

No money for wages, schools, health care, but...

Stock buybacks will hit \$1 trillion in 2018

By Barry Grey
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US corporations will buy back their own stock at a record clip of \$1 trillion this year, according to an analysis issued by Goldman Sachs on Monday. The Wall Street giant attributed the surge in share repurchases to booming corporate profits and Trump's \$1.5 trillion tax cut for corporations and the wealthy, which was passed by Congress and signed into law last December.

In a note to investors, David Kostin, chief equity strategist at Goldman, gushed that investors were likely to see the impact of the buybacks in higher share prices and fatter stock portfolios very quickly.

The scale of the buyback spree is massive. Second-quarter 2018 stock repurchases are up 57 percent from the same period a year earlier. In the tech sector, the year-over-year increase is 130 percent.

The surge in stock buybacks comes in the midst of record or near-record sales and profits. Among Standard & Poor's 500 firms, second-quarter sales rose by 12 percent and earnings per share increased by 24 percent as compared to the same period of 2017. Fifty-six percent of companies surpassed the financial projections of market experts and economists.

Trillions of dollars are being squandered on inflating stock prices and the fortunes of the CEOs and big investors who overwhelmingly control the assets, by means of financial manipulations such as buybacks, dividend increases, and mergers and acquisitions.

Meanwhile, the real wages of US workers, whose mostly low-paid and back-breaking labor, along with that of millions of their class brothers and sisters around the world, is the source of all wealth and the profits extracted by the capitalists, continue to decline. Last week, the Labor Department reported that US wages in July rose by a paltry 2.7 percent year-over-year, while consumer prices officially rose by 2.9 percent, resulting in a net decline in workers' purchasing power.

This is despite the fact that the official unemployment

rate, ~~3~~^{below} the ~~percent~~, traditionally economists as "full employment," and many sectors of the US economy are complaining of a labor shortage. The official unemployment rate has fallen a full percentage point in the last two years, but wage growth has actually declined down from 2.8 percent to 2.7 percent during that time.

Ten years after the September 2008 Wall Street meltdown, the ruling class in the United States and around the world is doubling down on the speculation and parasitism that triggered the worst economic crisis since the 1930s Great Depression. The "recovery" from the crash has been carried out by massive infusions of cash into the financial markets and a deliberate inflation of stock prices—policies that exemplify not the "strength" or "resilience" of the capitalist system, but its historic bankruptcy.

Stock buybacks have soared from less than 5 percent of earnings in the early 1980s to 54 percent of earnings in 2012 and nearly 60 percent today. They exemplify the degree to which the entire capitalist system has become dependent on the diversion of resources to pump up the stock markets, which have been transformed into the chief mechanisms for transferring wealth from the working class to the rich and the super-rich. Since its low point in March 2009, the Dow has quadrupled as a result of government and central bank bailouts, money-printing operations and ultra-low interest rates.

As the *New York Times* wrote on Monday: "According to the Federal Reserve, corporations have issued on net over \$1.3 trillion of debt and retired over \$1.9 trillion of equity [stocks] over the past four years. American companies are borrowing money to buy their own shares in what is tantamount to a huge, slow-motion leveraged buyout."

This has been carried out, under Bush, Obama and now Trump—by Democratic and Republican administrations

alike—on the basis of a social counterrevolution directed against the working class. The entire edifice of inflated stock prices, bloated bank accounts of billionaires and record corporate profits depends on the continued suppression of workers' wages and ruthless cuts in health care, education, housing and other social programs.

Meanwhile, basic social infrastructure—roads, bridges, water systems, dams, mass transit—is left to rot.

The indices of social crisis are abundant: record rates of retiree bankruptcies, record rates of opioid addiction and youth suicides, declining life expectancy, rising infant and material mortality. One recent survey found that the bottom 40 percent of households in the US have an average net pre-tax income of *negative* \$11,600 a year. This social disaster is the flip side of the staggering growth of social inequality in the US and internationally.

There have been many articles and columns in the bourgeois press devoted to the “mystery” of stagnant wages under conditions of low unemployment and accelerating economic growth. But virtually all of these commentaries leave out the essential issue: the suppression of the class struggle.

This is the real basis for the ability of the oligarchs and their stooge governments to plunder the US and world economy, and for the spectacular rise in global stock markets. The indispensable instruments of the capitalists for stifling the class struggle are the trade unions.

For decades, the unions have effectively banned strikes, particularly in the aftermath of the 2008 financial crisis. In 2017, major work stoppages in the US fell to seven, the second lowest level since records began in 1947. This has allowed a fundamental restructuring of class relations, with labor's share of non-farm national income in the US falling from 66.4 percent in 2000 to 58.9 percent in 2018—a transfer of wealth that will equal \$1.4 trillion in 2018 alone.

The unions accurately described their function in the course of legal arguments before the US Supreme Court in the recent *Janus v. AFSCME* case. Seeking to persuade the court to uphold compulsory union “agency fees,” the American Federation of State, County and Municipal Employees lawyer told the justices that such fees were the “tradeoff for no strikes.”

Since the beginning of the year, however, there has been a marked increase in the number of strikes internationally, and in the first six months of 2018 there were 12 major work stoppages in the US, involving 444,000 workers, more than the total number of strikers over the last six years combined. The surge in strike

activity, and the fact that teachers in West Virginia, Oklahoma and Arizona initiated their state-wide strikes independently of the unions, has struck fear in the American ruling class. It is the major factor behind the increased censorship of left-wing Internet sites and police attacks on so-called “left-wing extremists.”

The ruling class is petrified of an upsurge of class struggle and a rebellion against the pro-corporate trade unions. It knows, for one thing, that a major eruption of working class resistance will likely trigger a new financial crisis, under conditions where the current financial bubble is unsustainable.

The initial stage of renewed working class resistance has underscored the need for workers to break the grip of the corporatist unions and build new, democratic organizations of struggle. The state-wide teachers' strikes were ultimately defeated because the unions were able to gain control, isolate them and shut them down, without achieving any of the workers' demands.

At United Parcel Service, some 230,000 workers voted overwhelmingly to sanction a strike at the July 31 expiration of the current contract, but the Teamsters union announced a deal that establishes a new low-wage tier of drivers and then extended the old contract in an effort to smother rank-and-file anger and militancy.

The Socialist Equality Party is calling for workers to build rank-and-file factory, work location and neighborhood committees independent of the unions and both big business parties to coordinate strikes and mass actions for decent wages, jobs, education, health care and all of the basic social and democratic rights of workers in the US and internationally.

To end the plundering of society by the super-rich, we fight for the development of a mass socialist political movement to expropriate the oligarchs and place the corporations and banks under public ownership and democratic control, so that the wealth produced by the working class can be used to provide for social needs, not private profit. We call for shutting down the Wall Street casino and implementing workers' control to raise living standards and establish social equality.

To contact the WSWS and the
Socialist Equality Party visit:

<http://www.wsws.org>