

# Greed, Debt and Parasitic Capitalism

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Global Research, June 23, 2021

Theme: [Global Economy](#)

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*The 2008 financial collapse still impacts the world and many call it a Great Depression. Rescuing big corporations -rather than saving the real economy, made the scams and pillaging seem almost acceptable. The concentration of money and politics, and the power either generates, it is a global challenge that pushes a particular agenda of privatization of commons and of making money out of everything -prisoners, immigrants, women, children, addictions, sexual abuse and that has no limits.*

Michael Hudson identifies financial capitalism as the challenge; environmental degradation emerged from consumerism but “debt pollution” he says results from spending while financed by debt. Debt is not wealth, interest and amortization payments absorb future earnings -and earnings are not increasing. Industrial capitalism results in class war (workers v employers) but financial capitalism is parasitic raiding and carving up industrial corporations, downsizing and out-sourcing their labor force while creating unemployment, a war against workers too. The debt-overhead of the economy grows faster than the real economy increasing personal, national and global debt. (1a, 1b)

Only a growth economy (a real economy) creates value. Parasitic economy focus is on not paying any form of tax while seeking capital gains through ensuring higher land prices for real estate. It exploits us by mobilizing pension funds, social security and other retirement savings to increase the stock market, bonds and real estate prices. Finances manage real estate, oil and gas, mining and forestry, insurance and banking. The savings of workers, via pension funds, have increased but are invested in finances so we never know if workers’ savings will ever be used to their benefit or to further enrich the rentier class. (1a, 1b)

Confusion Inside: Monopolists’ take over

Hundreds of Lehman employees abandoning their Manhattan building in 2008 seemed confused trying to explain the shocking collapse of their investment bank. Lehman, a Wall Street institution, more than 150 years old, had no support from the US government while Merrill Lynch, American International Group and Bear Stearns were rescued. Hank Paulson explained that they had to preserve the US financial system, saving those who were “too big to fail.” The crisis of 2008 was the most severe since the Great Depression, but not the only crisis since then. There were signs before: the Savings and Loans crisis (1980s) resulted in a bailout of U\$S 500 billion; the unraveling of Enron (2000-2004), the bankruptcy of

World.com (U\$S 104 billion), and the looting of Tyco International and Adelphia Communications by their own CEOs were all signs. (2)

The 2008 meltdown is rooted in federal policies expanded post WW2 through the G. I. Bill offering low-cost home loans to war veterans. (3) For the US government new houses meant consumption, production and jobs. But the US had changed: if in 1978 the financial sector debt was U\$S 3 trillion, by 2007 it soared to U\$S 36 trillion. Ideology had changed too: there was increasing blind faith in the “self-correcting nature” of the markets and in their ability to “police themselves.” As mortgage debt rose (2001-07) and home prices double, institutions and people indebted themselves borrowing extensively without proof of capacity to pay, jobs, income or assets. (4, 5)

The Final Report of the National Commission on the Causes of the Financial and Economic Crisis of the US identified factors connected to the crisis but selected *massive borrowing* as key. The Federal Reserve System imposed low interest rates since 2001 to control inflation but it translated in low returns for investments. The U.S. financial sector developed securities backed by mortgage payments offering high returns and these securities, rated high by agencies (Moody’s and Standard and Poor’s), were acceptable to financiers. Lenders sold mortgages (bundled by banks into securities) to institutional investors who trusted them because they were high-rated by top ratings agencies. (4, 5)

#### Monopoly: Money power in Politics

In the US, and since the Great Depression, government use stringent regulation for banks, insuring commercial banks and savers through the Federal Deposit Insurance Corporation (FDIC) and separating commercial from investment banks, generally riskier, through the Banking Act of 1933 (Glass-Steagall Act). This system was in place until late 1970s but since then, politicians pushed for de-regulation eroding the Glass-Steagall Act over two decades, and eventually repealing what was left of it in Congress in 1999. Big commercial banks were now free to enter (with deposits from savers) areas of the financial business until then limited to investment banks, which pushed investment banks into yet riskier ventures. Political changes to US policies were not by chance but the work of money; the financial sector spent U\$S 2.7 billion in lobbying and additional U\$S 1 billion in campaign contributions to this end between 1999 and 2008. (4, 5)

In 2000, the US Congress approved the Commodity Futures Modernization Act, deregulating over-the-counter derivatives -securities that in essence are bets made privately by two parties on the future price of an asset. Investment banks could now reap huge profits by betting on the ongoing rise of real-estate values. Banks added billions of illusory money to their balance sheets, but American borrowers, overextended, will end in default and bankruptcy. In the US most states were affected by loans with negative equity (the value of homes, below the value of mortgages). Nevada had the highest share of such loans (more than 50%) but most states were affected. The collapse of the housing bubble led to a financial meltdown at home and abroad. In the US it left 26 million people unemployed, 4 million families without homes, large and small business in deep recession while 17 trillion of U\$S evaporated in 21 months (including retirement accounts and life savings). The collateral damage was global via the securitization of toxic mortgages valued in trillions of US dollars and affecting an entire generation of people and communities. (4, 5)

Ten years after the crisis Chris Hedges tours the US showing in his book the level of decay, addictions and despair of working people; the pornography, prostitution and sadism

promoted as “business;” and the hate and gambling prevalent in American society. Marx, he says, was aware of the dynamics of capitalism and the power of ideologies serving the interests of elites, ensuring their rule over us. Marx could foresee that in later stages of global capitalism, corporations would exercise a monopoly on the world’s markets and that these corporations, whether in banking, fossil fuels, agriculture and food, arms or communication, would use their power through the mechanisms of the state to prevent others from challenging their global monopolies. Marx knew that capitalist expansion was not eternally sustainable and that, unable to expand, the system will consume the structures that sustained it. All empires collapse showing commonalities; the American empire will not be an exception and Hedges shows us the complexity of decline from inside. (6)

Corporations fix prices to maximize profit, push through trade deals that weaken nation-states so they cannot control exploitation, impose environmental regulations or monitor working conditions. Corporations talk about free market competition but their monopolies end any competition. In the US, corporate capitalism pushed for de-industrialization and financial deregulation so that a weakened state will be forced to privatize public assets and impose austerity leading to cuts of public social services but welfare for corporations and the very rich is very much in place. Corporations feast on taxpayer money: the US government will spend U\$S 348 billion between 2015-2025 in modernizing nuclear weapons and submarines but nobody has ever challenged (or audited) the Pentagon’s budget. The US spends U\$S 100 billion a year on surveillance -70% of these monies going to private contractors. The fossil fuel industry takes U\$S 5.3 trillion a year worldwide in hidden costs and additional U\$S 492 billion in direct subsidies, as reported by the International Monetary Fund. US taxpayers give big banks U\$S 83 billion a year in subsidies. (6)

In Latin America people have fought the neoliberal agenda of corporations. It was imposed in Chile during the dictatorship of Pinochet, and, soon after the military coup (1973) Chicago trained economists were promoted to ministerial positions -some studied under Friedman in Chicago. The Chicago Boys applied privatization of public assets (state controlled companies went from 300 to 24) and cut budgets for infrastructure, for housing, for education and for social security causing huge inequality and increased poverty. In Peru similar policies were applied (1990) during the dictatorship of Alberto Fujimori, in jail today, throwing almost overnight millions of Peruvians into despairing poverty. Popular pots, a labor unions tradition during strikes, emerged everywhere to deal with hunger. Fujimori’s daughter, Keiko, was allowed to run for 2020-21 presidential elections, despite public knowledge of charges for money laundering that will take her to jail unless she becomes president. Most Latin American countries fought neoliberalism, some successfully, many not; the oligarchic dream of total control, abject poverty and national subordination to external powers was imposed mainly by force or by deceit.

In Canada neoliberals emerged with the coming together of Reagan and Mulroney, and their trade agreement pushing for “tough-love” capitalism. Neo-liberal monetary policy was implemented very soon. The Bank of Canada, first under Governor Gerald Bouey (1980s) and then under Governor John Crow (1990s), favoured aggressive disinflation -a neoliberal monetary policy ignoring unemployment rates, quality of employment and social needs. A new “normal” was imposed on Canadians. With the signing of the Canada US Free Trade Agreement (CUSFTA) the new normal was cemented through Canada’s increasing reliance on resource extraction and exports. The CUSFTA agreement was sold as a way to ensure “special access” to the US market but resulted in the US gaining strategic access to

Canadian energy while Canada's share of US imports decreased. The North America Free Trade Agreement (NAFTA) moved Canada into further harmonizing, now with Mexico in addition to the US. Global and continental strategies became dominant but national strategies were not even developed. Harmonizing pushed wages down in Canada, attacked the welfare state and limited advances towards a "just society." Due to Canadian deindustrialization public debt grew: it stands today as CAN\$ 2.434 trillion, surpassing the Canadian Gross Domestic Product of CAN\$ 2.311 trillion. (9)

The improbable death of neoliberalism...

Some believe the neoliberal push towards the 19<sup>th</sup> century has stalled, hopefully dead after the 2008 collapse or the covid-19 pandemic. The neoliberal political project attacked and blocked alternative models effectively, but since, the meltdown and the pandemic have made explicit its human costs in the US and everywhere. While the human costs of the financial collapse have been discussed, the connection of pandemic costs to the liberal project remained mostly in the dark. Worldwide numbers point to almost 3.9 million deaths by corona-virus and the neoliberal machine has been responsible for dismantling existing public health care systems, research and lab-capacity for vaccines, seriously limiting countries in their response to the pandemic. It is quite telling that the highest total of deaths per country is in the US, with more than six hundred thousands people dead because of covid-19; Brazil follows with half a million dead and India with 385 thousands. But it is also interesting to look at death per million population as Peru emerges as the country with the highest rate: almost 5.700 death/per million, followed by Hungary with 3.110, Bosnia Herzegovina with 2.953 and Czechia (Czech Republic) with 2.822 which point that Eastern Europe has performed badly. These are countries devastated by neoliberalism or war; and, their rates are above the rates per million of the US, Brazil, India, Russia, UK and even France. (8)

Upon reflection, the neoliberal project has made it almost a sin to advocate for people and towards the provision of public health care, low cost medications, good quality public education and fair wages everywhere. It has also been responsible for limiting citizens' impact on politics all over the world and for turning politics into dust by destroying any emerging alternative project. We are severely limited in shaping our societies towards equity, sustainability and fairness because of neoliberalism. Importantly, this criminal project attacks the "collective" -insulating policy makers from popular demands and eliminating state capacity for intervention in favor of the collective; still, state support for financial elites and their corporations and interests is allowed. Socialism for the rich is not a problem but socialism for the rest of us is not possible. The assault on collective actors, labor unions, anti-neoliberal political parties and collective negotiation and agreements has been effective. (10) Domesticated governments, from "trickster" politicians like Mulroney or Lenin Moreno, or from "tough-love ones" like Thatcher, Trump or Bolsonaro, all endorse the "oligarchic dream" and ensure that no anti-neoliberal politician gets into power or keeps it.

Financial capitalism grows in illicit wealth and power while ruling politicians are either allies or pawns. Eventually it became difficult for regular people to believe or participate in politics that are meaningless to them and turned into a show to fool, distract and betray the public interest and the common good. Around the world, with few exceptions, "politics" becomes a bad word. Monopolists win, shaping their image as deserving, intelligent, sophisticated, even visionary benefactors and philanthropists. The poor and vulnerable -women, men, children, ignored, blamed, shamed; their very survival undermined, eventually increasingly

invisible. The talk is not about them but about the “middle class” Those urban subjects from Hallmark movies, enjoying their jobs with benefits, living in romantic settings of “small town USA” as successful “writers” or “chefs,” walking their dogs through cute shopping streets and squares, having supportive families, facing mainly the challenge of unfulfilled “love.” While Hollywood remains focused on making money through shocking us with violence and meanness, scaring us into accepting that we humans are not better than the vicious caricatures they present, nor more real than their violent superheroes; but, where is Superman when greedy capitalism threatens us and the planet?

A compliant Media, says Hedges, shifts its focus from the common good to race, and to crime and law and order, while trying to convince us that the problem we face is not emerging from corporate greed but from a threat to national integrity (6). In Canada the Media also ignores the growing inequality, low wages, addictions, and personal and national debt. It focuses away from our reality to either sustain a vision of “technological bliss and middle-class fancy” or an illusory “enemy,” yesterday Russia today China tomorrow who knows? While created visions and threats are both illusory, threats increase attacks on real Asian people in Canada; and often, aboriginal Canadians looking “Asian,” like the Inuit, are attacked too.

In the US, increased poverty leads to increased homelessness. In Canada you can also see men in sleeping bags in downtown Toronto and Vancouver and many asking for money in the streets of every city. In the US people live in “tent cities” and campgrounds weather allowing. A book (and a movie) points to the US phenomenon of the “houseless,” people who live in their vehicles (adapted or not) and move like nomads around the US. Many of the nomads are seniors with small pensions who cannot afford to pay rent; most are white - it maybe too dangerous for people of color to do this. Jessica Bruder raises awareness in her book about the consequences of the 2008 financial meltdown. But Nomadland (the movie) is a fiction much less clear about financial connections and tempted to present (as most movies) a quasi romantic view of nomads as finding “freedom.” But, nomads work tough jobs for seniors with minimum wages that can endanger them mainly to cover living expenses. They are survivors of US crises presenting us with poverty after a life of work; while most are women, the majority lonely, it is difficult to believe they are not forced into this “option.” Individualism prevalent until the very end: our perception of the need to survive on “our own” no matter what. (12)

A wish for Implosion...

American capitalism has become very savvy at exploiting its own people; to this end it sustains corporations making money from citizens jailed in privatized prisons funded by the state; made to work for wages of 24 cents/hour; these are true “maquilas” at home. Undocumented immigrants face a similar fate when captured in the US; government pays private corporations for their keeping too and the conditions are terrible. It proves to us that there is nothing corporations are not willing to do for money-war, jail, addictions, prostitution, exploitation of any kind, denigration and deviance, is all on the table, and nothing and nobody is safe anywhere. (6, 7)

For Hudson monopolists believe debt can grow for ever. It cannot. Debt caused many to fall before even in antiquity. Wealth and power addiction is hubris, he says, when you become so successful it goes to your head and you believe you can do absolutely anything. After WW2 the US expanded and nobody pushed back so it believed it would be like this forever. *“And now there is a pushback and it thinks it is not natural. America is exceptional. Don’t*



*countries get it?"* But other countries do not believe it; China, Russia and the Shanghai Cooperation Organization nations are going their way, de-dollarization and creation of their own economy on non-neoliberal lines, opposed to the US. We can expect increased homelessness and cost of living in the US. During Obama times there were 10 million evictions; Trump did a moratorium during the pandemic but numbers are accumulating so Biden may evict again -about 5 million more this time. The economy painted itself into a debt corner. Subways and transport systems, more schools and public services are probably going to be privatized. Many people are going to lose their status and become impoverished. The US is becoming a breeding ground for fascism. (1)

Hedges can see the implosion of the empire bringing more chaos too. To protect us from it, he argues, "intentional communities" with a focus on acts of kindness and caring for each other can help. Parallel institutions, able to challenge corporate hegemony, are needed and we need to favor leaders capable of building trust and true to their calling. We need to move the country away from the Democrat-Republican duopoly, he says. There is resistance, like in the water protectors of Bismarck (North Dakota); there is disruption, as in the Earth Quaker Action Team throwing wrenches into the "corporate machine;" and there is a need to work at making alliances with people and groups. (6)

In Latin America Cuba, Venezuela, Nicaragua, Bolivia, maybe even Peru, Argentina and Mexico stand facing ongoing attacks. The people of Colombia, Chile, Brazil take to the streets at high personal costs. In Mexico Andres Manuel Lopez Obrador (AMLO) brought to the forefront the poor, at a time when most want to believe Mexico "more prosperous and egalitarian than ever." AMLO walked Mexico; he knows this is a lie and ending poverty is crucial; in the political arena his discourse forced elites to public policies that acknowledge the need for increased public spending in education; a minimum wage and unionizing. (11) Together with his par in Argentina, AMLO saved Evo Morales' life during the coup in Bolivia. It was crucial and Bolivia may very well be the first country in our continent bringing to justice the organizers and implementers of a "coup d'etat." It shows, I think, that at the core of any chance for success in confronting Monopolists there is solidarity with each other and respect for the diversity of actions that Latin America may take to ensure its liberation.

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## Notes

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