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Parasitism and the economic crisis

Andre Damon

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The US Commerce Department released figures Friday showing that the US economy contracted sharply, shrinking at an annualized rate of 0.7 percent in the first three months of this year.

Yet despite the disastrous condition of the real economy, all three major US stock indexes reached record highs during the three months covered in the report. In fact, less than 48 hours before the release of the data, the Nasdaq Index closed at an all-time high of 5,107.

While the US real economy has grown by only 13 percent since the depth of the recession in 2009, all three major American stock indices—the Dow Jones Industrial Average, the S&P 500 and the Nasdaq—have more than tripled, each hitting all-time highs.

Far from being mere coincidence, the run-up in stock values and economic slump represent two sides of the same process. They express the extent to which, seven years after the 2008 financial crisis, the whole world economy has become an object for unremitting plunder by the global financial aristocracy, with disastrous social and economic consequences.

This plunder manifests itself in the continual diversion of economic resources into the coffers of billionaire shareholders and corporate executives at the expense of productive activity. This was

reflected in the Commerce Department report on the collapse of business investment, which fell at a rate of 2.8 percent in the first quarter of this year.

The sharp fall in investment came despite the fact that US corporations are holding a hoard of some \$1.4 trillion in cash and similar assets, the largest such figure on record, amassed as a result of years of record profits amid falling wages and an influx of cheap money from the world's central banks.

Instead of using this cash to hire workers and build factories, corporations are diverting it to raise dividends, buy back shares, hike executive pay and carry out mergers and acquisitions—all at record levels.

In the aftermath of the 1929 financial meltdown, caused by rampant Wall Street fraud, speculation and parasitism, bankers guilty of many of the greatest crimes that led to the crash were tried and convicted, while new financial regulations, including the Glass-Steagall Act that separated commercial and investment banking, put limits on the size and power of Wall Street. This was the response of the ruling class to immense revolutionary struggles of the time.

As the *New York Times* recently noted, “In the aftermath of the Great Depression, the nation’s finance industry shrank severely—and remained in a humbled state for most of the next four decades. The economy boomed in this period, with no major financial crises and less income inequality than in recent decades.”

In the aftermath of the 2008 financial crisis, on the other hand, none of the basic causes of the crash, including the enormous size of the global financial sector and its pervasive criminality, have been even remotely addressed. Rather, under the guidance of the Obama administration, the dominant position of Wall Street in economic, social and political life has only been entrenched and expanded.

The growth in financial parasitism is so pervasive that even mainstream economic institutions have been forced to warn of its dangers. Last month the International Monetary Fund, a bastion of the political establishment, declared in a research paper that economic growth “weakens at higher levels of financial development” and called on governments to take measures to rein in the size of the financial sector.

Despite these warnings, governments throughout the world have shown neither the will nor desire to rein in even the most brazen and criminal manifestations of financial parasitism.

In the US, the Obama Justice Department has ensured that the major banks have been given effective legal immunity for the crimes they have committed before, during and after the 2008 crash. This has been evidenced by one scandal after another—from selling fraudulent subprime mortgages, money laundering, and tax evasion, as well as rigging benchmark interest and foreign exchange rates—for which not a single bank executive has been prosecuted.

Meanwhile, led by the US Federal Reserve, the world's central banks have responded to every sign of renewed weakness in the global economy by either expanding their money printing operations or scaling back their plans to "normalize" monetary policy.

Two interrelated processes find expression in the response to the 2008 crisis: 1) the long-term decline of American capitalism, and 2) the elevation of financial parasitism to the basic mode of operation of the ruling class. Even in the midst of the Great Depression of the 1930s, the United States was still a rising industrial power, which would establish its global hegemonic position following the Second World War.

The past four decades, however, have seen a relentless decay and decline, with entire industries wiped out, facilitated and demanded by the operations of finance capital. The process through which the ruling class acquires and maintains its wealth has become ever more divorced from the actual process of production.

The policies of the Obama administration are ultimately the expression of the domination of the financial oligarchy over all aspects of economic and political life in the US, the center of international finance. This social layer uses its political and economic leverage not only to promote its parasitic activities, but also to further the drive toward war and dictatorship throughout the world.

There exists no solution to the crisis gripping the global economy outside of the expropriation of the ill-gotten wealth of this oligarchy and the reorganization of society on an egalitarian and socialist basis.