Dow at 22,000: A new high for parasitism

Nick Beams
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The Dow Jones Industrial Average recorded its seventh straight record high yesterday after reaching 22,000 on Wednesday, powered by a 4.7 percent jump in Apple stocks. The Dow has nearly tripled in value since it reached its post-2008 financial crash low point of 6,547 in March of 2009.

The record stock market boom has continued despite the turmoil in Washington surrounding the Trump administration and the growth of geopolitical tensions, with the US simultaneously threatening war in Europe against Russia, in the Middle East against Iran, and in East Asia against North Korea and China. On the very day of the Dow's triumph, President Donald Trump signed into law new sanctions against Russia, Iran and North Korea. The European Union is unravelling in the aftermath of Brexit and the alliance between the United States and Germany is turning into mutual and open hostility. Amid continuing economic stagnation, global trade relations are breaking down, giving rise to trade war and beggar-thy-neighbour protectionism.

None of this has halted the juggernaut on Wall Street and stock exchanges around the world. So far this year, the Dow has risen by some 11.5 percent. An investment of $10,000 made a decade ago would now be worth $33,600. These enormous gains have not flowed to the population as a whole—the Federal Reserve estimates that only 15 percent of American households hold stocks—but to the financial elites.

In the early decades of the post-World War II period, a rise in the US stock market reflected a general strengthening of the American economy, which was powered by huge industrial corporations that embodied the overall superiority of American production methods. Those days have long since passed. The rise of the stock market today is an expression of the immense and growing chasm between the financial markets and the underlying real economy.

The jubilation in corporate boardrooms, official Washington and the mass media over the Dow's surge above the 22,000 mark coincided with Depression-like scenes of tens of thousands of workers, young and old, in economically devastated cities and towns across the US, lining up for job applications with the online retailer Amazon in the hope of securing positions at just $12.50 an hour.

The real conditions confronting millions of workers were also underscored last month by the decision of the Taiwanese-owned giant electronics manufacturing firm Foxconn to open an assembly plant in the US. Real wages in America are now so low that it is profitable for Foxconn to site production in the US, closer to the home base of Apple and the other hi-tech firms it supplies.

With Wednesday's breakthrough, the Dow set a new record for the rapidity of a 1,000-point gain. The event was greeted with comments in the financial media that the surge signified a strengthening of profit opportunities for US firms as a result of a strengthening of the American and global economy.

The *New York Times* cited a business executive who said that nobody cared about the "soap opera" in Washington and that what mattered was increased global demand in heavy industries along with a weaker dollar, which aided US exports.

The *Wall Street Journal* quoted a JPMorgan equity analyst who claimed that the current strong earnings season was "more evidence of an upswing in the fortunes of the world economy" and that accelerating global growth could keep stocks rising.

These assertions are not borne out by real data. The International Monetary Fund has projected global growth to be 3.5 percent this year. While this represents a slight increase over previous assessments, it is well below the levels achieved before the global financial crisis. All major global economic institutions, such as the IMF, the World Bank and the Organisation for Economic Cooperation and Development, point to continuing low rates of investment in the real economy as a drag on productivity growth.

The IMF last month downwardly revised its estimates for US economic expansion for 2017 to 2.1 percent, compared to its forecast of 2.5 percent growth a year ago. The organisation all but ruled out any return to a 3 percent growth rate for the US economy, which the Trump administration claims will be achieved as a result of its program of tax breaks for corporations, business deregulation and a government-sponsored profit windfall packaged as infrastructure investment.

Rather than reflecting growing strength in the US economy, the share market upsurge is the outcome of increasingly parasitic forms of profit-accumulation that have become ever more pervasive in recent decades, accelerating in the aftermath of the 2008 global financial crisis.

The various forms of parasitism are reflected in the main driving forces behind the relentless rise in stock market valuations. One of the key components of the increase in the Dow has been a surge in bank shares in anticipation of the gutting of the already minimal regulations imposed on banks by the Dodd-Frank Act, which was passed in 2010 in response to the financial crisis. The banks received a further helping hand when it was announced last month that they had passed stress tests organised by the Federal Reserve, allowing them to launch massive dividend hikes and stock buybacks to boost their share values.

The key drivers of the market are no longer major industrial corporations, but firms such as Facebook, Netflix, Google, Apple and Amazon, all of which have very different modes of profit-accumulation than the market leaders of the past. Amazon, for example, does not produce anything. The boost in its share values, which last week briefly made founder Jeff Bezos the richest man in the world, derives from its ability to devise new methods to undercut the traditional retail giants. The rise of Amazon has therefore been accompanied by a wave of retail store closures and the loss of tens of thousands of jobs across the US.

The hi-tech firms Apple and Google, together with the major pharmaceutical companies, boost their profits through the monopolisation of knowledge, via the protection of so-called intellectual property rights, in the same way that in a previous era land ownership and the extraction of rent formed a major component of wealth-accumulation.

These firms claim that their monopoly-based prices are needed to fund new research. But in fact, the funds are used to finance share buybacks enabling wealthy investors to make a killing on the market. Apple is one of a series of major companies, dubbed by the business channel CNBC as “buyback monsters,” that have been using their profits not for productive investment but to carry out “financial engineering” to boost share values.

Recent research has shown that from 2006 to 2015, the 18 drug companies in the S&P 500 index spent $516 billion on buybacks and dividends, some 11 percent more than their outlays on research and development. In other words, more than half a trillion dollars that could have been used in myriad ways to advance health education and other vital social services was deployed instead for the sole purpose of boosting the wealth of the ultra-rich. It is estimated that each year, firms in the S&P 500 index spend between $500 billion and $600 billion a year on share buybacks.

These operations, which shovel billions of dollars into the hands of the ultra-wealthy, have been underwritten by the US Federal Reserve. It poured trillions of dollars into the financial markets after the 2008 financial crisis, keeping interest rates on the borrowed funds used for such “financial engineering” at historic low levels.

Contrary to the claims in the mainstream media, the rise of the Dow is not an expression of the growing health of the US economy, but rather a fever chart of the spread of decay and parasitism.

Ultimately, this process of social plunder must be paid for—at the expense of the jobs and living standards of the working class, the producer of all value through its labour. The vast inflation of financial assets is like an inverted pyramid resting on an increasingly narrow base of real values generated by productive investment and the expansion of the productive forces.

Sustaining this inherently unstable and unsustainable financial bubble requires two basic things: the ever more brutal exploitation of the working class and the suppression of working class struggle. Ending the former requires ending the latter, and infusing the struggles of the working class with a conscious revolutionary and socialist perspective.