

No corporate bailouts! Direct financial resources to the working people, not the capitalist elite!

Statement of the Socialist Equality Party (US)
23 March 2020

As the new week begins, the number of people infected by the COVID-19 virus is rising exponentially in the United States. New York City, which is now the epicenter of the pandemic, is threatened with a breakdown of its healthcare system and a tragic rise in the number of deaths. Given the absence of mass testing to determine the locations of infected people, it is all but certain that the social disaster now unfolding in New York, California and Washington state will spread rapidly in the coming days and weeks throughout the country.

As the pandemic spreads, the economic impact is acquiring dimensions that are without precedent in the history of the United States. As people are being instructed to “shelter in place” and practice “social distancing,” the economy is shutting down. Small- and medium-size businesses, especially in the retail and service industries, are without customers and being forced to close their doors. The need to halt all nonessential production means that the number of unemployed will rapidly reach levels that will equal and possibly exceed those of the Great Depression of the 1930s.

Large sections of the working class and middle class are threatened with the loss of their income and the ability to put food on their tables and cover their weekly and monthly expenses. In a country where tens of millions have little or no savings and live from paycheck to paycheck, the pandemic is a social catastrophe even for those who are not infected by the virus.

Emergency funding to fully cover the lost wages and salaries of all working class and middle class families must be the urgent and unconditional priority of the economic response to the pandemic. Mortgage and rent payments, car loans, medical expenses, insurance premiums, and tuition and student debt must be suspended for the duration of the health crisis.

At the same time, small- and medium-size businesses must receive financial support so that they can avoid bankruptcy and reopen their enterprises as soon as medical conditions permit.

Money must also be made available to guarantee the survival of educational, cultural and other socially essential institutions.

This program, which prioritizes the needs and interests of the working class, is diametrically opposed to the multitrillion-

dollar “fiscal stimulus” that is being worked out in closed-door negotiations between the Trump administration, congressional leaders and corporate executives.

While deceitful and cynical lip service is being paid to protecting workers, the only purpose of the negotiations in Washington is to protect the wealth and profits of the superrich corporate-financial oligarchs. On a scale even greater than the bailout of 2008-09, the titans of Wall Street and the corporate boardrooms are demanding that the government place limitless sums at their disposal.

Up to this point, the federal government has spent less than \$10 billion on emergency disaster relief related to the pandemic. And yet the US Treasury has purchased some \$600 billion in securities in recent weeks, meaning it has spent 60 times more money propping up the banks than on addressing the healthcare crisis.

On top of the more than \$2 trillion that has already been pledged to backstop the values of financial assets held by major banks, Congress is debating an additional \$2 trillion bailout package.

The vast majority of that proposal consists in various handouts to business in the form of a payroll tax holiday and loans, including measures specifically targeting the airline and other industries. Less than \$50 billion of the bill funds emergency measures to combat the pandemic. Just one company, Boeing, is demanding a bailout larger than every public health measure contained in the bill.

While the Republicans and Democrats haggle over details of the bailout, they agree that 1) massive sums of money must be funneled to the major corporations; 2) that no measures be taken that limit or threaten the wealth of the executives and large investors; and 3) that the interests of the capitalist profit system and private property will remain unmolested and unchallenged. The banks and large corporations will not only continue to rule. These institutions and their executives and large shareholders are to emerge from the crisis richer and more powerful than ever.

The *New York Times* declared in an editorial published yesterday, “The only practical way to limit mass

unemployment, and to preserve previously viable companies, is for the government to pump money into the private sector.”

The last time this was done, in the response to the 2008 crash, the outcome was a bonanza for the super-rich and affluent holders of financial assets. The wealth of the 400 richest people in America soared from \$1.27 trillion in 2009 to \$2.96 trillion in 2019.

Amazon CEO Jeff Bezos had a net worth of \$6.8 billion in 2009, and by 2018 it was \$160 billion. Warren Buffett had a net worth of \$37 billion in 2009, which grew to \$90 billion last year. Facebook CEO Mark Zuckerberg was worth just \$2 billion in 2009, but he saw his wealth grow 40-fold, hitting \$85 billion in 2019. And Tesla CEO Elon Musk has had his wealth rise even faster, doubling from \$20 billion in May of 2019 to \$45 billion earlier this year.

In 2019, US companies spent \$798 billion buying back their own stock, a figure exceeding even what was spent before the 2008 financial crisis.

Share buybacks were one of the principal means employed by corporate executives to enrich themselves. As the *Harvard Business Review* explained:

The 465 companies in the S&P 500 Index in January 2019 that were publicly listed between 2009 and 2018 spent, over that decade, \$4.3 trillion on buybacks, equal to 52% of net income, and another \$3.3 trillion on dividends, an additional 39% of net income. In 2018 alone, even with after-tax profits at record levels because of the Republican tax cuts, buybacks by S&P 500 companies reached an astounding 68% of net income, with dividends absorbing another 41%.

Why have U.S. companies done these massive buybacks? With the majority of their compensation coming from stock options and stock awards, senior corporate executives have used open-market repurchases to manipulate their companies’ stock prices to their own benefit and that of others who are in the business of timing the buying and selling of publicly listed shares. Buybacks enrich these opportunistic share sellers—investment bankers and hedge-fund managers as well as senior corporate executives—at the expense of employees, as well as continuing shareholders.

The ugly reality of capitalist financial practices and the grotesque plundering of corporate assets refute the lying phrase that is intoned whenever reference is made to the needs of the working class: “There is no money!”

The problem is not an absence of money, but the control of society’s productive forces by the capitalist class.

The Socialist Equality Party emphatically rejects the bailout of the corporations. We demand that the banks and

monopolistic corporations, controlling assets valued in the tens and hundreds of billions of dollars, be transformed into publicly owned and democratically controlled organizations. The investments of small- and medium-sized shareholders, many of whom have invested their savings for retirement, will be fully protected.

The executives who during the past decade plundered these corporations in the interests of personal enrichment should be legally compelled to pay restitution.

This crisis, like the 2008 crash, has exposed the myth of capitalist individualism. It has made clear that the banks and corporations cannot survive without massive state support.

In raising these demands, the Socialist Equality Party does not for a moment believe that the Trump administration, or, for that matter, one led by the Democrats, will take any measures that undermine the interests of the corporate-financial oligarchy.

That is why the program advanced by the Socialist Equality Party can be realized only through the industrial and political mobilization of the working class on the basis of a socialist program. All workers who recognize the need for this program should join the SEP.

The global pandemic has triggered a wave of socialist sentiment and militancy in significant sections of the working class. Last week, wildcat strikes forced the shutdown of the auto industry, and workers throughout the country have refused to work in unsafe conditions. These struggles, together with others around the world, are the objective foundation for a resolution to the crisis on a socialist basis, which would mean the investment of trillions of dollars to fight the pandemic and preserve human life through the expansion of the public health infrastructure.

If the capitalist class is unopposed in its efforts to make the working class bear the weight of the crisis, it will be at the cost of millions of lives. Mankind has reached a point where the most basic function of society—the preservation of human life—is incompatible with capitalism.



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