The class dynamic of the massive Wall Street speculation

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As 2020 draws to a close, the essential class dynamic and objective logic of the global capitalist system have never been more starkly revealed.

Billions of people around the world confront the escalating effects of the COVID-19 pandemic, the destruction of millions of jobs, impoverishment, including in some cases the threat of starvation, and the destruction of a viable future for a whole generation of youth. Yet the ruling financial oligarchy is benefiting to the tune of hundreds of billions of dollars.

The year is ending amid the greatest economic contraction since the Great Depression of the 1930s. But Wall Street, leading the way for stock markets around the world, is finishing the year at a record high.

When the economic and financial effects of the pandemic began to become apparent in March, Wall Street and global markets plunged. But the US Federal Reserve and the government, together with central banks and governments around the world, stepped in to organise the greatest bailout of the financial oligarchy in history, pumping more than $10 trillion into the financial system.

In the US, the Fed issued a virtual blank cheque to Wall Street, committing itself to purchase all classes of financial assets so that the siphoning of the wealth of society into its upper echelons could continue unabated.

Since its fall in mid-March, the S&P 500 index has risen by 66 percent. But this is only a partial expression of what has taken place, as the stocks of dozens of companies have risen at a much faster rate. Tesla shares are up by 691 percent so far this year, fuel cell company Power Plug shares have increased by more than 1,000 percent, Zoom Communications is up 451 percent.

Vaccinations for COVID-19 are underway in the US and Britain, which could provide important breakthroughs in the medical fight against the virus. But the rollout in the US is already being described as a "mess."

At the same time, a new class of billionaires is emerging, their fortunes propelled by the rise in the stocks of companies associated with the development of vaccines and their utilisation. Shares of Moderna, one of the companies involved in the development of a vaccine, have risen by 532 percent.

When governments and central banks launched their multi-trillion-dollar bailout operations, they claimed the extraordinary measures were necessary to save the economy. This fraud has been exposed. The sole concern of the ruling oligarchy was not the health and economic well-being of the mass of the population, but that of the financial markets.

Consequently, no effective measures were taken to deal with the pandemic, which would have involved the lockdown of non-essential businesses and the payment of income to workers and their families, coupled with the application of stringent safety measures at essential businesses that remained open.

Rather, the commencement of the bailout operation was accompanied by a homicidal return to work drive amid the open advancement of the policy of so-called "herd immunity," ensuring the spread of the virus so as to ensure that the supply of surplus value from the labour of the working class was not interrupted. This entailed the normalisation of mass death under the slogan coined by the *New York Times*'s Thomas Friedman: "The cure can't be worse than the disease."

There is no limit to the supply of money to financial markets, but even meagre assistance to workers and their families is the subject of debate and delays in the US. Elsewhere, even limited emergency measures are now being withdrawn.

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The provision of money by the Fed and other central banks to provide the backing for corporate debt has provided a bonanza for major banks. The largest banks around the world have raked in close to $125 billion in fees for underwriting corporate debt and the raising of new equity, as companies seek to raise cash in order to ride out the effects of the pandemic.

What has been described as a “very robust year for underwriting of both debt and equity” has been possible only because of the knowledge that the Fed and other central banks are ready to step in with further assistance should this prove necessary. This has already been factored in, with JPMorgan’s strategy team expecting the provision of a further $5 trillion in 2021.

The guarantee by the Fed that it will do everything in its power to ensure the continued rise of Wall Street has led to an orgy of speculation, via so-called margin debt, in which affluent investors borrow money against their existing holdings to buy more shares of stock.

Last month investors borrowed a record $722.1 billion against their investment portfolios, beating the previous high of $668.9 billion recorded in May 2018. Margin debt is regarded as risky because if stock prices fall the investor must meet a margin call from the brokerage firm from which he has borrowed, either by supplying cash or by selling the stocks underlying the loans, with the potential to trigger a broader sell-off.

Reporting on this milestone, the *Wall Street Journal* warned it was an “ominous one” because margin debt records were followed by the stock market crashes of 2000 and 2008. But notwithstanding the warning signs, the speculation continues because of the well-founded belief that the Fed stands ready to intervene.

As the chief global investment officer of Guggenheim Partners, Scott Minerd, recently commented to the *Financial Times*, the pandemic has “completely reworked” the so-called “free market” economic system, replacing it with cycles of “increasingly radical monetary intervention” and the “socialisation of credit risk.”

In other words, the capitalist state has emerged front and centre as the guarantor and facilitator for the looting of society by the financial oligarchy, whose interests it defends.

The present social order resembles nothing so much as the *Ancien Régime* of France on the eve of the revolution of 1789. Confronted with a deep-seated crisis rooted in the irresolvable contradictions of the economy over which it presided, the ruling elite, organically incapable of reform, had to be swept away in order for society to progress.

Likewise, the present situation has created the objective conditions for a massive class confrontation in which the working class is posed with the task of abolishing the reactionary and outmoded capitalist order and establishing a socialist system, in which human need, not profit and greed, forms the foundation of the economic order.

But that outcome, necessary for human progress, depends on the decisions made by workers and youth to take up the challenge before them by joining and building the revolutionary party to lead the struggles now about to explode.

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