

The impact of financial parasitism

# Record US share prices amid economic slump and social decay

Barry Grey  
13 August 2016

US stock indexes were mixed on Friday, with the Dow Jones Industrial Average and the Standard & Poor's 500 index closing slightly lower and the Nasdaq Composite index rising marginally, following their record-breaking performance the day before when all three major indexes hit new all-time highs on the same day.

The banner day on Wall Street, the first record day for all three indexes since December 31, 1999, reflected the enthusiastic response of the financial parasites who dominate the US and world capitalist economy to the news that Macy's, the biggest US department store chain, was closing 100 more stores and laying off thousands more employees.

Macy's stock shot up by 17 percent, despite the firm's report of declining revenues and slowing sales growth. Other major chains, including Kohl's, JC Penney and Nordstrom, also recorded sharp stock rises despite similarly grim economic news, as investors anticipated more store closings by them as well.

Hundreds of retail stores have been shut over the past two years as the impact of relentless cuts in wages and pensions and the permanent destruction of decent-paying jobs, combined with sweeping cuts in social programs, have thrown tens of millions of working class families into poverty or near-poverty. The bankers and speculators have placed relentless pressure on the chains to cut costs and increase profit margins at the expense of their employees and the general public.

The surge in stock and bond prices both in the US and internationally, which has further enriched the capitalist elite, has come amid mounting indications of stagnation and slump in the real economy and a worsening social crisis. Economic growth in the US, Europe, Japan and China has slowed to a crawl. New figures released Friday pointed to a slowdown across the entire Chinese economy, with factory output, business investment and retail sales all failing to meet economists' projections.

The euro zone economy grew by a paltry 0.3 percent in the

second quarter, with Italy failing to register any growth and the German economy expanding at a reduced rate.

Gross domestic product in the US is barely increasing, rising only 0.8 percent in the first quarter and 1.2 percent in the second. Both labor productivity and business investment are falling sharply, reflecting the systematic diversion of resources from productive investment to financial speculation and parasitic activities such as stock buybacks, dividend increases and mergers and acquisitions.

US corporations, flush with cash extorted through the slashing of wages and benefits and the imposition of speedup, are hoarding \$1.9 trillion. They refuse to invest in new plants and equipment that could provide decent jobs and address the decay of the country's bridges, roads, schools and housing because the profit margins are too low, preferring instead to speculate on the market and buy back their own stock to increase the take of big investors and inflate the bonuses of top executives.

More negative news on the state of the US economy released Friday barely impacted the stock market. US retail sales for July were unchanged on the month, falling short of the 0.4 percent rise predicted by analysts. In addition, producer prices fell by 0.4 percent from June, the biggest monthly decrease in ten months, reflecting the mounting deflationary pressures in the US and globally.

The markets for the most part brushed off the new indices of slump, even welcoming them for decreasing the likelihood of an increase in interest rates by the US Federal Reserve or other major central banks. Ever since the Wall Street crash of 2008, triggered by the recklessness and outright criminality of the banks and hedge funds, the central banks in the US, Britain, Europe and Japan have been pumping trillions of virtually free money into the financial markets to rescue the financial aristocracy and increase its monopoly on income and wealth.

This has fueled the massive rise in stock and bond prices and the further shift in wealth from the bottom to the very

top. Since hitting its lowest level of the year last February, the S&P 500 has gained 20 percent. According to the *Wall Street Journal*, the consensus among financial analysts is that the Dow will hit 20,000 within the next year.

But despite the talk of “recovery,” the policies of record low interest rates and “quantitative easing” have failed to effect a recovery in the real economy. Instead, the central banks and capitalist governments, led by the Obama administration in the US, have overseen a class war offensive to wipe out all of the previous social gains of the working class.

Large sections of the American people are living in “third world” conditions. The indices of social decay are shocking. Earlier this week, the journal *Obstetrics & Gynecology* published a study showing that between 2000 and 2014, the maternal death rate in the US rose by 27 percent. The US is the only advanced country to record a rise in maternal deaths. Since 1987, the maternal mortality rate in the US has more than doubled.

This study follows reports released over the past several months documenting rising mortality rates among US workers due to drug addiction and suicide, high rates of infant mortality, an overall leveling off of life expectancy, and a growing gap between the life expectancy of the bottom rung of income earners compared to those at the top.

These are not temporary regressions that will be reversed within the framework of the existing diseased social and economic system. Even leading financial officials are now acknowledging that the slump ushered in by the crash of 2008 shows no signs of lifting. In recent months, Fed Chairwoman Janet Yellen has spoken of slow economic growth as the “new normal,” International Monetary Fund Managing Director Christine Lagarde has warned of the “new mediocre,” and former US Treasury Secretary Lawrence Summers has characterized the world economy as suffering from chronic and systemic “secular stagnation.”

What has been called the “financialization” of the US economy, which has come to characterize the world economy, is the outcome of a protracted process of decline and decay at the very center of global capitalism, the United States. From 1985 to the present, the Dow Jones Industrial Average has risen more than four-and-a-half times, from approximately 4,000 to over 18,500. Over this very period, there has been a dramatic decline in industrial and manufacturing jobs, a sharp slowdown in economic growth, and a steady decline in the wages and living standards of US workers. The same period has seen a massive growth of social inequality, with income and wealth concentrated at the very top of American society to an extent not seen since the 1920s.

This crisis, and the malignant social conditions it has

brought, are barely referred to in the US presidential election campaign. Neither party or candidate can offer any policies to address the critical needs of working people and youth. That is because they are both totally controlled by the corporate-financial aristocracy and do its bidding. Their focus is on seeking to overcome growing popular opposition to austerity and war in order to prepare for a vast escalation of military violence abroad, including against nuclear-armed Russia and China, and a further assault on the democratic rights and social conditions of the working class at home.

This past week, both Donald Trump and Hillary Clinton delivered speeches on their economic policies in Detroit, the symbol of the social carnage created by decades of factory closures, wage cuts and austerity. They spoke within blocks of the ruins of shuttered auto plants and vacant fields where stable working class communities once stood. They said nothing about the bankruptcy of the city, which was used to impose a bankers’ dictatorship and destroy city workers’ pensions and health benefits. They had virtually nothing to say about the pervasive poverty in the city or the destruction of its public school system—which they both support.

Trump laid out a nakedly pro-corporate agenda, calling for massive cuts in income taxes for the wealthy, a more than 50 percent reduction in corporate taxes, the total elimination of the estate tax, and the removal of all remaining regulations on business. Clinton, in the guise of a “jobs” and “infrastructure” program, promoted yet another scheme to hand out tax cuts and other incentives for companies to hire workers at poverty-level wages, with the trade unions brought in to keep the workers in line in return for a cut in the spoils.

The two competed with one another in promoting economic nationalism and trade war policies to pit American workers against their class brothers and sisters in Mexico, China and elsewhere and promote patriotism and militarism.

There is no solution to social inequality, poverty and austerity outside of a united working class assault on the capitalist system itself. The financial parasites and their political stooges must be driven from power, their corporations and banks turned into publicly owned and democratically controlled institutions, and the wealth produced by the working class marshaled in a planned and rational way, not only in the US but internationally, to meet social need, not private greed.



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**