

# Booming US economy is a mirage

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For the most part, commentary on the state of the US economy directs attention to its immediate appearance of strength with forecasts for its future direction, focused no further than on what effects movements in the Fed's interest rate, up or down, might have.

It is pointed out that the US growth rate is higher than its counterparts in Europe and Japan; the Chinese economy is slowing and the prospect of its GDP becoming larger than the US is receding; consumer spending remains "resilient;" the stock market continues to hit record highs as a tech boom takes hold; the official unemployment level is at an historic low; and the US has achieved a "soft landing" after experiencing the highest level of inflation in four decades.

But every so often there is an exception, and someone looks "under the hood" to reveal deeper processes. The result is that a rather different picture emerges.

Such is an article which appeared in the *Financial Times* on Tuesday by Ruchir Sharma, the chair of Rockefeller International, under the title "The US boom is a mirage."

As millions went to the polls, he pointed to the contrast between the official narrative and broad sentiment based on lived experience.

While the economy looked unusually strong with growth averaging nearly 3 percent for nine straight quarters, and money was flowing in from overseas to push the stock market to record highs, "voters remain pessimistic about their economic and financial prospects."

Data contained in the rest of the article showed the reason why. The old saying, going back to the Kennedy administration, that "a rising tide lifts all boats" no longer applies, if indeed it ever really did.

Sharma explained that "US growth was a mirage for most Americans," driven by rising wealth and increased discretionary spending by the richest and

"distorted by growing profits for the biggest corporations," with growth "heavily dependent on borrowing and spending by the government."

As for claims of the "unsinkable" US consumer, a growing number of Americans were being priced out of homes and falling behind on credit card debt.

"The bottom 40 percent by income now account for 20 percent of all spending while the richest 20 percent account for 40 percent. That is the widest gap on record and it is likely to widen even further."

Inflation has come down on official figures, but the past price hikes remain and so most "Americans now spend so much on essentials such as food, they have little left for extra like travel or eating out."

Other figures on inequality could be cited, such as the fact that a tiny elite owns more wealth than the bottom half of the population and the wealth of US billionaires is now \$5.5 trillion, having increased by more than 90 percent since the beginning of the pandemic.

Sharma characterised the US economy as a gilded economy with a "shiny but thin veneer."

"In the corporate sphere, the 10 largest companies account for 36 percent of stock market cap (market capitalisation)—a peak since the data began in 1980. The most valuable US stock trades for 750 times more than any stock in the bottom quartile—up from just 200 times 10 years ago and the widest gap since the early 1930s."

As for smaller companies, they are haunted by anxiety, uncertainty about the economy and their "confidence is at lows rarely seen outside recessions."

One of the main indices of the developing crisis of US capitalism—Sharma does not call it a crisis but the figures he cites lead to that characterisation—is the rise of the government deficit and debt. The budget deficit has doubled to 6 percent of GDP in the past decade and is set to go even higher,

The total debt, now at nearly \$36 trillion, has risen by \$17 trillion in the last decade, "matching in 10 years

the increase in the previous 240 years—almost back to US independence.”

This has major financial implications. Following the end of the near-zero interest rate regime two years ago, financial investors, commonly known as “bond vigilantes,” “woke from a long slumber and began punishing nations for fiscal profligacy, starting with frontier markets such as Sri Lanka and Ghana, shifting to emerging markets like Brazil and Turkey and most recently developed markets, first the UK and now France.”

The US has so far not been affected because of the role of the dollar as the world currency, but “no country has been immune forever.”

He concluded by noting that “empires have often failed when they could no longer cover their own debt and the way the US is headed, its next president may learn this lesson the hard way.”

As Sharma correctly pointed out, the worsening financial situation will, sooner rather than later, have major political implications. Whatever government emerges from the election, it will have the task of deepening to an unprecedented degree the attacks which have been carried out against the working class.

If Trump captures the presidency, either through the ballot or by organising a coup for which he has been preparing, it will bring a major political shock for those sections of the working class which have voted for him.

Trump and the leading forces in his MAGA entourage are seeking to build a fascist movement, directed against the forcible suppression of the working class. That is why they have won support from not insignificant sections of the capitalist oligarchy, not only Elon Musk but others such as the billionaire head of the Blackstone hedge fund Steven Schwartzman, while others have made clear they will accommodate themselves to a Trump presidency.

The tens of millions voting for Trump have done so not because they are supporters of fascism and authoritarian forms of rule—far from it. One of the chief factors is the long-developed hostility to the Democrats, heightened by the severe cuts in living standards in the four years of the Biden-Harris administration.

Trump’s campaign consisted of two components: a vicious campaign against immigrants and asylum seekers to scapegoat them for economic and social ills

of the country, combined with assertions—recalling nothing so much as the snake oil salesman of the past—that he will somehow magically fix the economy.

Insofar as any concrete economic measures are advanced, they are based on the claim that sweeping tariff hikes plus major tax cuts will lead to an economic boom, ensuring higher wages, jobs growth, protection of Social Security, improvements in education and other benefits. It seems that the only thing left out was a cure for cancer.

Speaking to the Economic Club of New York during the course of his campaign, Trump cited the administration of president McKinley in the 1890s when tariffs were the chief source of government revenue, and claimed they could be again. The ludicrous character of such an agenda can be seen in the vast changes in the US and global economy in the 130 years since then.

Objective economic reality has a way of bursting through even the rhetoric of the most persuasive huckster, and the objective reality of the US economy is that it is no longer the rising imperialist power it was in McKinley’s day but one marked by a deep internal rot and decay, to which Sharma’s article points.

When that reality confronts the working class under the incoming Trump administration, probably sooner rather than later, the reaction will be severe as angry workers realise they have been duped.



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