The Dow at 25,000: The bonanza for the oligarchy continues

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The surge of the Dow Jones Industrial Average stock index past 25,000 points yesterday marks a further escalation in the speculative binge that has gripped Wall Street and global stock markets over the past year, signifying a massive transfer of wealth to the heights of society.

It took just 23 days for the Dow to jump from 24,000 to its latest milestone, the shortest period between 1,000-point increments in the index's history.

During 2017, the S&P Global Broad Market Index soared by 22 percent, the biggest increase since the global financial crisis of 2008–2009. This represents a rise of around $9.6 trillion in market value. The FTSE All-World index rose 1.6 percent in December, notching up 14 straight months of gains, the longest such run on record.

The market escalation has prompted predictions that it will continue into 2018, with some forecasters even pointing to a market "melt up" in the coming period.

Notwithstanding a slight increase in global growth over the past year, the market surge is not an expression of a recovery in the world economy, a decade after the eruption of the global financial crisis. Rather, it is a mechanism for an accelerating transfer of income to the upper echelons of society. For example, Amazon chief Jeff Bezos increased his wealth by $33 billion in the past year.

All arms of government and the financial institutions are directed toward fuelling the equity bubble. In the first place stand the US Federal Reserve and the other major central banks around the world. They have pumped an estimated $15 trillion into global financial markets and sent interest rates to historic lows, providing the conditions for the share buybacks and financial mergers that have played such a significant role in boosting the stock markets.

The extent of this financial largesse is indicated by the fact that central banks have bought up virtually all the bonds issued by the governments of the world's 10 biggest economies over the past two years—a key factor in keeping interest rates close to zero in real terms.

These policies represent a continuation and deepening of the process that began 30 years ago in response to the US stock market crash of October 1987, when US Federal Reserve Chairman Alan Greenspan guaranteed that the financial spigots would be opened to sustain asset prices.

The response to every financial storm throughout the 1990s and early 2000s has been the same: the provision of still more money to finance the next round of speculation, culminating in the bailout of the banks after 2008 and the policy of quantitative easing over the past decade.

These measures have been pursued in tandem with the slashing of spending on social services, along with health and education. In the US, as in all the other major capitalist economies, government policies—whatever the political colouration of the regime in power—are based on austerity measures aimed at transferring the wealth created by the labour of the working class up the income scale.

Having just handed out a bonanza to the corporations and the ultra-wealthy in the form of the biggest tax cuts in history, all sections of the US political establishment are united in developing an agenda that makes ever-deeper inroads into the provision of social services.

The character of the stock market boom can be gauged by contrasting the situation with that in previous periods.

Over the past nine years of economic "recovery," the Dow Jones Industrial Average has shot up by 177 percent, while the real US gross domestic product has grown by only 19 percent.

Over a similar period 50 years ago, between 1959 and 1968, the Dow grew by only 22 percent, while the real economy grew by 48 percent, or more than twice the current rate.

The massive growth of stock values has occurred during the worst economic "recovery" in the post-war period, characterised by historically low levels of investment, falling productivity growth and stagnant wages.

The parasitic nature of the boom is evidenced by the fact that about one-quarter of the total increase in share prices has come from just five of the largest US companies by market value: Apple, Alphabet (the owner of Google), Amazon, Facebook and Microsoft.

The characteristic feature of these firms is that their profit accumulation derives not from investment in plant and equipment and the employment of large numbers of workers, as with the industrial giants of the past, but via the appropriation of wealth through intellectual property rights, a modern form of rent. This form of parasitism ultimately depends on the super-exploitation of workers in China and other cheap-labour regions.

Amazon, in contrast to the other technology giants, has a big workforce. Its massive share price increase reflects its role in driving smaller distribution networks out of business through a combination of monopolistic market power and the slave-like exploitation of its impoverished workforce.

There is another, no less decisive, aspect to the stock market boom: the suppression of the class struggle and the virtual disappearance in recent decades of major strike actions.

This is not the result of some organic incapacity of the working class to rise to the challenges that confront it. Rather, it is the outcome of the role of the trade unions and the political parties, supported by the various pseudo-left tendencies, which have dominated it for decades.

The crucial role of these organisations in facilitating the stock market bonanza is not the result of "mistakes" or incorrect assessments, but derives from their material interests and privileges, which are rooted in the maintenance of the private profit system.

With the beginning of the New Year, however, there are indications that the working class is once again preparing to enter into convulsive struggle, as evinced by mass demonstrations in Iran, the latest wildcat strike by auto workers in Romania, and growing labour militancy throughout Europe and the Middle East.

The capitalist profit system constitutes nothing less than a coordinated instrument for the transfer of the wealth of society to its upper echelons and their hangers-on. It cannot be changed through a perspective of reform, but only through its overthrow and the reconstruction of society from top to bottom on the basis of a socialist program.

That is, as Marx put it, there is no way forward other than the "expropriation of the expropriators," ending the private ownership of the means of production and establishing a socio-economic order to meet human need. The necessity to undertake the political rearming of the working class in the fight for this perspective is the conclusion that must be drawn from the stock market frenzy, and the growth of poverty and social misery that accompanies it.