

The profits of August

2 September 2020

Over 30,000 people died in the US last month from the COVID-19 pandemic, while corporations carried out mass layoffs amid soaring unemployment, hunger and poverty.

At the same time, the US stock market recorded its biggest increase for the month since 1986. All three major American stock indexes have risen for five consecutive months since plunging in mid-March. The benchmark S&P 500 index has risen 65 percent, its biggest five-month gain since 1938.

Last month saw the wealth of Amazon chief Jeff Bezos climb to \$200 billion. Tesla became the world's biggest car company by share value, as its market capitalization rose to \$465 billion, taking the personal fortune of its chief executive, Elon Musk, to more than \$100 billion. Apple became the first company in the world with a market capitalization of more than \$2 trillion.

Since the Federal Reserve's bailout of major corporations in March, Apple's stock has more than doubled, while Tesla's stock has risen more than six-fold.

These figures underscore the nature of the Wall Street bonanza. It is taking the form of what has been called a "K-shaped recovery," in which a group of corporate giants enjoy massive profits, driven by the run-up in stock prices, while most of the economy stagnates.

In 1914, the rolling out of the guns of August at the outbreak of World War I marked the start of a process that saw arms manufacturers rake in millions in profits amid death and destruction, the like of which had never been seen.

Likewise, the COVID-19 pandemic, which has brought devastation to the working masses in the US and around the world, has served as the occasion for all arms of the capitalist state to be mobilised to organise the greatest-ever redistribution of wealth to the heights of society.

There are two immediate causes for the massive stock

run-up in August. First, the Federal Reserve carried out a far-reaching change in how it evaluates the risk of inflation, with the aim of ensuring ultra-low interest rates in perpetuity.

The announcement by the Fed last week that it was changing its basic monetary policy framework to aim for an "average" inflation rate of two percent meant that it could refrain from raising rates even if inflation hit and surpassed the two percent mark, allowing it to continue injecting money into the financial markets through asset purchases. In other words, as the *Wall Street Journal* put it, "Low Rates Forever."

But even more important was the cutoff of the weekly \$600 extended unemployment benefit provided to unemployed US workers under the CARES Act passed in March, which both the Democratic and Republican parties simply allowed to expire. Bypassing Congress's exclusive constitutional power to tax and spend, Trump signed an executive order last month restoring, for a limited period, part of the weekly benefit; but the move was largely symbolic, with most workers getting no additional relief.

The Trump administration, backed by the Democrats, has provided some \$2 trillion to bail out the corporations while cutting off what limited aid was provided to workers. At the same time, the Fed has funnelled \$4 trillion into the financial system, functioning as the backstop for every financial market.

These measures are being accompanied by a murderous assault on the working class. The policy of governments around the world, spearheaded by the Trump administration, is to force workers back to work, no matter what the dangers to their health and lives, in order that profit accumulation can continue.

The fate of millions of workers who face destitution, including the prospect of being evicted in the coming weeks, is ignored. Democratic presidential candidate Joe Biden did not even bother to mention the cutoff of emergency unemployment benefits in a major speech

he delivered this week.

This is because the cutting off of federal aid directly serves the interests of the corporations and the financial aristocracy, whom the Democrats and Republicans serve.

In the period leading up to the pandemic, concerns were growing that the labour market was becoming “tight.” The COVID-19 outbreak has been seized upon to solve that problem. It has opened up the way for corporations to proceed with restructuring operations, based on making permanent what were initially announced as temporary layoffs, as well as lowering wages for those who remain and intensifying their exploitation.

While the orgy of speculation on Wall Street is hailed by Trump as indicating the power and strength of US capitalism, the run-up of the markets is an indication not of strength, but weakness.

In the post-World War II period, American and world capitalism rested on the strength of the US dollar. But the American dollar is being undermined by the endless supply of cheap money by the Fed. At the end of July, Goldman Sachs warned there were “real concerns” about the longevity of the US dollar as the world reserve currency, as well as the stability of the entire international monetary system, as governments debased their fiat currencies. These warnings have proliferated in the month since.

US capitalism is confronted by the confluence of mounting social, economic and political crises and the growth of social opposition centred in the working class. Every measure taken by the ruling class to respond to the crisis, grounded in the class interests of a parasitic oligarchy, has the effect only of exacerbating the crisis.

Up to this point, the response to the pandemic has been dominated by the social prerogatives of the ruling class. But another social force is entering onto the scene: the working class, which is increasingly coming into struggle against the ruling elite’s back-to-work campaign.

Capitalism’s homicidal response to the COVID-19 pandemic has exposed this bankrupt social order before the eyes of the entire world. As workers enter into struggle, they will take up the demand for the expropriation of the capitalist class and the socialist reorganization of society.

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