How to make $7 billion in 45 minutes

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On Thursday, Amazon, the online retail giant, announced that, contrary to analysts’ predictions and after months of financial losses, it had turned a profit in the second quarter.

The stock market responded with euphoria. Amazon’s share price surged by 18 percent in a single day, adding $40 billion to the company’s market capitalization. With 154,000 employees, Amazon overnight became the world’s largest retailer by market capitalization, surpassing Wal-Mart, with 2.2 million employees.

The market response was conditioned by the fact that stocks have been registering significant losses in the US in the past week, with earnings reports of major companies falling short of expectations amidst growing signs of slump in the United States and internationally.

These include a continuing sharp fall in the prices of commodities such as oil and iron ore, along with declining growth rates in China and a number of emerging markets, and ongoing stagnation in Europe. The International Monetary Fund earlier this month predicted the worst year for global growth since 2009, and last week the US Federal Reserve Board, in its semiannual Monetary Policy Report, painted a grim picture of the state of the US economy.

The signs are mounting—the stock panic in China, extreme volatility on US markets—that the disconnect between a stagnant real economy and a booming stock market, which has prevailed in the US since the beginning of the stock market recovery in the spring of 2009, may well be setting the stage for a new financial meltdown even greater than that of 2008.

In the meantime, multibillionaires such as Amazon CEO Jeffrey Bezos continue to milk the economy. For Bezos, Thursday’s trading was, to put it mildly, lucrative. He made $7 billion in 45 minutes.

Now the seventh-richest man in the world, Bezos saw his wealth surge to $43 billion. For all the hype surrounding the company he founded 20 years ago, Bezos got his billions by sweating his workers, monopolizing the market and capitalizing on a decades-long financial bubble.

Employees in Amazon’s fulfillment centers are paid $11-12 per hour. They are subject to grueling and humiliating conditions. They are regularly searched and foremen record how many times they use the restroom.

A 2011 report in a Pennsylvania newspaper noted that the company would not open the doors to ventilate one of its warehouses even when temperatures reached 110 degrees, for fear of theft. When workers started passing out, the company stationed ambulances outside for them.

Amazon now accounts for a bigger share of online sales than the next dozen competitors. It has used its enormous market power to strong-arm small publishers and authors, recently announcing unilaterally that it will start paying authors of e-books by the page view, instead of by the download, resulting in sharply reduced commissions. Bezos purchased the *Washington Post* with $250 million of his personal funds in 2013.

It is worth making some comparisons. The amount of money Bezos made Thursday is:

* Equivalent to what 300,000 US workers earning the median income earn in an entire year.

* Forty-seven times larger than the annual budget for the National Endowment for the Arts.

* Three hundred and eighteen times the Detroit Water and Sewerage Department’s deficit, which is being addressed by shutting off water to tens of thousands of households.

* More than two-thirds of the annual funding of America’s free and reduced-price school lunch program.

* Enough to provide every one of America’s 15.8 million hungry children $450 per year in food assistance.

The accumulation of such personal wealth amid the vast social misery that prevails in the United States can only be called obscene. But such an assessment would be news to the US media, which salutes every milestone hit by the Dow or NASDAQ with rapture and depicts the members of America's billionaire oligarchy as geniuses and innovators.

There is something deeply dysfunctional about an economic system in which the announcement of a $92 million profit—the first-ever quarterly profit reported by Amazon—triggers $40 billion in share purchases in a matter of minutes.

The continual diversion of vast amounts of money into the stock market is a symptom of an underlying economic crisis of immense proportions. Every dollar that goes into speculating on a stock like Amazon, with a price-to-earnings ratio of nearly 1,000, is a dollar not used for productive investment.

While the real economy in the US has grown by only 13 percent since the depth of the recession in 2009, all three major American stock indexes have more than tripled. This year, NASDAQ for the first time surpassed the heights it reached just before the collapse of the dot.com bubble in 2000.

Meanwhile, the US economy shrank at an annual rate of 0.2 percent in the first quarter of this year. The falloff in economic activity was led by a collapse in business fixed investment, which fell by 2 percent. Investment in nonresidential structures fell by 18 percent.

The sharp fall in investment came despite the fact that US corporations are hoarding some $1.4 trillion in cash and similar assets, the largest such figure on record, amassed as a result of years of record profits amid falling wages and an influx of cheap money from the world's central banks.

Instead of using this cash to hire workers and build factories, corporations are diverting it to raise dividends, buy back shares, hike executive pay and carry out mergers and acquisitions, all at record levels. Earlier this year, the *Wall Street Journal* reported that major US corporations in 2013 spent 36 percent of their operating cash to buy back their own shares, more than double the rate a decade before.

This speculative frenzy has been driven by six years of near-zero interest rates and money printing by the Federal Reserve, whose policies underlie the enormous overvaluation of companies such as Amazon.

The performance of the US stock market has decoupled from economic growth to such an extent that any indication of genuine recovery in the real economy generally prompts a market sell-off, while signs of economic slump tend to send the markets higher.

This state of affairs is an expression of the crisis and decline of American capitalism, which has for nearly four decades responded to declining profit margins in manufacturing by turning ever more decisively to financial parasitism.

The US ruling class and the capitalist system over which it presides have no answers to the social crisis in America. For every problem, they have the same solution: impoverish workers and use the money to gamble on the stock market. If workers don't like it, there are always the police to keep them in line.