

Amid mass unemployment, corporate profits surge

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Amid deepening poverty and unemployment for masses of American working people, the largest US corporations once again posted record profits last year.

Fortune magazine released its ranking of the 500 biggest US corporations Monday, which showed that they received a record-breaking \$824 billion in combined profits in 2011, up 16 percent from 2010.

But despite having more money than ever, companies are refusing to invest and hire. Instead, they are paying out record bonuses to executives and hoarding what remains in cash.

The average CEO took home \$12.14 million in 2011, up from \$12.04 million in 2010 and \$10.36 million in 2009, according to a report by the Economic Policy Institute published earlier this month.

The ratio of CEO pay to workers' wages has also risen steadily, according to the report. The average CEO received 231 times in as much pay as the average worker in 2011, up from 228 times in 2010 and 193 times as much in 2009. It is rapidly making its way back up to the pre-crisis peak of 383.4 times the average worker set in 2000.

The money left over after the executives had stuffed their pockets was simply hoarded. Last year, corporations held \$1.8 trillion in cash, up from \$1.6 trillion in 2010, and nearly double the amount that they held in previous decades.

This hoarding of cash has come at the expense of productive investment. Over the past ten years, the share of corporate assets used for investment fell by a third for major corporations, while the portion of assets held as cash doubled, according to a report by the International Labor Organization published earlier this month.

Between 2006 and 2010 alone, the portion of corporate assets held as cash by large corporations rose

from 4.2 percent in 2006 to 5.3 percent in 2010, the report noted.

Business investment is now hovering at around 16 percent of GDP; much lower than the pre-crash levels of around 20 percent, according to the International Institute for Labour Studies.

During the economic crisis, the US economy lost 9 million jobs. But since hitting the lowest level of employment, the economy has added only 4 million jobs, while 3 million people have come of working age since 2010.

As a result, the employment-population ratio has bottomed out at its lowest level in three decades. Between, 2008 and the present, the portion of the working-age population that holds a job has fallen by 5 full percentage points.

In order to get back to pre-crisis levels, the economy would need to create almost 5 million new jobs, not to mention the 1.5 million jobs a year for new entrants into the labor force.

Despite the millions who are out of work, the economic output of the United States returned to pre-crash levels last year, and is continuing to grow, albeit at a reduced pace. The US economy grew 1.7 percent in 2011.

The fact that economic output has recovered with far fewer workers means that the work previously done by the now-unemployed section of the population has been transferred onto the remaining workers, in the form of speedups and intensified exploitation. But far from being paid accordingly, wages have fallen steadily.

Seen in this light, the extraordinary 16 percent rise in profits for the Fortune 500 is no mystery; this money has simply been squeezed out of a workforce already reeling from rising levels of unemployment, poverty and homelessness.

And there is no improvement in sight: The US economy added only 115,000 jobs in April, significantly less than the amount needed to keep up with population growth.

The corporations have no incentive to hire additional workers because they know that, given the mass unemployment and desperate social conditions prevailing in the United States, they get more profit by stepping up the exploitation of their workforce than by investing.

This policy is not merely that of individual corporations, but of the entire political establishment that is beholden to them. Since taking office, Barack Obama has done everything in his power to lower wages and impose speedups, most notably in the bailout of the auto industry, where he made the imposition of wage cutting a prerequisite for government aid.

The policy of using mass unemployment to drive down wages and boost profits explains why, in the middle of the greatest economic crisis since the Great Depression, the Obama administration has exacerbated mass unemployment by slashing social spending and employment. Speaking in Albany earlier this week, Obama actually boasted that his was the first administration in recent memory to cut government jobs during a recession.

The parasitic and sociopathic economic policies of the ruling class and their political representatives have wrought social suffering and devastation unprecedented in postwar history. According to the Census Bureau, over 50 million people are below the official poverty line, while more than half the population is either “poor or near poor.”

One in five people in the United States had an “unmet medical need” due to costs and other factors, according to a new study published in the journal *Health Affairs* this month. Homelessness and hunger are likewise at their highest levels in decades.

Nearly two years since the official end of the economic recession, working people have only been impoverished and thrown deeper into debt, while corporations are making record profits and the super-rich are wealthier than ever.

Capitalism has once again proven itself incompatible with the interests of working people, the vast majority of the population. There can be no improvement in the

lives of millions of people so long as the productive forces of society remain in the deadly grip of the financial elite.

The fight for jobs, decent living standards, the right to health care, education and other basic social necessities can be carried forward only through the mobilization of the working class to fight for workers’ power and the socialist transformation of society.

This means expropriating the major corporations and banks and transforming them into public utilities under the democratic control of the working population.

Jerry White and Phyllis Scherrer are running as the Socialist Equality Party's candidates in the 2012 election on the basis of this socialist program. We urge all readers of the World Socialist Web Site to support their campaign.

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