Record global dividend payouts fuel rising social inequality

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A new report published this week by the financial advisory firm Janus Hendersons shows that the world's largest corporations will hand out $1.43 trillion in dividend payments to their shareholders in 2019, setting a new record.

Ten years after the global financial crisis began in 2008, wages continue to stagnate, poverty is rising, and workers everywhere are lyingly told that there is no money for such elementary social needs as healthcare, education and pensions. At the same time, the class of corporate executives and billionaire shareholders continues to rake in incredible sums of money.

According to the report, which is based on data calculated for the world's 1,200 largest companies, total dividend payments surpassed half a trillion US dollars in the second quarter of this year, reaching $513 billion. To place this number in context, the amount handed out directly to shareholders in 2019 will be more than the annual economic output of Spain, a country of 47 million people. In just three months, the 20 largest companies alone paid $87.9 billion in dividends, roughly twice the total economic output of Tunisia (population 11.5 million) for an entire year.

Dividends are payments made by companies to their shareholders on a quarterly or annual basis, with every share entitling its owner to receive an amount determined by the company's board. The money for these payments does not arise out of thin air. It is extracted from the collective labour of the working class. Its source, as Karl Marx discovered more than 150 years ago, is the surplus arising from the difference in value between what the workers are paid in wages and what they produce in the course of their work.

The figures contained in the report demonstrate how the share market serves as a mechanism for the transfer of wealth up the income scale from the working class to the wealthiest sections of society. The overwhelming majority of shares of all these corporations are dominated by a relative handful of investment firms and hedge funds which are controlled by a tiny layer of billionaire and multi-millionaire shareholders.

One hundred years ago, the Russian Marxist revolutionary Vladimir Lenin, analyzing the development of imperialism at the turn of the 20th century, noted that an essential feature of this period of capitalist decay was an "extraordinary growth of a class, or rather, a stratum of rentiers, i.e., people who live by 'clipping coupons,' who take no part in any enterprise whatever, whose profession is idleness." Today, the processes then analyzed by Lenin have developed to a far greater level of maturity.

The growth of dividend payments is just one expression of how corporate profits are being used, not to re-invest into productive capital, but for essentially parasitic financial activities to directly enrich the corporate and financial elite.

The financial investment firm Moody's reported last June that stock buybacks in 2018 by the S&P 500 companies (500 US-based companies that comprise around 80 percent of the US market) had doubled from the previous year to reach $467 billion in the year to March 2019. Stock buybacks occur when companies purchase their own stock in order to artificially inflate their own share price. Their sole purpose is to increase the wealth of shareholders by raising the price of the shares that they own.

Goldman Sachs data published at the end of July shows that in the 12 months ending March 31, the same S&P 500 spent 103.8 percent of their free cash flow on dividend payouts and stock buybacks. In other words, they spent more than their income in direct handouts to investors over the same period. This is the first time that this has taken place since the period of 2006–2008, in the immediate lead-up to the 2008 financial crash produced by the criminal speculative activities of the corporate and financial elite. In the period since, these activities have not only continued, they have intensified.

The policies of governments around the world are oriented toward the artificial inflation of the share market, with central banks in the United States, Europe and Japan taking on unprecedented levels of debt to maintain the flow of ultra-cheap credit to fuel financial speculation. Prior to 2008, the balance sheet of the European Central bank stood at approximately 1 trillion euros, or ten percent of the economic output of the euro zone. This has since more than quadrupled to 4.7 trillion euros, or 40 percent of output.

The report refutes the lying claims by the same governments that workers must accept the slashing of social programs and conditions because there is simply no money to fund them. For example, dividend payments by French corporations in the second quarter of 2019 reached $51 billion, the highest amount ever. The same week as the report’s release, the French media has been filled with accounts of the “busy week” of President Emmanuel Macron following his return from summer holidays, and the demand that he make progress on his government’s agenda of slashing pensions and completing education reforms to cut spending. But the dividend payouts of the largest French corporations in 2019 alone would cover two thirds of the entire spending on pensions for the year.

Since 2009, global dividend payouts have increased by approximately 95 percent, almost doubling in value. The same period has seen an escalating assault on the conditions of the working class, epitomized by the growth of two-tier wage systems among autoworkers in the United States, the uberization of vast sections of the working class via the proliferation of casual and temporary jobs, and the growth of corporations like Amazon, whose profits are based upon the ever-more precise use of automation to increase the conditions of exploitation of their workforces.

The two processes are, fact, directly connected. The increased exploitation of the working class is the necessary basis for the funnelling of profits into the hands of the super-rich.

For example, Ford Motor Company’s announcement of the layoff of 12,000 workers across Europe at the end of June of this year was greeted with rapture on share markets. Share prices immediately rose by three percent, as the financial investors anticipated that the increased exploitation of the remaining workforce would free up cash for higher dividend payouts and stock buybacks.

This process, however, has depended upon one essential condition: the continued suppression of the class struggle and resistance by workers, which for decades has been carried out by the trade unions, the bought-and-paid-for allies of the companies and governments in every country. Internationally, however, the grip of these pro-corporate tools is breaking up as workers are entering into struggle against intolerable conditions of social inequality and the assault on their jobs and living standards.

The year 2019 has witnessed an upsurge of working-class struggle, from the “yellow vest” protests in France, to teachers’ strikes in the US, to the mass protests in Puerto Rico, Algeria and Sudan, to the growing opposition among US autoworkers to the conspiracy of the automakers and the bribed United Auto Workers union to impose further concessions.

These struggles will continue to escalate. But the precondition for their success is for workers to understand that they face not just one company, union or government, but the entire capitalist system, which depends upon the immiseration of the working class for the enrichment of the elite. The alternative is socialism—the expropriation of the ill-gotten gains of the financial oligarchy and the transformation of the gigantic corporations into public utilities, controlled democratically by the working class, and organized to meet social need.