

Parasitism and the slump in US manufacturing

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In the latest sign of a downturn in the global economy, US manufacturing activity last month hit its lowest level since June 2009, when the economy was still reeling from the Wall Street crash the previous September.

The Institute for Supply Management said Tuesday that its index of manufacturing activity fell to 48.6 last month, from 50.1 in October. The fifth consecutive monthly decline brought the figure below the milestone of 50 that indicates contraction.

There were sharp declines in both demand and output, with new orders falling 4 points and production declining 3.7 points.

More than seven years after the collapse of Lehman Brothers, the US economy remains in a protracted slump. It has grown at an average rate of just over 2 percent during the official economic “recovery” of 2010-2015. This is markedly less than the 3.2 percent growth rate in the 1990s and the 4.2 percent rate in the 1950s.

Despite the Obama administration’s claims that it has turned US manufacturing around, there are 4.7 million fewer US manufacturing jobs today than there were in the late 1990s, and 1.8 million fewer than in 2006. The last time there were as few US manufacturing workers as at present was in 1950, when the population was less than half its current level.

In recent months, leading financial commentators and institutions such as the International Monetary Fund have been forced to admit that there exists no prospect for a return to “normal” economic conditions in the foreseeable future.

It is clear that the monetary policy conducted by the Obama administration and the Federal Reserve in response to the 2008 financial crash, based on the provision of essentially unlimited funds to the financial

elite with no strings attached, has failed to restore the real economy.

These policies were sold to the American people as a means of promoting economic recovery and “creating jobs.” In reality, they have facilitated a massive growth of financial parasitism, in which an ever-greater share of social resources is diverted away from productive economic activity into various forms of financial speculation.

This process has been fully on display this year. “Business investment across the US is fizzling out,” declared the *Wall Street Journal* in an article published Monday. The newspaper added, “Companies appear reluctant to step up spending on the basic building blocks of the economy, such as machines, computers and new buildings.”

As evidence, the newspaper noted that orders for nondefense capital goods excluding aircraft, a measure of business investment in productive economic activity, fell 3.8 percent in the first ten months of 2015 compared with a year earlier.

Nor is business investment expected to grow in the future. A survey by the Business Roundtable released Tuesday showed that 27 percent of US chief executives expect to cut spending on capital goods over the next six months, the largest share planning to reduce investment since the 2008-2009 crisis.

The money that corporations are refusing to spend on productive investment is being channeled back to the financial elite in the form of share buybacks, dividend hikes and increased CEO pay.

US companies increased their dividend payments by an “astonishing” 24 percent in the third quarter alone, according to Henderson Global Investors. Firms listed on the Standard & Poor’s 500 stock index have increased their share buybacks by 10 percent in the

third quarter compared to a year earlier, and share buybacks are up 80 percent over the past decade.

An analysis by Bank of America found that for every job created by major US corporations over the past decade, companies spent \$296,000 buying back their stock.

The growth of economic parasitism takes its most malignant form in the boom in mergers and acquisitions, which are on track to set a new record this year. These transactions, which create billions of dollars in paper wealth for the rich investors, executives and financial firms that orchestrate them, result in mass layoffs, wage cuts and speedup for employees.

A case in point is the newly merged Kraft Heinz Co, which announced last month that it would close seven North American plants as part of its plans to slash \$1.5 billion in costs. At the same time, the company said it would raise its stock dividend by 4.5 percent.

By means of stock buybacks, dividend hikes, mergers and other parasitic activities, the financial aristocracy has plundered the real economy to boost its personal wealth. The resulting destruction of decent-paying jobs, pensions and health benefits has fueled a vast upward redistribution of wealth, which only accelerated during the so-called Obama “recovery.” While the income of a typical US household fell 5 percent between 2010 and 2013 (on top of an earlier fall of 7 percent), the wealth of the Forbes 400 richest Americans doubled from 2009 to the present.

It is worth noting that the US financial markets responded enthusiastically to Tuesday’s dismal economic figures, with all three major indexes up by around 1 percent for the day. US markets are solidly in the green over the past month, despite a continuous stream of negative economic data, the Paris terror attacks, the ongoing refugee crisis, and the danger of the proxy war in Syria sparking an international military conflagration.

This reality points to certain fundamental characteristics of the present period. In a process that grows more naked by the day, the wealth of the financial elite is derived not from productive investment and the expansion of the productive forces, but the plundering of existing wealth, which goes hand in hand with the impoverishment and ever-greater exploitation of the working class.

This process is mirrored in the sphere of foreign

policy in the drive by every major global power, spearheaded by the United States, to use military violence as a means of ensuring geopolitical dominance. Accustomed to making its money through parasitic and semi-criminal means, the ruling elite sees international law as a dead letter and proceeds to bomb and invade countries at will.

Economic stagnation, parasitism and war are accompanied by an enormous buildup of the repressive apparatus, to be used against any and all domestic opposition, above all, the financial elite’s historic enemy—the working class.

Slump, war and dictatorship have a common root: the capitalist system and the financial oligarchy that presides over it. The great task of the present historical period is to overthrow this system, expropriate the financial aristocracy, and reorganize society on socialist foundations.



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