Financial parasitism and looting are the "new normal"

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The decision by the US Federal Reserve Board to provide indefinite support to financial markets under a third round of so-called quantitative easing (QE3), announced last week, coupled with the earlier decision by the European Central Bank (ECB) to intervene in the bond markets, marks a new stage in the breakdown of the global capitalist economy that began with the collapse of Lehman Brothers.

The moves by the world's major central banks to pump more money into the global financial system signify that four years after financial markets stood on the brink of collapse in September 2008, there is no prospect of a return to what were once considered "normal" conditions.

Far from lessening its support to the banks and financial institutions, the Fed is increasing it. The earlier interventions were implemented with time limits. In its latest decision, the Fed has given an indefinite commitment. As the headline of one article in the *Financial Times* put it, "Fed Sets Its Sights on Infinity and Beyond."

Moreover, the form of the commitment marks a major turn. Rather than buying up Treasury bonds, the Fed is going to intervene to the tune of $40 billion a month to buy up mortgage-backed securities from the banks and investment houses. It will thereby enable the banks to offload some of the "toxic assets" that provided the trigger for the breakdown.

It used to be said that the task of the Fed was to take away the punch bowl just as the party was about to get going. No longer. Now the Fed is committed to increasing the alcohol content, with a pledge that it will keep topping up the supply indefinitely.

In providing a rationale for the decision, Fed Chairman Ben Bernanke cited the continuing high levels of US unemployment—job growth, even at the lower wage levels now prevailing in the US, is failing to keep pace with population growth—and the anaemic growth in the US economy. According to conventional theory, the Fed's actions will lower interest rates across the board, making investment decisions more attractive to corporations and leading to economic growth and increased employment.

But as Bernanke well knows, as does everyone else in financial circles, those conditions do not apply. Corporations, above all financial institutions, are continuing to accumulate profits, but they are not being used to finance new productive investments. Rather, they are being funnelled into large cash reserves to be deployed in speculation.

Moreover, cuts in government spending both in Europe and the US are lowering wages and increasing unemployment, thereby reducing consumer demand. The ECB has made it a condition that governments whose bonds it buys must put in place austerity programs aimed at cutting spending and increasing unemployment. In the US, government spending is contracting and may decline even further at the end of the year with the arrival of the so-called "fiscal cliff," when earlier decisions by Congress to automatically initiate cuts come into effect.

The Fed's decision is not aimed at bringing about economic "recovery" in any meaningful sense of the term. Rather, its market intervention is intended to raise the price of stocks and asset-backed securities, lifting the profits of corporations, above all the banks and finance houses, not through investment in the real economy but via financial operations. In other words, the very financial parasitism that led to the collapse of Lehman Brothers and the near-meltdown of the US and global financial system has become the official policy of the Fed.

The class interests served by this policy can be seen both in the manner of its implementation and its consequences.

Financial journalist Michael West accurately summed the circumstances of its introduction in an article published in Saturday's *Sydney Morning Herald*.

"They demanded the Fed 'deliver'," he wrote. "The consequences of 'failure' were 'dire', they cried." Bernanke then "obliged the denizens of Wall Street" with the "ultimate money-printing bonanza. And they then had the cheek to dress it up as a boon for the jobless. In reality, the banks get to shovel their lame mortgage debts plumb into the lap of the taxpayers at $40 billion a month."

As he noted, the Fed is buying not just government bonds, but the "mortgage-backed securities which are clogging up Wall Street balance sheets."

The Fed's decision will have global consequences, all of which will impact adversely on the social and economic circumstances of workers as well as the world's poorest people. Immediately the decision was announced, the prices of oil and gold jumped, signalling the start of a new round of commodity speculation.

This will impact the prices of fuels for transport as well as for cooking and heating, and set off inflation in basic foodstuffs. Already the prices of corn, wheat and soybeans, crucial for the well-being of billions of people, have started to increase.

By printing money, the Fed is also undermining the value of the US dollar in global currency markets, which will have a significant impact in Europe as the euro rises. This will lead to further cuts in exports and increased unemployment as firms find it increasingly difficult to compete.

Countries such as Brazil and Australia, where increases in currency values have already heavily impacted on manufacturing, will also be adversely affected. Further downward pressure on the dollar increases the prospect of "currency wars," as national governments strive to maintain their export markets.

There is also a political aspect to the Fed's decision. In 2008, the collapse of Lehman Brothers played a crucial role in swinging the support of key sections of the American ruling elite behind the election of Barack Obama over his Republican opponent John McCain.

The Fed's latest action in the run-up to this year's election will similarly provide a boost to the Obama re-election campaign.

But the most significant political conclusions are those that must be drawn by the working class. The decision to promote financial parasitism at the expense of the jobs, livelihoods and social position of the working class in the US and the world over is another powerful expression of the historic crisis and bankruptcy of the capitalist system. There is no economic "recovery" waiting around the corner.

The banks and financial interests represented by the US Federal Reserve and the ECB have a program: parasitism accompanied by the systematic looting and impoverishment of the population.

The working class in the US and internationally must adopt its own independent program, thought out and fought for to the end. It must initiate a struggle for workers' governments committed to the expropriation of the banks and finance houses as the first, and indispensable, step in the establishment of a planned socialist economy, in which the resources created by the labour of billions are used to meet human needs instead of profit.

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