

Wages and Wall Street

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Despite mounting geo-political conflicts, economic stagnation and governmental crises in country after country, stock markets in the US and around the world continue their spectacular upward climb. On Friday, as new revelations in the Trump-Russia saga intensified the crisis facing the deeply unpopular US administration, Wall Street chalked up another banner day. The Dow and the S&P 500 closed at new record highs and the Nasdaq recorded its best week of the year. Since its post-2008 crisis low point in March of 2009, the Dow has risen by 340 percent.

The other persistent economic trend, particularly in the United States, is the stagnation and decline of wages. This is despite a nominal US unemployment rate of 4.4 percent, a low level by historical standards, and what the media characterizes as “robust” job-creation.

Last week’s US employment report for June, despite a better-than-anticipated growth in payrolls, sparked unease even in some bourgeois circles because wages rose a mere 2.4 percent from the year-earlier period, well below the 3 percent rate in the months preceding the 2008 financial meltdown. The *New York Times* quoted a top executive at Manpower North America, who said: “We have not before seen unemployment drop, low participation rates and wages not move. That tells you something’s not right in the labor market.”

According to the most recent “Real Wage Index,” posted earlier this month on the PayScale website, five of the 32 metro areas included in the index saw wage declines in the second quarter of this year. Four of the five were in Midwest regions hardest hit by decades of deindustrialization: Detroit, Kansas City, Chicago and Minneapolis.

Adjusting for inflation, real wages in the US have, according to this index, fallen by 7.5 percent since 2006. In real terms, average wages in the US peaked more than 40 years ago.

Unlike the 1929 stock market crash, which was followed in the US by social reform and a modest redistribution of wealth away from the rich, the 2008 Wall Street meltdown ushered in an intensification of attacks on the working class combined with a further enrichment of the financial aristocracy and a record rise on the stock market. Social

inequality has accelerated and continues to climb.

The share of the US gross domestic product going to labor has fallen to the lowest level since the end of World War II, while the share going to corporate profits has hit record highs.

How is this situation to be explained, and what is the relationship between the staggering rise on Wall Street and the decline in working class paychecks?

The Wall Street boom and profit bonanza for the rich are not the result of a growth in production or a new upward spiral of the productive forces. On the contrary, the International Monetary Fund has placed at the center of continuing economic and trade stagnation a persistent decline in productive investment and, related to that, a slump in productivity growth.

What has happened is that the process of financialization and the growth of parasitism that led to the 2008 crash—triggered by the outright criminality of the major banks and investment firms—have accelerated in its aftermath. Far from diverting a small portion of corporate profits to finance social reforms, governments and central banks have overseen an unprecedented plundering of the world economy to rescue the financial aristocracy and make it even richer, at the direct expense of the working class.

The US Federal Reserve has led the way. After the Bush and Obama administrations seized \$700 billion in public funds to finance an initial bailout of the major Wall Street banks, the Fed set about buying trillions of dollars of worthless assets to remove them from the banks’ books (dubbed “quantitative easing”), resulting in a five-fold growth of its balance sheet. At the same time, it lowered interest rates to near-zero and kept them at ultra-low levels to pump liquidity into the financial markets and drive up stock prices.

The banks used their super-profits to provide a windfall for the financial aristocracy in the form of dividend increases, stock buybacks and corporate mergers. Just this month, the Fed gave the green light for banks to raise their payouts to big investors. Bank of America said it would increase its dividend by 60 percent and unveiled a \$12 billion share repurchase plan.

This was accompanied, under Obama, with a policy of austerity and wage-cutting directed against the working class. This included the bailout of the auto corporations on the basis of an across-the-board 50 percent cut in the wages of newly hired workers, the gutting of health care for millions of workers in the form of Obamacare, and an assault on pensions signaled by the Detroit bankruptcy.

That this attack continues unabated was made clear last week when the state of Missouri cut the already derisory \$10 minimum wage in St. Louis to the statewide starvation level of \$7.70.

What has made this social counterrevolution possible is the nearly complete suppression of working class opposition. When the Great Depression hit in the 1930s, the example of the Russian Revolution and the existence of the Soviet Union continued to haunt the bourgeoisie and inspire working class resistance internationally. The social reforms of the New Deal were not the result of beneficence on the part of Franklin Roosevelt, but the explosive eruption of working class struggle, particularly between 1934 and 1938, including general strikes that paralyzed entire cities and a wave of sit-down strikes in auto and other industries.

The current period is dominated by the opposite—the artificial suppression of the class struggle. The US Labor Department reports that over the past four decades major work stoppages declined 90 percent. The period from 2007 to 2016 was the lowest decade on record, averaging approximately 14 major work stoppages per year.

There are many signs of growing anger and militancy in the working class. But there is no basis for social struggle in any of the existing organizations. The Democratic Party has moved ever further to the right and today functions openly and directly as a party of Wall Street, war and the CIA.

The AFL-CIO and the rest of the unions—corporatist organizations of a corrupt and reactionary bureaucracy—devote their efforts to suppressing working class opposition to layoffs, wage cuts, speedup, casualization of labor and attacks on health care and pensions. They block strikes wherever possible and sabotage them when they break out.

The AFL-CIO web site reflects the organization's indifference and contempt for the working class. On the issue of wages, it notes, as part of a few perfunctory paragraphs, that "Ninety percent of Americans' wages are lower today than they were in 1997." Its plan of action to confront this astonishing and damning fact? A petition addressed to Congress!

Wage stagnation and the ever-greater concentration of wealth at the very top will not be halted by appeals to the bribed stooges of Wall Street in Congress or any of the other institutions of the corporate-financial oligarchy. Only the

renewal of working class struggle on the basis of an anti-capitalist and socialist program will change the situation.

The long and highly uncharacteristic period in which the class struggle in America has seemed to disappear is rapidly coming to an end. Anger is rising as is a desire to fight back. Last year's Verizon strike was one of the longest and largest in many years. This growth of militancy is accompanied by a broad political radicalization and rise of anti-capitalist sentiment, which found an initial expression in the mass support for the Bernie Sanders campaign in 2016, based on the misplaced belief that Sanders is really a socialist and opponent of the "billionaire class."

The brutal attacks on social conditions and democratic rights by Trump's government of oligarchs will provoke growing resistance among workers and young people. This emerging movement must, however, find a new organizational form and be guided by a conscious political perspective. It must not allow itself to be channeled behind the Democratic Party or sabotaged by the unions.

The Socialist Equality Party is fighting for the development of the broadest possible movement, uniting all of the various struggles—in defense of health care, immigrants, jobs, wages and education, and against the growing threat of world war—in a single mass social and political movement directed against the entire political establishment and the capitalist system it defends.

We are calling for workers to establish committees of struggle in the factories, work locations and communities to develop this movement and link it to the struggles of workers around the world. Above all, we are calling on workers and youth who see the need for a struggle against capitalism to join and build the SEP as the new political leadership of the working class.



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