The Wall Street bonanza

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The US stock market once again set new records on Tuesday, with the Dow Jones Industrial Average and the Standard & Poor's 500 index both closing at new highs. The S&P 500 broke 1,900 for the first time, up from its low of 683 in March 2009, while the Dow hit 16,715.

Approaching six years since the 2008 crash, the financial markets have not only recovered their losses, they have surged far above their peaks in 2000 and 2008. The enormous redistribution of wealth from the majority of society to the super-rich that has taken place since the 2008 crash is expressed in these figures.

A new financial bubble has been inflated. The growth in stock values is out of joint with the state of the real economy, which has grown by an average of only 1 percent over the past five years, compared with the post-World War II average of 3.3 percent.

While Wall Street celebrates, the economy is gripped by mass unemployment and falling wages. This is reflected in the latest retail sales figures, which barely budged in the first quarter of the year, as cash-strapped consumers reined in their spending. While stock prices have nearly tripled since March 2009, the income for a typical household in the US fell by 8.3 percent between 2007 and 2012.

This divergence is not an accident, but the result of a deliberate policy carried out by the Obama administration and the Federal Reserve Board. Since 2008, the Fed has expanded its balance sheet more than five-fold, closely tracking the surging stock market. The holdings of the central bank have expanded by 13.9 percent per year since the end of 2009, while the Dow Jones Industrial average has risen by 14.1 percent per year in the same period.

The Fed has kept interest rates near zero for nearly six years, a policy without historical precedent. The very fact that the central bank has been ensuring an unlimited flow of virtually free credit to the banks during the entire "recovery" that officially began in June, 2009 demonstrates that this so-called recovery is based not on a real expansion of the productive forces, let alone the living standards of the masses of people, but rather on the plundering of society for the benefit of a parasitic financial elite.

The trillions upon trillions of dollars that the Fed has pumped into the financial markets have not been plowed back into the real economy, but instead have largely flowed into the pockets, bank accounts and stock portfolios of the richest of the rich.

This bonanza for the financial aristocracy has been subsidized by the government, at the expense of the people. A major reason why the stock market continues to rise, despite mounting signs of economic slowdown, is the repeated assurance by Fed Chairperson Janet Yellen that the central bank will keep the benchmark federal funds rate near zero for an indefinite period.

In addition to gambling on cheap money, the record stock market valuations are a reflection of a massive increase in the exploitation of the working class, which, as far as the ruling class is concerned, has only begun. An article in *USA Today* earlier this month noted the direct correlation between the attack on jobs and wages and the stock market rally.

The greatest rewards go to the most ruthless. The stock prices of the fourteen companies in the Standard & Poor's 500 index that cut jobs every year for the past five years have significantly outperformed the share prices of their rivals. These include cellphone maker Motorola, office equipment manufacturer Pitney Bowes, grocery store chain Safeway and defense contractor Lockheed Martin.

The article noted: "Shares of these chronic job cutters, on average, are up 18.8 percent over the past 12 months. That tops the 15.5 percent gain by the Standard & Poor's 500 during the same time period. And over the past five years, the job cutters are beating the market by an even wider margin, gaining an average 269 percent while the S&P 500 is up 103 percent."

In 2013, for example, Pitney Bowes slashed its workforce by 41 percent. Its stock price soared 73 percent.

Nothing could more clearly sum up the character of the so-called "recovery"—a recovery in stock prices, corporate profits and executive pay based on the destruction of jobs and impoverishment of the working class.

In a recently published book on the 2008 crisis, former treasury secretary in the Obama administration Timothy Geithner asserts, "Nothing we did was out of sympathy for the bankers," who were simply "collateral beneficiaries." Precisely the opposite is the case. Since its first day in office, the Obama administration (continuing the policy of its predecessor) has focused its efforts on defending and expanding the wealth of the corporate and financial aristocracy.

Obama's postelection decision to name Geithner, the then-president of the Federal Reserve Bank of New York and a central figure in the bailout of Wall Street, to head the Treasury Department already signaled the social and class interests his administration would serve.

Bank bailouts and easy money from the Federal Reserve have had a predictable outcome. Bonus pay for Wall Street executives grew 15 percent in 2013, hitting the highest level since the 2008 financial crash.

On the other side of the social equation, the administration has spearheaded an unprecedented attack on workers' wages and benefits. In the 2009 restructuring of General Motors and Chrysler, the White House made the imposition of an across-the-board 50 percent wage cut for new employees the condition for providing financial assistance to the automakers. Since 2009, wages in the auto industry have fallen by an average of 10 percent, generating record profits for the auto companies while setting a benchmark for wage cutting throughout the economy.

All the debts accumulated from handing money to the super-rich must be repaid. And they will be, through the cutting of all expenditures that detract from profit, whether for wages, health care, pensions, public education or other essential social services.

The actions of the state and those of Wall Street have gone hand in hand, the former serving as the political organ and representative of the latter.

The obscene spectacle of soaring stock prices and record corporate profits and CEO pay in the midst of growing social misery, poverty and inequality is an unanswerable argument for putting an end to the capitalist system and building a mass socialist movement of the working class.