http://www.wsws.org/en/articles/2015/05/02/pers-m02.html

Parasitism, plutocracy and economic depression

Andre Damon

2 May 2015

Seven years since the 2008 financial crash, the US economy remains mired in slump, stagnation and financial parasitism. This reality was underscored Wednesday with the release of figures showing that the economy all but ground to a halt in the first quarter of this year, refuting the endless claims by the Obama administration that the US is in the midst of an economic "recovery."

The US Commerce Department reported that gross domestic product grew at a rate of just 0.2 percent between January and March, down from a rate of 2.2 percent in the previous quarter. Since the official end of the recession in 2009, the US economy has grown at an average annual rate of only 2.2 percent, compared to an average growth rate of 3.2 percent during the 1990s and 4.2 percent in the 1950s.

The ongoing economic stagnation in the United States is one element of a global crisis that continues to grip the world economy. Last month, the International Monetary Fund warned in its World Economic Outlook that global growth is unlikely to return to rates that existed before the 2008 financial meltdown.

It warned, "Potential growth in advanced economies is likely to remain below pre-crisis rates, while it is expected to decrease further in emerging market economies in the medium term." The report added, “Shortly after the crisis hit in September 2008, economic activity collapsed, and more than six years after the crisis, growth is still weaker than was expected before the crisis.”

The IMF noted that business investment is at historic lows, significantly below the level experienced in the aftermath of any recovery since World War II. This assessment was borne out in the Commerce Department’s report on US economic growth, which showed that business fixed investment plunged by 3.4 percent over the previous quarter.

The slump in productive investment takes place even as corporations are sitting atop the largest cash hoard in history: US corporations alone have $1.4 trillion on their balance sheets.

Instead of using this money to invest, hire workers or raise wages, major US corporations are using it to buy back shares, increase dividends and engage in an orgy of mergers and acquisitions.

General Motors, which slashed pay of new-hires by fifty percent during the 2009 auto restructuring and is looking to cut labor costs even further in the upcoming contract, has announced a $5 billion share buy-back scheme, using its massive cash hoard to further enrich its wealthy shareholders.

Meanwhile energy giant Shell, which early this year waged a bitter struggle against oil refinery workers striking to demand higher pay and safety improvements, announced that it would make $70 billion available to buy up British oil producer BG group.

This year is shaping up to be one of the biggest for mergers and acquisitions in history, with a record $4.3 trillion available for merger activity, according to Credit Suisse.

Notable mergers have included the food producers Kraft and Heinz (likely to result in 5,000 job losses), and Staples and Office Depot (closing up to 1,000 stores and eliminating thousands of workers). RadioShack, meanwhile, has worked out a deal with Standard General that would close more than 2,000 stores and eliminate 20,000 positions.

Stock markets have celebrated each of these successive corporate bloodbaths. Last month, the technology-heavy NASDAQ exchange eclipsed its peak in early 2000 at the height of the dot-com bubble. The NASDAQ has nearly quadrupled since 2009, while the Dow Jones Industrial Average has increased threefold.

As a result of the soaring stock market, the 400 richest individuals in the United States, whose wealth has doubled since 2009—the era of Obama. They now have a combined net worth of $2.29 trillion, larger than the annual output of the 130 poorest countries in the world.

The soaring wealth of the financial oligarchy is another side of the continual impoverishment and immiseration of working people. One in four American children are officially in poverty, one in five do not get enough to eat, and half of public school students qualify for free or reduced price lunches.

The American state functions not to ameliorate this soaring inequality, but rather to facilitate the continuous enrichment of the corporate and financial aristocrats.

The institutions supposedly responsible for “regulating” the financial system do little more than cover up for and facilitate its crimes. This basic reality was expressed in the latest settlement between the United States and Deutsche Bank, in which the German bank last month received a wrist-slap fine for flagrantly helping to rig LIBOR, the key global interest rate, for its own enrichment.

Wall Street pays handsomely for the support and protection it receives from so-called financial regulators. A case in point is Ben Bernanke, the man who, as chairman of the Federal Reserve, oversaw the bank bailout and “quantitative easing” measures that transferred trillions of dollars onto the balance sheets of Wall Street.

Now, Bernanke is getting his payday: he has been hired by not one, but two leading financial institutions: the hedge fund Citadel and Pimco, one of the largest bond traders in the world, each of whom will pay him handsomely in exchange for services rendered.

These dominant features of economic life in the present period are not incidental aberrations, but rather express the essential character of the capitalist system first identified by Karl Marx and Friedrich Engels nearly 170 years ago: crisis, economic stagnation and ever-growing inequality.

The only way to end this cycle of parasitism and economic slump, and ensure a decent standard of living for all people, is to break the political stranglehold of the financial oligarchy. This is inseparable from the struggle to do away with the parasitic and outmoded capitalist system, and replace it with socialism, the rational reorganization of society in the interest of the great majority of the population.