The ten-year stock market bull run

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9 March 2019

Today marks the tenth anniversary of the beginning of the record bull-run on US stock markets following the global financial crisis of 2008 that has enriched the financial oligarchy to the tune of hundreds of billions of dollars and widened social inequality in the US and around the world to historically unprecedented levels.

Over the past decade, as a result of policies carried out by the US government, financial authorities and, above all, the US Federal Reserve, trillions of dollars have been pumped into financial markets, lifting the Dow and the S&P 500 by more than 300 percent and the tech-heavy Nasdaq by 500 percent.

Investigations into the crash revealed, in the words of the chairman of a Senate report issued in 2011, that the financial system was a “snake pit rife with greed, conflicts of interest and wrongdoing.” But no one was prosecuted for this criminal activity, as Obama’s Attorney General Eric Holder invoked what amounted to a new bourgeois legal principle: “too big to jail.”

In March 2013, he told the US Senate that the financial institutions involved in what had been found to be essentially criminal activity were so large they could not be prosecuted, because if charges were brought, “It will have a negative impact on the national economy, perhaps even the world economy.”

Not only was no one punished, the financial oligarchy was richly rewarded. This began with the immediate $750 billion bank bailout program, but then was rapidly and massively extended through the program of "quantitative easing" undertaken by the US Fed and then replicated by other major central banks around the world. It has been estimated that, taking into account all the financial measures adopted, including the purchases of bonds and the provision of dollar liquidity lines, the total amount pumped into the system was around $25 trillion.

This process has sent interest rates to historically unprecedented low levels, enabling the continuation and extension of the very speculative and parasitic activity that led to the financial crisis. As a result, according to the latest Oxfam report issued in January, 26 billionaires own and control as much wealth as the 3.8 billion people who comprise the bottom half of the world’s population, and the wealth of the financial oligarchy is increasing by $2.5 billion every day.

In the US, just three billionaires now own more wealth than 160 million people, or half the population.

The massive financial stimulus package of the Fed and other central banks was advanced with the claim that it was the necessary and only possible means available to prevent the US and global economy from plunging into another Great Depression.

But ten years on, long after the immediate emergency has passed, it has become clear that much more was involved. What has been established is an institutionalised mechanism for the siphoning of the wealth produced by the labour of billions of workers around the world up the income scale. The financial oligarchy has been enriched beyond its wildest dreams, while the mass of the working population has seen its wages cut and social facilities slashed, on the grounds that "there is no money."

The process has confirmed in living social reality, not simply on the pages of *Capital*, one of the essential findings of the founder of scientific socialism, Karl Marx, i.e., that the inherent, objective logic of the capitalist mode of production is the accumulation of wealth at one pole and poverty and degradation at the other.

The promotion of social inequality was not some unfortunate by-product of the financial rescue operation. As economist and author David McWilliams noted in a comment published in the *Financial Times* earlier this month, the chairman of the Fed, Ben Bernanke, concluded that a “balance sheet recession” had to be combatted by reflating assets.

“By exchanging old bad loans on the banks’ balance sheets with good new money, underpinned by negative interest rates, the Fed drove asset prices skywards. Higher valuations fixed balance sheets and ultimately coaxed more spending and investment. However, such ‘hyper-trickle-down’ economics also meant that wealth inequality was not the unintended consequence, but the objective, of policy.”

Marxist political economy has always insisted—against the insistence of the hired prize fighters of capital, the bourgeois economists, that the so-called "free market" based on private ownership of the means of production and finance is the only viable economic system—that the capitalist system is driven into recurring crises not as a result of accidental or temporary factors, but by its own objective contradictions.

That finding too is being confirmed in living economic reality. The fiction of bourgeois economics is that profits generate investments, leading to the expansion of production, more jobs and rising wages, and that, whatever fluctuations may result, all is for the best in the best of all possible worlds.

This fiction has been exploded by recent economic history. Notwithstanding the provision of vast amounts of credit, investment in real economic activity in all the major capitalist economies remains below where it was prior to 2008. And now there are growing signs of a major global economic slowdown, if not recession, the latest indication being that in the US hiring virtually came to a halt in February, with the creation of only 20,000 new jobs.

The dependence of the entire global financial system on the supply of cheap money has been demonstrated by the frantic opposition of the financial oligarchy to any move to return to what was once considered a “normal” monetary policy.

In 2013, when the Fed indicated it was intending to wind down its asset purchasing program, the financial markets responded with the so-called “taper tantrum.”

When the Fed eventually began lifting rates in 2015—by very small increments—it did so with the assurance that it was ready to intervene should this be considered necessary. There was not simply a "Greenspan put," a "Bernanke put" or a "Yellen put," but a Fed put—a guarantee by the central bank that it would underpin the stock market.

In 2018, the Fed carried out four interest rises, with the prospect of more to come in 2019, in order to “normalise” policy and have some room for manoeuvre to meet the next crisis or downturn. It also indicated that the winding down of its asset holdings, which had expanded from $800 billion in 2008 to more than $4.5 trillion, would continue at the rate of $50 billion a month—a policy that was on “automatic pilot.”

This produced a furious reaction, as US markets in December last year recorded their worst result for that month since 1931, in the midst of the Great Depression.

The about-face was swift in coming. The January meeting of the Fed’s policy-making Open Market Committee decided that further interest rate rises were on hold, and the winding down of asset holdings, which tended to lift bond market interest rates, was coming to a close, well short of any return to the pre-2008 level.

This has since been followed by this week’s decision of the European Central Bank to reverse its previous winding down of quantitative easing and provide more cheap loans to the banks and reinvest its bond holdings as they mature.

It is a striking demonstration of the veracity of Marxist political economy—above all, its insistence that the crises of the capitalist system arise from objective processes within it. A review of the past decade reveals that the very measures enacted to try to prevent a meltdown of the financial system in 2008 and sustain it in the period since have created the conditions for another disaster.

Significant warnings, emanating from bourgeois circles, point to this. The IMF has reported that global debt reached an all-time high of $184 trillion in 2017, equivalent to 225 percent of global GDP.

The regime of ultra-low interest rates has led to a debt binge, with a significant rise in the issuing of lower grade corporate bonds financed by investors in search of higher yield.

Earlier this month, the OECD produced a major report in which it warned about the record amount of debt being issued with historically low ratings. Amid growing signs of an economic slowdown, it warned: “The amount of corporate bond investments that may be expected to default in the case of an economic downturn may be considerably larger than that experienced in the financial crisis.”

It found that the global debt in the form of corporate bonds issued by non-financial corporations was almost $13 trillion at the end of 2018, twice the amount in real terms at the end of 2008.

The Bank for International Settlements in its latest quarterly review has expressed concern over the expansion of corporate bonds with the lowest investment grade rating of BBB, pointing out that the share of holdings of such bonds by mutual funds had increased from 20 percent in 2010 to 45 percent in 2018.

It warned that while BBB bonds had proved attractive because of the higher rates they offered, fire sales could result in a downturn. “If, on the heels of economic weakness, enough issuers were abruptly downgraded from BBB to junk status, mutual funds and, more broadly, other market participants” required to hold investment-grade bonds “could be forced to offload large amounts of bonds quickly.”

In a comment earlier this month, *Financial Times* columnist Rana Foroohar noted the fact that “the Fed was forced into a U-turn by choppy markets in another sign of too much financialisation." The commentary continued: "Easy money has become a morphine drip that too many companies and investors can’t seem to do without, even though we are nearly 10 years into an economic recovery.”

It is not a question of if another financial crisis will erupt, but when it will strike. And it threatens to be even more serious than that of 2008, with far-reaching political consequences.

A political balance sheet must be drawn. Governments around the world, of whatever political stripe, from the Democrats and Republicans in the US, to the Labour Party in Britain and the pseudo-left Syriza regime in Greece, have demonstrated they are the unalloyed defenders of the global financial oligarchy and the profit system, and that this reality will determine their response.

A decade ago, they faced a working class that, having been suppressed for almost three decades, above all by the trade union apparatuses, was largely stunned by the crisis and unable to develop a coherent response.

That situation has changed. The past period has been characterised by a resurgence of class struggle around the world and a striving to break free of the straitjacket of the trade unions. This is combined with a deepening hostility to all the parties of the capitalist political establishment and a growing interest in, and support for, socialism, especially among the youth.

The ruling classes know that in the next economic crisis the circumstances that assisted them in 2008 will no longer apply and they will face an upsurge in the class struggle. They will confront it not with reforms and concessions—they are impossible. That is why the past decade has seen the enhancement of all the mechanisms of state repression.

The working class must make its own preparations. They must be based not on futile appeals to the political establishment to change course—such as the fraudulent campaigns of Bernie Sanders and Alexandria Ocasio-Cortez in the US—but through the fight for a genuine internationalist and socialist program based on the expropriation of the major corporations and the citadels of finance capital, as the starting point for the development of a higher form of socio-economic organisation grounded on human need, not the dictates of the profit system.

Those preparations depend on the development of new organisations of class struggle to break the stultifying grip of the trade unions and the building of the International Committee of the Fourth International and its sections, the Socialist Equality Parties.