

Wall Street celebrates mounting signs of US slump

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On Friday, the Commerce Department released the latest in a series of economic reports pointing to a dramatic slowdown in the US economy, with vast global implications. The response of Wall Street was a euphoric surge on US markets, sending the Dow Jones industrial average up by nearly 400 points and leading every major stock index around the world to close sharply up for the day.

The Commerce Department said US economic growth fell to a near-standstill in the last quarter of 2015, with the gross domestic product (GDP) expanding at an annualized rate of just 0.7 percent, down from 2 percent in the third quarter. The grim report included a dramatic fall in business investment and a marked slowdown in consumer spending.

This followed a report Thursday that durable goods orders, a key indicator of manufacturing output, tumbled by 5.1 percent in December in the sharpest monthly fall since the 2008–2009 financial crisis.

These statistics coincide with a series of mass layoff announcements by major US corporations. They include 16,000 layoffs at retailer Walmart, 10,000 at oilfield contractor Schlumberger, 6,000 at chemical company DuPont, 4,000 at education resources company Pearson LLC, 2,000 at the Norfolk Southern rail network, 3,000 at consumer products conglomerate Johnson & Johnson, 886 at mining company Alpha Natural Resources, 829 at mobile phone service Sprint, and 800 at technology company VMware.

Also this week, a number of giant US-based corporations, including United Technologies, Boeing, Apple and Caterpillar, reported poor figures for the end of 2015 and even worse estimates for 2016. Apple is anticipating its first annual revenue decline since 2003. Caterpillar, saying its revenues fell 20 percent last year and this year's revenues could hit the lowest level in six years, announced Friday that it would eliminate 670

US jobs and close five plants in the Midwest.

How is the giddy upturn in stock prices in the face of signs of an economy sliding into recession to be explained?

For the broad mass of the population, economic stagnation and slowdown mean a further descent into economic distress, unemployment and outright poverty. The recent developments explode the claims of economic “recovery” and confirm that the destruction of decent-paying jobs, pensions and social services that followed the Wall Street crash of 2008 is not a temporary condition, but only the beginning of a permanent and escalating attack on working class living standards.

For the financial aristocracy, on the other hand, the signs of slump are welcome indicators that the Federal Reserve will continue to pump trillions of dollars into the financial markets, delaying further interest rate increases and perhaps rolling back the initial increase it imposed in December. Bankers and hedge fund speculators were rubbing their hands on Friday in anticipation of still more cheap credit to underwrite their parasitic financial operations.

The euphoria on Wall Street was a demonstration of the essential character of what the government and media call economic “recovery.” Just over two weeks ago, President Obama in his State of the Union address praised the economic “surge” that had made the US economy “the strongest, most durable... in the world,” and said claims “America’s economy is in decline” were a “fiction.”

There has been no genuine recovery in the real economy. Instead, a massive diversion of public resources has been carried out to rescue and further enrich the financial oligarchy at the expense of the productive forces and the working class. The focus of domestic policy has been to subsidize the utterly

parasitic and quasi-criminal speculative activities of the banks and financial institutions, starving the real economy of productive investment, in order to engineer a further concentration of income and wealth among the top 1 percent and 0.1 percent of the population.

Now, with the slowdown in China, the crisis of the “emerging market” economies, the collapse of industrial commodity prices, and signs that the mountain of debt is unraveling, the financial elite is demanding even more free cash to prop up its Ponzi scheme operations.

At the same time, it is demanding the squandering of even greater sums to finance its wars for geo-political dominance and economic plunder in the Middle East and its preparations for war against its nuclear-armed rivals Russia and China.

The mounting economic crisis, for which the ruling class has no rational or progressive solution, intersects with and exacerbates geo-political tensions around the world and social tensions at home. The corporate-financial elite, fearing the spread of social opposition, prepares all the more feverishly the means for violent state repression against the working class.

The deepening economic crisis is playing out against the backdrop of an election that has already revealed deep-seated popular alienation from and disgust with the entire political system and both big business parties, and a profound crisis that threatens to tear apart the two-party system through which the American ruling class has exercised political domination for a century-and-a-half.

There is a growth of working class militancy, reflected in the opposition of auto workers to the sellout contracts imposed by the United Auto Workers last year and protests by workers in Flint against the poisoning of the city’s water supply and by teachers and students in Detroit against intolerable conditions in the schools. At the same time, the broad support for the candidacy of Bernie Sanders, who calls himself a socialist and denounces inequality and Wall Street, even as he seeks to channel popular opposition behind the Democratic Party, reflects a political radicalization and growth of anti-capitalist sentiment among working people and youth.

There is growing fear within the ruling class of impending social upheavals, reflected in a wave of articles and studies on social inequality and worried

commentaries on the implications of the support for Sanders. On Friday, the *Wall Street Journal* published a column by Peggy Noonan, a former speech writer for Ronald Reagan, under the headline “Socialism Gets a Second Life.” She writes, “The rise of Bernie Sanders means that accommodation is ending, and something new will take its place,” and adds, “Do you know what’s old if you’re 25? The free-market capitalist system that drove us into a ditch.”

The coming struggles of the working class must be guided by the understanding that its interests are incompatible with those of the financial oligarchy that dominates the economy and political system. The euphoric response of Wall Street to economic news that spells growing distress and suffering for countless millions is a demonstration of an irreconcilable conflict of social and class interests.

The fight to secure basic social rights—to decent-paying jobs, education, health care, housing, pensions—and halt the drive toward a new and catastrophic world war is a fight to break the power of the ruling financial oligarchy and end its private ownership of the banks and corporations. It is a fight against the capitalist system itself.

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