# The 16,000 Dow: Recovery or Transfer of Wealth from the Majority of the Population to the Super-Rich?

By Andre Damon
Global Research, November 25, 2013
World Socialist Web Site

Theme: Global Economy

The Dow Jones Industrial Average closed above 16,000 for the first time ever Thursday, in the seventh consecutive week of gains. This feat was immediately followed by another milestone: the S&P 500 index closed at 1,804, the first time the index has closed above 1,800 in history.

The Dow is up by 24 percent over the past year, having doubled since 2009. The S&P 500 is likewise up by 28 percent.

Far from expressing a genuine and healthy economic recovery, however, the rise in the stock market has paralleled a vast expansion of social misery and an unprecedented expansion of social inequality.

The number of people receiving assistance under the Supplemental Nutrition Assistance Program (SNAP) has climbed from 28.2 million in 2008 to 47.7 million in April 2013, an increase of seventy percent. Far from decreasing, this number continues to swell, with over 1 million new food stamp recipients added between 2012 and 2013.

The reason for this vast increase in destitution is not hard to find: between 2007 and 2012, the median household income in the United States had plummeted by 8.3 percent. The precipitous fall was due to a combination of a sharp fall in the percentage of the population that is employed, and a fall in wages. The percentage of the US working-age population that has a job has fallen by 4.6 percent since 2008, while manufacturing wages have fallen three percent since May 2009.

A report in October by the National Center for Homeless Education, based on figures provided by the US Department of Education, found that over 1.1 million children enrolled in public schools were homeless at some point in 2011-2012, 72 percent higher than before the onset of the economic crisis.

Side by side with the sweeping growth in social misery and destitution has been the vast expansion in wealth of the super-rich. The world's billionaires have had their combined net worth double since 2009, according to a report published earlier this month by UBS and Wealth-X. Even though the United States has only 4.4 percent of the world's population, it has a third of the world's billionaires, according to Forbes.

Since 2009, the richest one percent has captured a staggering 95 percent of all income gains, while the bottom 95 percent have seen their incomes stagnate, According to a report issued by University of California Berkeley Professor Emmanuel Saez earlier this year.

US income inequality grew four times faster in the first three years of the Obama administration than under Bush, according to figures published Saturday in the New York Times. As the newspaper reports, “From 2001 through 2008, during the George W. Bush administration,” the ratio of mean (average) to median income “grew at 0.28 percentage points per year. From 2009 through 2011, the latest year for which the data is available, the ratio increased 1.14 percentage points annually, or roughly four times faster.”

The vast growth in stock prices is not the result of impersonal and impartial economic laws, but rather definite policies pursued by the Obama Administration. This administration has, during its entire existence, done everything in its power to prop up the financial system asset values of the super-rich. This has taken the form of a vast transfer of wealth from the population to the financial oligarchy.

The present rally began in March 2009, following a key set of decisions made by the Obama Administration to make it unmistakably clear that it would abide no impingement on the wealth of the financial oligarchy, and offload the burden of the financial crisis onto the working class.

On March 23, Treasury Secretary Timothy Geithner unveiled the details of a plan to extend virtually unlimited funds to purchase the toxic assets of the banks at inflated prices, using taxpayer money. Since that time, the Federal Reserve’s holding of mortgage-backed securities shot up from $68 billion to $1.4 trillion, and is growing by $40 billion every month. That day, the Dow rallied by a staggering 7 percent, and closed up by 497 points.

Just days before, Obama had made clear that he would oppose any serious attempt to limit the compensation of executives at the bailed-out insurance giant AIG, and the administration moved to block a proposal by congress to block a $165 million bonus payout to AIG executives, to be paid with bailout funds.

Then, on March 30, Obama outlined his proposal for the restructuring of the auto industry, in which the White House made the imposition of sweeping wage and benefit cuts the precondition for the provision of federal funds to bail out the auto industry.

Those three events combined to create the biggest four-week rise in the Dow since 1933.

At the end of 2010, the Administration agreed to extend for two years the Bush-era tax cuts for the rich, while implementing a cut in payroll taxes for both employers and employees that drained funds from the Social Security system.

The crisis over the federal debt ceiling in the summer of 2011 ended with a deal to impose over $1 trillion in spending cuts over the next ten years, along with an agreement that another $1.2 trillion in across-the-board “sequester” cuts would be triggered at the beginning of 2013 if no deficit-cutting deal had been reached between the White House and Congress by then.

In the course of those crisis negotiations, Obama offered unprecedented cuts in Medicare and Social Security as part of a “grand bargain” with the Republicans.

Later in 2012, the so-called “fiscal cliff” crisis resulted in the triggering of the sequester cuts, beginning last March. The current budget and debt limit impasse will likely be used to extend the sequester cuts, compounding the already severe impact of cuts in programs ranging from Head Start to housing subsidies to legal aid for the poor.

Earlier this month, the White House and Congress implemented a 5 percent reduction in food stamp benefits, the first nationwide reduction in benefit payments in the history of the program. By all indications, the political establishment will do nothing to prevent the expiration of federal extended unemployment benefits beyond the 26-week cutoff for most state unemployment assistance programs. The extended unemployment benefits are scheduled to expire in December.

Throughout this entire period, the attack on workers at the federal level has corresponded with a relentless attack on the wages and benefits of state and local workers, coupled with a relentless assault on social programs at state and local levels, including the layoffs of hundreds of thousands of teachers, firefighters and social service workers. This process has found its latest expression in the bankruptcy of the city of Detroit, which is being coordinated with the White House to set a precedent for using bankruptcy to slash the pensions and benefits of city workers.

The ability of the government to impose these draconian attacks was entirely dependent on the suppression of the class struggle by the trade unions and the pseudo-left allies of the Democratic Party. Throughout this period, the working class has sought to resist the sweeping attacks on its living standards, but in every struggle has been betrayed and undermined by the trade unions.

These included the 2011 protests against Wisconsin governor Scott Walker's attacks on collective bargaining rights, and a whole series of strikes, including the 2012 teachers' strike in Chicago, the 2013 New York and Boston school bus drivers' strike. In each of these cases, the struggles were shut down by the trade unions and channeled back into the Democratic Party.

What are the central lessons to be drawn from this? First, that the Obama Administration is an instrument of Wall Street, in alliance with the military-intelligence complex, and has focused all of its efforts on transferring social wealth from the majority of the population to the super-rich.

The stock market boom is not an indicator that the crisis has been resolved: far from it. It is an expression of the fact that the government and Federal Reserve have no solutions to the crisis confronting the capitalist system.

The fundamental problem is the capitalist system itself. The working class must end its political subordination to the Democratic Party, and fight to build a new mass political movement, based on a socialist program. Such a movement must demand that the Wall Street casino be shut down, and that the trillions of dollars stolen from the population must be returned, the banks and corporations nationalized, and society reorganized on the basis of meeting social needs, not private profit.

The original source of this article is World Socialist Web Site
Copyright © Andre Damon, World Socialist Web Site, 2013

## Comment on Global Research Articles on our Facebook page

## Become a Member of Global Research

*Articles by:* Andre Damon

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca