

Financial parasitism and the rising war danger

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In the immediate aftermath of the 2008 financial crash, the US Federal Reserve, along with other central banks and governments around the world, carried out a rescue operation amounting to hundreds of billions of dollars to bail out the banks and financial institutions whose speculative and, in some cases outright criminal activities, had set off the crisis.

The official rationale for this initial response was that it was necessary to prevent the world sliding into a repeat of the Great Depression of the 1930s.

It was followed by the instigation of the program of “quantitative easing” under which central banks have set interest rates at historically record lows and pumped trillions of dollars into the financial system through the purchase of government bonds and other financial assets. The justification for this policy was that lowering interest rates and making available ultra-cheap money to the banks and financial institutions would encourage risk taking, lift inflation, promote investment in the real economy and bring about economic growth.

It was carried out on the assumption that, however severe the 2008–2009 crisis, it was, nevertheless, a conjunctural downturn which could be reversed if only sufficient stimulus were applied via financial markets. It has been a manifest failure, indicating that what took place in 2008 was a breakdown.

Global growth remains at its lowest levels for any “recovery” in the post-war period, investment is far below where it was before the crisis, productivity has declined markedly, world trade is slowing and deflationary pressures have spread. In the words of the OECD, the world economy is in a “low-growth trap.”

For the working class in all the major economies the past eight years have been characterised by stagnant or declining real wages, endless austerity programs which have cut social conditions—accompanied by the mantra “there is no money”—and the growth of social inequality to unprecedented levels.

Far from bringing about economic “recovery,” the

promotion of the very parasitism which led to the 2008 crash has now become *de facto* the official policy of the world’s major financial authorities.

While the global economy has entered a period of “secular stagnation”—a term first developed in the 1930s to characterise a period of permanent low growth—US share markets have reached record levels and quantitative easing has created a bubble in global bond markets with the price of bonds so high that around \$13 trillion worth are trading at negative yields.

At every point over the past eight years, the response of central bank and monetary authorities to continued low inflation and growth has been to double down on the QE program. The result is that, whatever their intentions may have been at the start, they are now completely beholden to the financial markets and their insatiable demands for cheap money in order to accumulate vast wealth through financial manipulation and speculation.

This economic fact of life has been underscored by the decisions taken by two of the world’s major central banks—the US Federal Reserve and the Bank of Japan (BoJ)—on Wednesday. The day began with the BoJ announcing that it would continue to pump money into its asset-purchasing program for the indefinite future and pledging that it would continue until inflation “exceeds” the target level of 2 percent “and stays above the target in a stable manner.” With inflation at minus 0.4 percent and showing no sign of an increase, this was interpreted by financial markets to indicate that quantitative easing had gone from being an emergency measure to a permanent program, and they duly celebrated pushing up stock markets indexes.

Later on, the Fed delivered on what the markets demanded by deciding to keep interest rates on hold, fearful that even a rise of 0.25 percent would set off financial turbulence. And they again celebrated pushing major indexes to record or near record highs.

Meanwhile, staff at the European Central Bank are engaged in research to discover new ways in which they can

expand the bank's own QE program.

The immediate question which arises is: where is all this leading? The answer is to be found by considering some key economic processes and their historical development.

Notwithstanding the delusion that profits can be continually generated through financial operations, as money seems to endlessly beget more money, all financial assets are, in the final analysis, a claim on the wealth produced in the real economy, or more particularly a claim on the surplus value which is extracted from the working class. But these claims now vastly outweigh the real economy.

A study of long-term trends makes this clear. In the period from the end of World War II until 1980, total financial assets were roughly equal to global gross domestic product. But with the onset of global economic restructuring in the 1980s and the increased financialisation that accompanied it, a widening divergence set in. When the crisis erupted in 2008 financial assets were valued at 360 percent of global GDP. Since then the divergence has increased. A mountain of fictitious capital has been created which dominates over the global economy, and to which the central banks are completely beholden.

However, it cannot continue to grow indefinitely and economic laws must eventually assert themselves as each section of capital strives to eliminate its rival claimants to wealth.

In "normal" times, this takes place through the struggle in the market. But the present situation is very far from "normal" and so the competitive conflict increasingly acquires an added dimension. In conditions of ever-greater expansion of finance amid global economic stagnation, the turn is toward extra-economic and political means. This process finds its highest expression in war—the elimination of economic and financial rivals through mechanical means.

War, however, does not arise out of the blue. It is preceded by a period of the growing intertwining and rise in economic and military tensions. These trends are now clearly evident.

When the financial crisis broke in 2008, the major economic powers declared there would be no return to the protectionist, nationalist and beggar-thy-neighbour policies that played such a disastrous role in the 1930s and prepared the conditions for war.

These pledges have been repeated in all major economic summit meetings since. But they are increasingly honoured in the breach as the World Trade Organisation and other economic bodies record the rise in protectionist measures, particularly in the recent period, as world trade growth slows.

The financial system is likewise beset with tensions. The United States, concerned about American export and investment prospects in Europe, has insisted that the

European Union governments, and above all Germany, turn from austerity to stimulatory measures. This has provoked fierce opposition from the German ruling elites which blame the US for the financial crisis and reckon that stimulatory measures will further weaken their banking system, already significantly impacted by the effects of the crash, to the advantage of US banks.

Economic warfare is increasingly coming to the surface. Earlier this month EU regulators ordered Apple to pay \$13 billion in back taxes, prompting an angry reaction from the US treasury and politicians. This was followed within days with a decision from the US Justice Department that Deutsche Bank pay \$14 billion in fines for mis-selling mortgage securities—a claim which, if met in full, would almost certainly send it into bankruptcy. There was an angry reaction from the bank which insisted it would not pay the full amount, backed by a declaration from the finance ministry in Berlin, demanding a "fair settlement."

Commenting on the conflict, the *Financial Times* noted that, coming just days after the Apple back tax demand, "there is a strong suspicion in financial circles that Deutsche could be the victim of the US taking revenge on Europe."

As part of its drive to maintain its global dominance, the US has promoted the establishment of a Transatlantic Trade and Investment Partnership (TTIP) to cover Europe. But the TTIP plan now lies dead in the water with Germany and France declaring that negotiations are virtually over because, in the words of German finance minister Sigmar Gabriel, "we as Europeans naturally cannot submit to American demands."

The two world wars of the 20th century arose out of the conditions produced by the intersection and intertwining of economic and political tensions. In conditions where financial parasitism, an essentially predatory mode of profit accumulation, has reached extraordinary heights, those tensions are once again on the rise.

These economic and financial developments and their political consequences underscore the importance of the conference convened by the SEP (US) on November 5 to develop a socialist strategy against war and the capitalist system that produces it.



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