

The 16,000 Dow

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25 November 2013

The Dow Jones Industrial Average closed above 16,000 for the first time ever on Thursday, following seven consecutive weeks of gains. This was immediately followed by another milestone: the Standard & Poor's 500 stock index closed at 1,804, the first time it closed above 1,800 in history.

The Dow is up by 24 percent over the past year, having doubled since 2009. The S&P 500 is up by 28 percent.

Far from expressing a genuine economic recovery, the rise in the stock market coincides with economic stagnation or outright contraction in the US, Europe and much of the rest of the world. More than five years after the September 2008 Wall Street crash, the US and world economies remain mired in the deepest slump since the Great Depression of the 1930s.

The fever chart of soaring stock prices, corporate profits and CEO pay occurs alongside growing poverty, mass unemployment, and ever more staggering levels of social inequality.

There is a parallel between the upward arc of stock prices and the upward trajectory of the indices of social misery and deprivation. The number of people receiving food stamps in the US climbed from 28.2 million in 2008 to 47.7 million in April 2013, an increase of 70 percent. This number continues to swell, with over 1 million new food stamp recipients added between 2012 and 2013.

Between 2007 and 2012, median household income in the United States plummeted by 8.3 percent. The percentage of the US working-age population that has a job has fallen by 4.6 percent since 2008, while manufacturing wages have fallen 3 percent since May 2009.

A report in October by the National Center for Homeless Education, based on figures provided by the US Department of Education, found that over 1.1 million children enrolled in public schools were homeless at some point in 2011-2012, 72 percent higher than before the onset of the economic crisis.

The same period has witnessed an orgy of self-enrichment by the corporate-financial elite. The world's

billionaires have seen their combined net worth double since 2009. Since that year, the richest 1 percent in the US has captured 95 percent of all income gains, while the bottom 95 percent have seen their incomes stagnate.

US income inequality grew four times faster in the first three years of the Obama administration than under Bush, according to figures published earlier this year by the *New York Times*.

How has the stock market surged to record highs while the real economy has failed to recover from the crisis of 2008?

The bull market is not simply the result of impersonal economic forces. It has been deliberately engineered on the basis of definite policies pursued by the Obama administration. This government has made its number one priority propping up the financial system and protecting and expanding the wealth of the super-rich. This has taken the form of a vast transfer of wealth from the working population to the financial oligarchy.

The present rally began in March 2009, following a set of decisions by the administration that made clear it would stop at nothing to rescue the ruling elite and offload the crisis onto the working class.

On March 23, Treasury Secretary Timothy Geithner unveiled the details of a plan to extend virtually unlimited funds to purchase the toxic assets of the banks at inflated prices, using taxpayer money. Since that time, the Federal Reserve's holdings of mortgage-backed securities has shot up from \$68 billion to \$1.4 trillion, and continues to grow by \$40 billion every month. That same day, the Dow rallied 7 percent and closed 497 points higher.

Just days before, the administration had come out against legislation introduced in Congress to block \$165 million in bonuses to executives at the insurance giant AIG and limit the compensation of executives at bailed-out banks and corporations.

Then, on March 30, Obama outlined his proposal for the restructuring of the auto industry, in which the White House made the imposition of sweeping wage and benefit cuts the precondition for the provision of federal funds to

bail out General Motors and Chrysler.

Those three events combined to create the biggest four-week rise in the Dow since 1933.

In 2010, the administration agreed to extend for two years the Bush-era tax cuts for the rich. The same year, Obama signed the Dodd-Frank financial “reform” act, a token measure that signaled there would be no real reform of the banking system, no attempt to hold Wall Street executives responsible for illegal and fraudulent practices, and no halt to the speculative activities that had triggered the financial meltdown.

Also in 2010, Obama pushed through his health care overhaul, a scheme to slash health costs for the government and corporations and boost industry profits by reducing coverage for millions of working people and increasing their out-of-pocket costs.

The crisis over the federal debt ceiling in 2011 ended with a deal to impose over \$1 trillion in spending cuts over the next 10 years, along with an agreement that another \$1.2 trillion in across-the-board “sequester” cuts would be triggered at the beginning of 2013 if no deficit-cutting deal had been reached between the White House and Congress by then.

In the course of those crisis negotiations, Obama offered unprecedented cuts in Medicare and Social Security as part of a “grand bargain” with the Republicans.

In 2012, the so-called “fiscal cliff” crisis resulted in the triggering of the sequester cuts, beginning last March. More recently, the White House and Congress imposed a cut in food stamp benefits and they are preparing to end extended unemployment benefits. Budget talks are currently underway to impose new cuts in social spending while slashing corporate tax rates.

Over this entire period, social services and the jobs and wages of teachers and other public workers have been under attack at the state and local level. This has culminated in the bankruptcy of Detroit, carried out to gut the pensions of city workers and sell off public assets, including the collection of the Detroit Institute of Arts.

How has the government been able to impose these massive attacks on the working class, while looting the economy for the benefit of the rich? It has relied on the trade unions to block and sabotage the resistance of workers.

There have been many expressions of this resistance, including the 2011 mass protests against Wisconsin Governor Scott Walker’s attacks on workers’ rights and social services, as well as a series of strikes, including the 2012 teachers’ strike in Chicago and the 2013 New York

school bus drivers’ strike. In each of these cases, the struggle was isolated and betrayed by the unions, working in alliance with the Democratic Party.

The attacks by Obama and both big business parties and the treachery of the trade unions have been aided and abetted by pseudo-left groups such as the International Socialist Organization, which seek to channel working class opposition behind the union bureaucrats and the Democrats. They oppose the independent mobilization of the working class and a struggle against the capitalist system.

What are the lessons of this experience? First, that the Obama administration is an instrument of Wall Street, in alliance with the military-intelligence complex. Second, that no conditions or rights can be defended by appealing to the big business parties or placing pressure on Congress. Third, that the fight-back of the working class must consciously target the source of the crisis, the capitalist system itself.

The urgent task is the building of an independent political movement of the working class based on a socialist program. The Wall Street casino must be shut down and the trillions of dollars stolen from the population impounded and used to meet the needs of the people for jobs, decent wages and benefits, education, and health care. The banks and corporations must be nationalized and placed under public ownership and democratic control, and the economy reorganized to meet social needs, not private profit.



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