US mergers set new record in October

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With Qualcomm's announcement Thursday of a $39 billion deal to acquire NXP Semiconductors NV, October has set a new monthly record for US mergers and acquisitions.

Coming the same week as AT&T's $85 billion merger agreement with Time Warner and the $47 billion deal for British American Tobacco to take full control of Reynolds American, the total volume of mergers and acquisitions (M&As) for the month has reached $248.9 billion, topping the previous record of $240 billion set in July of 2015.

The past week has also set a new weekly high of more than $177 billion.

While M&A activity this year still trails last year's record pace by 20 percent, recent weeks have seen a sharp acceleration of deal making. Such a flurry of M&A announcements in the run-up to a presidential election is rare. It indicates that the US corporate-financial elite does not anticipate a major change in the business-friendly policies of the government, whichever party captures the White House.

The character and scale of the latest merger announcements underscore the relentless process of monopolization that is increasingly placing economic activity in the US and around the world in the hands of a relative handful of corporate behemoths, whose economic dominance only enhances their control of bourgeois parties, politicians and governments, whether nominally of the "left" or "right."

The announced merger between Qualcomm and NXP, for example, "counts as the second largest pure technology deal of all time after Dell Inc.'s recent acquisition of EMC Corp. for about $60 billion," according to the *Wall Street Journal*. The San Diego-based semiconductor giant Qualcomm is a leader in the field of mobile devices. In acquiring the Netherlands-based NXP, the world's biggest developer of chips for automobiles, Qualcomm is seeking to expand its revenue base under conditions of a stagnating market for mobile phones.

A takeover of Reynolds American by British American Tobacco would create the world's largest listed tobacco company by revenues and market value.

The AT&T-Time Warner merger, if approved by the next US administration, will represent what the *Washington Post* called a "seismic shift" in the "media and technology world," one that "could turn [AT&T] into a media titan the likes of which the United States has never seen."

In addition to controlling much of the traditional telephone market, AT&T is already the biggest pay-TV provider in the US and the second largest wireless provider, behind Verizon. The acquisition of Time Warner would give this tech colossus control over a large swath of news and entertainment in the US, including such Time Warner properties as CNN, HBO, Cinemax, other Turner System cable channels and the Warner Brothers film studio.

There is every indication that the wave of mergers will continue. On Thursday, the *Wall Street Journal* reported that business telecommunications firms CenturyLink and Level 3 Communications are in advanced talks to merge in a deal likely to be valued at more than $20 billion.

The extraordinary level of mergers and acquisitions and the scale of the combinations are expressions of stagnation and crisis in the basic economy and the growth of financial parasitism. Mergers as a rule add nothing to the productive forces. On the contrary, they divert capital from productive investment and are generally used to slash costs and eliminate jobs. Stock prices are generally bid up, producing windfalls for big investors, and countless millions are pocketed by Wall Street investment bankers and lawyers.

Since the financial crash of 2008, M&A activity has soared while the real economy has settled into a malaise of slow growth, reduced productive investment, declining productivity and a fall in the growth rate of world trade. Along with the wave of mergers, banks and corporations have funneled billions of dollars into stock buybacks and dividend increases, entirely parasitic measures that enhance the wealth only of the rich and the super-rich.

Adding to the drive to consolidate is an environment of stagnant and declining corporate profits. Earnings for firms in the Standard & Poor's 500 index are expected to rise a modest 1.1 percent in the third quarter, but that follows five consecutive quarters in which they fell.

Commenting on the record M&A activity in October, the *Journal* wrote on Friday: "With sales growth hard to come by in a slow economy, companies are casting about for ways to cut costs and keep profit growing. But after years of belt-tightening they need new sources of efficiency, such as a merger with a rival. Many are also looking to deploy their cash hoards in ways that will ensure future growth after spending years aggressively buying back stock."

American corporations are hoarding an estimated $2 trillion in cash, much of it parked overseas to evade US taxes. Meanwhile, the focus on speculative and parasitical activities is producing an ever-larger overhang of debt. Tech companies in the S&P 500 today owe a combined $451.4 billion in long-term debt. This is an increase of 42 percent from just a year ago.

The speculative orgy and debt binge are encouraged by the super-stimulative monetary policies of the US Federal Reserve and the other major central banks. Years of near-zero interest rates and money printing in the form of "quantitative easing" have made corporate borrowing extraordinarily cheap. Companies are using borrowed funds to finance stock buybacks, dividend increases and mergers. Debt among all companies has risen every year since 2009, reaching $6.6 trillion in 2015, equal to more than a third of the country's gross domestic product.