

The class dynamics of the stock market bull run

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With the tenth anniversary of the collapse of Lehman Brothers approaching, the US stock market this week recorded its longest-ever bull run, defined as a period in which the market has continued to rise without experiencing a fall of 20 percent.

Since its low point on March 9, 2009, the S&P 500 has risen by 323 percent, the tech-heavy Nasdaq has risen 611 percent and the Dow Jones is up around 300 percent. The rise in the S&P since 2009 represents an increase in financial wealth of some \$18 trillion, the vast bulk of which has flowed to an upper stratum of society.

But rather than expressing the strength of American capitalism, these increases could well be likened to a phenomenon well known in the 19th century—the rosy colour that appeared in the face of a victim of tuberculosis. The spectacular rise of American financial markets since their nadir in the aftermath of the financial crisis of 2008 is a visible expression not of health but rather of disease: in the form of financial parasitism.

The economic origins of the boom lie in the measures taken by the US government and financial authorities in response to the financial meltdown of 2008. The Bush and Obama administrations orchestrated, to the tune of trillions of dollars, the bailout of the banks, whose financial speculation, in many cases involving outright criminal activity, had brought on the most serious crisis since the Great Depression of the 1930s.

Like all systemic crises, the breakdown of 2008 evoked a class response. The ruling elites and the state determined that in order to protect and expand their own wealth and power, the working class would be made to pay for the crisis. This was the underlying dynamic of all the measures that were adopted as the ruling class used the crisis to enrich itself beyond its

wildest dreams.

While millions of families lost their homes and millions of workers lost their jobs and then were forced into lower-paid positions when they eventually found work, the financial elites enjoyed a bonanza.

The initial injection of hundreds of billions of dollars into the coffers of the banks and finance houses was followed by the flow of trillions of dollars into the financial system via the program of “quantitative easing”—the purchase of financial assets by the US Federal Reserve that saw its balance sheet expand from \$800 billion to more than \$4 trillion—and the lowering of interest rates to historic lows.

The stock market boom is, as Socialist Equality Party National Chairperson David North put it in his opening report to the party’s fifth national congress last month, “the institutionalization of a political-economic system in which the stock exchanges, with the full support of the state, serve as the medium for the transfer of wealth, on a massive and unprecedented scale, to the corporate-financial oligarchy.” It was an expression of the decline in the economic and global position of US capitalism.

This can be seen in the change in the composition of the leading companies that dominate the financial indices. Before the eruption of the financial crisis, the most valuable companies were ExxonMobil, General Electric, Microsoft and AT&T. Now the four most valuable firms are the technology giants Apple, Amazon, Alphabet (Google) and Microsoft, with Facebook in fifth place, while giants of the past, such as IBM and major industrial corporations like General Motors, lag well behind.

It is symptomatic of the transformation of American capitalism that one of the most profitable activities of the tech giants is devising new methods of harvesting data on consumers’ social activities and spending

habits, turning that data into saleable commodities. They see further avenues of growth in partnering with the repressive apparatus of the state, building weapons of war and helping the intelligence agencies censor political speech on the Internet.

Another key indicator of the growth of the financial parasitism that underlies the stock market boom is the ever-increasing use of share buybacks by major corporations to boost the value of their stock.

This activity has received a boost through the corporate tax cuts carried out by the Trump administration. On Thursday, in response to the escalating political crisis in the US, Trump directly pointed to his role in boosting the market in an interview on Fox.

“I’ll tell you what,” he said, “if I ever get impeached, I think the market would crash.” This would result in everybody becoming “very poor,” with a reversal of numbers in “that you wouldn’t believe.”

The official mantra, embraced by both parties, is that corporate tax cuts will boost investment, thereby creating an expansion of jobs and an increase in wages in a so-called “trickle-down” process.

The opposite is the case. Instead of a “trickle down,” the tax measures have produced an upward flood of wealth for the corporate and financial oligarchy at the heights of society. Share buybacks comprise a significant component of the back-to-back quarters of growth in earnings per share of S&P 500 companies this year, and it has been estimated they will top \$1 trillion by December.

But state-backed financial parasitism is not the only cause of the stock market surge. Another critical factor has been the role of the trade union apparatuses in the suppression of the class struggle. This process, which developed at least from the early 1980s in parallel with the rise of financial parasitism, was accelerated in the aftermath of the financial crisis of 2008.

In line with its boost to the banks and finance houses, the Obama administration organised the “restructuring” of General Motors and Chrysler, with the collaboration with the trade union bureaucracy. It initiated major cuts in wages and social benefits through the implementation of measures such as the notorious system of two-tier wages that has now spread throughout American industry. These measures in turn created the conditions for the development of the new

systems of super-exploitation devised by Amazon and other major corporations.

As a result, while the stock market has soared to new heights, wages and working conditions have been on a continual downward trend. Two recent social statistics underscore the impact of this process. In 2016, as a result of growing social inequality, life expectancy in the United States fell for the second year in a row—the first time this has happened in decades. Since 2008, the number of US drug overdose deaths has grown by 80 percent, hitting 72,000 last year.

The stock market rally is the outcome of an ongoing and ever-deepening offensive by the ruling class that will literally stop at nothing in order to expand its wealth. Accordingly, the working class must develop its own independent class response.

There is no basis for reform of the parasitic and destructive profit system. It must be overturned and replaced with a higher form of socio-economic organisation in which the wealth created by the labour of millions is used to meet human needs. The resurgence of the class struggle in the US is the beginning of this process. Its further development depends above all on the extent to which it is politically armed with a socialist program and perspective and on the building of the necessary revolutionary party to lead this struggle.



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