Ten years after the Wall Street crash, record stock buybacks and mergers

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Ten years after the financial collapse of 2008, the US economy is more dependent on inflated share values and financial manipulation than ever. The enrichment of the financial oligarchy on the basis of parasitism and fraud has been facilitated by government actions, first under Obama and now under Trump.

On June 28, the US Federal Reserve announced that the six largest US banks—JP Morgan Chase, Bank of America, Wells Fargo, Citigroup, Goldman Sachs and Morgan Stanley—all passed their annual stress test, designed to assess the stability of banks in a time of financial crisis. With this decision the Fed gave these Wall Street giants the go-ahead to dole out $125 billion in stock buybacks and dividend increases to their shareholders.

On Tuesday, the *Wall Street Journal* reported that prior to issuing the results of the stress tests, the Fed took the unprecedented action of warning Goldman Sachs and Morgan Stanley that they were about to flunk their tests and offering them a deal to avoid outright failure and continue their multi-billion-dollar payouts to big investors.

According to estimates from the United Nations and the Guttmacher Institute, $125 billion would provide education to every child in the world without one ($26 billion), feed the 815 million chronically hungry people in the world ($30 billion), provide free maternal and prenatal care to every mother in the developing world ($13 billion), and prevent 4 million malaria deaths through vaccines and treatment ($6 billion). This would still leave $50 billion to house America's homeless population, rebuild Flint, Michigan's water system and restore funding to the arts.

The day before the Fed's announcement, on June 27, the US Department of Justice approved Disney's $71 billion bid for 21st Century Fox. The resulting company will control 50 percent of movie box office revenue, according to the *New York Times*. The Writers Guild of America estimates that it will control 30 percent of US scripted TV programming.

This is only the latest action in the accelerating concentration of economic power into fewer and fewer hands. The Disney-Fox merger follows the $85 billion merger of AT&T and Time Warner, creating a communications and entertainment behemoth that controls much of the infrastructure of modern telecommunications and the content produced by television and film studios. This so-called vertical merger will set off a scramble by mega-monopolies such as Google, Facebook, Netflix and Amazon to hook up with other telecoms to consolidate all of entertainment, news and the means of their distribution in the hands of a few giant corporations.

One result of the growing wave of mergers is brutal cost-cutting, downsizing and the elimination of tens of thousands of jobs. A pending merger of T-Mobile and Sprint, the third and fourth largest wireless carriers in the United States, is expected to cost 20,000 jobs in the US.

Both stock buybacks and mergers and acquisitions are hitting new heights. The first quarter of 2018 set a quarterly record for stock buybacks, $242.1 billion. However, this number was dwarfed by the flood of buybacks in the second quarter, with companies announcing $433.6 billion in share repurchases. Buybacks will likely surpass $1 trillion this year.

Last year was the biggest year ever for mergers and acquisitions. Likewise, the first quarter of 2018 saw the largest total value of mergers and acquisitions in the US for any first quarter--$1.2 trillion worth of deals--putting 2018 on track for a new record.

Stock buybacks are a parasitic financial mechanism.

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They take money out of productive, job-creating investment, whether it be for new factories, schools or roads, or for research and development, and use it to boost the value of the stock market. To an unprecedented extent the entire economy is geared to enabling billionaire oligarchs to purchase more and bigger yachts, mansions and private jets and indulge in the useless luxuries with which the ultra-rich preoccupy themselves.

A frenzy of stock buybacks, dividend increases and mergers and acquisitions—this is where the hundreds of billions of dollars that corporations gained through Trump's tax cut for the rich are going. The policies of the government and the big business political parties—both of which are controlled by the oligarchy—are facilitating its plundering of society.

A graph from Deloitte, pictured in Figure 2, shows that since the 1980s the US economy has evinced a trend toward declining capital formation coupled with expanding stock buybacks. While the data shows the volatility of this process, the trend line is clear. This shift toward rewarding shareholders at the expense of productive investment is bound up with the general economic decline of the United States, its increased financialization and the assault on the working class.

Over the past decade, vital social services have been cut or left woefully underfunded, while social services such as education have been increasingly privatized.

Trump's 2019 budget will cut the Department of Education by $3.7 billion, the Department of Housing and Urban Development by $6.8 billion and the Environmental Protection Agency by 25 percent, or $2.8 billion. It will reduce food stamps and federal housing assistance by about a quarter over the next decade, and cut Medicare by 7.1 percent. At the same time, military spending is being massively increased, with both parties voting overwhelmingly for a near-record Pentagon budget of $695 billion this year.

While the value of the stock market has increased four-fold over the past decade, under Obama and Trump the workers' share of the gross domestic product sharply declined and then flattened. The declining share of wealth hits the most vulnerable sections of the working class the hardest, evidenced by the growing opioid crisis (with 116 people dying a day), declines in life expectancy in 2016 and 2017, and a 25 percent surge in the suicide rate over the past 17 years.

In 2008, the financial oligarchy plunged the country into the worst recession since the 1930s. Millions of people lost their jobs, their homes and their life savings.

The focus of government economic and social policy was to enable the rich and the super-rich to recoup their losses and add to their wealth. Hence the trillions of dollars in taxpayer-funded bank bailouts, the super-low interest rates and the money-printing operation known as "quantitative easing." The other side of this process was brutal austerity and wage-cutting directed against the working class.

These measures have not solved any of the underlying economic problems; they have only exacerbated them. As suggested by a recent CNBC article, "Companies buying back their own shares is the only thing keeping the stock market afloat right now," these policies have set the stage for an even deeper crisis of the capitalist system.

There can be no resolution to any social problem confronting the population in the United States and internationally outside of a frontal assault on the wealth of the financial elite. It is a cancer on the human race, infecting every governing body and every institution of the state. The political system is controlled by this social layer, which uses a portion of its economic plunder to bribe politicians and government officials, whether Democratic or Republican.

If the past decade has demonstrated anything, it is that the ruling class has no solution to the crisis of capitalism. Everything it has done has only prepared the way for new disasters. The working class must advance its own, revolutionary response.

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