What is behind the global stock market rally?

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Global Research, September 29, 2012
World Socialist Web Site
Region: USA
Theme: Global Economy

Despite a string of disastrous economic figures, stock markets throughout the world are surging.

In the past year, the US Dow Jones Industrial Average and the British FTSE 250 have each risen by 20 percent, while the German DAX has shot up by 39 percent. The NASDAQ, consisting mainly of US-based technology companies, has already eclipsed its previous record, set in November 2007, while the Dow is within 600 points of its previous high.

The continued rise on stock exchanges comes as manufacturing activity in Europe, China and the United States slumps to its lowest level in three years. The European economy as a whole is contracting. In the latest raft of dire economic data, released Thursday, US durable goods orders recorded their sharpest fall since 2009. US economic growth for the second quarter was revised downward from an already anemic 1.7 percent to 1.3 percent.

How is one to explain the meteoric rise in stock values even as the global economy is sliding into a deeper slump?

The boom in stock prices is an expression of a global redistribution of wealth from the bottom to the top. The social conditions of the working class have been driven relentlessly downwards, while trillions of dollars have been turned over to the banks, mainly for the purpose of financial speculation.

This process is particularly evident in the United States, the center of world capitalism and the center of the global economic crisis.

The three major stock indexes have nearly doubled in value since 2009, and the fortunes of the super-rich have risen accordingly. The richest 400 billionaires in the US had a net worth of $1.27 trillion in 2009. This already obscene figure shot up to $1.7 trillion in this year's list, an increase of 33 percent in just three years.

CEO pay has followed a similar course. The average CEO of one of the 350 largest US companies took home $12.14 million in 2011, up from $12.04 million in 2010 and $10.36 million in 2009, according to the Economic Policy Institute.

But for the working population, the situation is exactly the opposite. Between 2009 and 2011, the most recent year for which figures are available, the number of people in poverty in the United States grew by 2.6 million, to 49 million. Mass unemployment has been utilized as a lever to impose wage cuts in every sector of the economy.

Since the official end of the recession, in June of 2009, the average duration of unemployment has nearly doubled from 23 weeks to 38 weeks. The percentage of the working-age population that is employed has fallen, as anemic job growth barely keeps pace with the increase in the population and hundreds of thousands of laid-off people give up looking for work.

For those workers who still have a job, real hourly wages have fallen by about 1.0 percent. The earnings of a typical household fell by 1.7 percent in 2010 alone.

The increase in the rate of exploitation of workers has translated into huge cost savings for corporations and record profits in every year since 2009, further swelling the incomes of the super-rich.

In addition to the direct impoverishment of the work force, stock markets have been buoyed by the influx of cash from the world's central banks.

Within the last month, the US Federal Reserve, the European Central Bank and the Bank of Japan have all taken new measures to pump hundreds of billions of dollars into the financial markets. The US Fed took the most dramatic step of the three, initiating an open-ended program to buy $40 billion in mortgage-backed securities every month, taking these toxic assets off of the banks' balance sheets.

The ostensible purpose of these moves is to lower interest rates, revive the housing market, and increase the amount of money available for corporations to expand and hire new workers. But instead of productively investing the money, the corporations and banks are either hoarding it or pouring it into the stock market and other forms of speculation.

The total amount of cash held by major US corporations stood at $1.7 trillion in the second quarter of this year. Apple, the technology giant, is a case in point. It held $98 billion in the first quarter of this year, $110 billion in the second, and $117 billion in the third. Meanwhile, its market valuation keeps expanding and there is already talk that the company, which is currently valued at over $600 billion, will become the world's first $1 trillion corporation.

The enormous sums of money being pumped into the financial system are inflating asset values and bankrolling record payouts for executives, whose compensation is often tied to share prices.

The inflation of asset values cannot continue indefinitely amid the deepening economic slump. The growth of share values and other financial assets, based mainly on a near-zero interest-rate policy and virtually free money from the central banks, is inflating a new and even more gigantic speculative bubble than the one that burst in September of 2008.

The upsurge in stock values does not reflect a healthy economy, but one that is deeply diseased, in which the intractable contradictions of the capitalist system are exacerbated by a ruthless and avaricious financial aristocracy that dictates policy in the United States and internationally.

The US ruling class, first under Bush and then under Obama, responded to the crash of 2008, which was the inevitable outcome of the financialization of American capitalism, by handing over trillions of dollars in public funds to the banks. The aim was to reflate the values of financial assets in order to maintain and increase the wealth of the financial aristocracy.

World governments have followed suit, with each bailout of the banks accompanied by an ever more ferocious attack on workers. Everything must be cut: wages, pensions, health care, education—everything, that is, but the wealth of those responsible for the crisis.

The financial vultures who control the main investment houses send stock markets soaring with each new assault on jobs and social programs—as they did Friday after the Spanish government, presiding over a country in deep recession, unveiled a draft budget that slashes spending by $51 billion next year.

The key to the "success" of finance capital to this point has been its ability to isolate and quash outbreaks of working class resistance, relying on the services of the trade union apparatuses and their allies among the various pseudo-left organizations (the New Anti-capitalist Party in France, the Socialist Workers Party in the UK, the Left Party in Germany, SYRIZA in Greece, the International Socialist Organization in the US).

However, the actions of the central banks and governments have resolved nothing. The euphoria on the stock exchanges rests on rotten foundations. The rising markets are one expression of an unprecedented intensification of social tensions that are already beginning to erupt in the form of explosive class struggles on a world scale. A new, revolutionary leadership must be built in every country to unite these struggles and arm them with a socialist and internationalist program.