depression.

Behind the headline figures, there are many signs that the current stock boom is fragile and unsustainable. What, then, is driving the current rally?

It is in large part a reflection of the response within the corporate-financial elite to the success, to this point, of its drive to impose the full burden of the capitalist crisis on the international working class. This goes hand in hand with the transfer of trillions more in public funds to shore up the banks, to be paid for through even more ruthless attacks on jobs, wages, pensions and social services.

The markets are celebrating—short-sightedly—the ability of the European Union, the International Monetary Fund and the European Central Bank to impose mass poverty on the Greek working class and engineer a controlled default of the country without sparking a new Lehman Brothers-style financial meltdown. They are also heartened by the European Union fiscal pact, which commits all EU governments to permanent and severe austerity.

Meanwhile, the European Central Bank has come to the rescue of the European banks by pumping a trillion euros of virtually interest-free loans into their coffers, and the Federal Reserve has assured the markets that it will continue to hold US interest rates to near-zero for at least another year-and-a-half.

On this basis of unlimited and virtually free credit and the destruction of working class living standards, the ruling classes in the US and other major economies are implementing an economic model for boosting corporate profits on the basis of far lower levels of production. The standard has been set by the American auto companies. On the basis of a 50 percent cut in the wages of newly hired workers—imposed under the Obama administration's 2009 auto bailout, with the enthusiastic support of the United Auto Workers union—the Big Three last year returned to profitability on far lower sales volume than prior to the recession.

General Motors registered its biggest yearly profit ever.

The ruling class's ability to impose these attacks has not been due to a failure of the working class to resist. The year 2011 saw the eruption of mass struggles of a revolutionary character in Tunisia and Egypt, mass strikes and protests in Greece, Spain, Portugal, Italy and other European countries, the emergence of working-class protests in Wisconsin, and the growth of anti-capitalist sentiment that found an embryonic expression in the Occupy Wall Street protests.

But these struggles have been systematically betrayed and suppressed by the trade unions, the official "left" parties, and their allies in various ex-left organizations such as the Revolutionary Socialists in Egypt, SYRIZA and the Stalinist Communist Party in Greece, the New Anti-Capitalist Party in France, the Anti-Capitalist Left in Spain, and the International Socialist Organization in the US. These pseudo-left groups have worked to reinforce the grip of the unions over popular opposition and block the development of an independent political movement of the working class for workers' power and socialism.

The imposition of wage and benefit cuts has brought about unprecedented gains in corporate profits, which surged 8.5 percent to \$1.58 trillion in the United States last year. Corporate profits have reached 10 percent of gross domestic product, the highest level in the entire postwar period.

These policies have resulted in an even more drastic concentration of wealth in the hands of the super-rich. CEO pay in the US set a new record in 2011, climbing a further 2 percent to a median of \$9.6 million for Fortune 500 companies. The top 25 global hedge fund managers took home \$14.4 billion in 2011, or \$576 million apiece.

All of the gains in US national income in 2010 went to the top 10 percent, with the top 0.01 percent, 15,000 households, accounting for more than a third of the national gain.

A "recovery" based on such naked plunder can only be fleeting. The underlying contradictions that led to

the crisis have only been compounded by the policies of the ruling elite.

Meanwhile, the continual drive by the ruling class to impoverish the world's population can only lead to renewed social struggles. The eruptions of 2011 were a precursor to far broader upheavals. The massive response to last week's general strike call in Spain is an indication of the emerging class struggles.

The experiences of 2011 and the beginning of 2012 underscore the critical issue of leadership and perspective. The new, revolutionary leadership of the working class must be built to unite the coming struggles on the basis of a socialist and internationalist program.

Andre Damon and Barry Grey



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