Apple valuation surges to over $800 billion

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Last Tuesday Apple reached a new milestone in its share market valuation when it passed $800 billion—the largest ever for any single firm.

According to the stock market, Apple is now worth more than the value of the retail firm WalMart, the engineering company General Electric, the drug firm Pfizer, and the food giant Kraft Heinz, combined.

The market expectation is that, after passing through $700 billion two years ago, Apple is well on the way toward the $1 trillion mark.

The latest elevation in Apple's value is the product of a major boost in the first months of this year, which was kicked off with Donald Trump's election to the US presidency last November.

Apple's stock has risen by about one-third in 2017 and about two-thirds over the past 12 months. It has recorded an almost 50 percent hike in its market valuation in the past seven months.

The surge to a new high follows the report earlier this month that Apple's cash holdings, mostly parked outside the United States to evade taxes, had climbed to more than a quarter of a trillion dollars, enough to buy out several major corporations.

The escalations in Apple's market valuation and cash holdings are products of a major shift in the mode of profit accumulation across the US economy and how share values are increasingly the result of financial manipulation.

The American corporate giants of the past, firms such as General Motors, Ford and US Steel, achieved their dominance through the development of large-scale industrial processes and the employment of a large number of workers.

Over the past four decades, however, the industrial landscape has been transformed. Today, the so-called technology sector, of which Apple is part, accounts for five of the most valuable firms by market value in the S&P 500 index. Apple, Facebook, Amazon, the Google owner Alphabet and Microsoft are collectively worth almost $3 trillion.

Apple's profits, along with the other tech giants, are not accumulated through the employment of a large workforce. The manufacture and assembly of its products is carried out offshore by firms such as FoxConn in China whose profit margins are thin and are kept low by competition among them. The cost of an iPhone, for example, is around $220 but it sells for three to four times that amount.

Apple is able to charge the higher prices because it has monopoly control over the knowledge that has gone into the production. The industrial giants of an earlier period made their money through the direct extraction of profit from the workers engaged in the production process.

Apple, however, accumulates its profits in the form of a rent, the private appropriation of scientific and technological knowledge. This appropriation, protected by law under intellectual property rights, enables it to amass wealth in the same way that the monopoly ownership of land enabled landowners to accumulate wealth. Like the landowner, Apple appropriates surplus value, which is produced elsewhere in the economy.

Apple, of course, lays out large sums of money in the development of new technologies, hiring graduates to develop its devices and associated software.

The cost of acquiring these resources, however, is only a drop in the ocean compared to the social cost involved. The graduates, in science, engineering and mathematics, employed by Apple and other hi-tech firms are no doubt highly talented and have acquired valuable skills and capacities.

But their abilities are not simply the product of their efforts as individuals. They are the outcome of a global education system—the US hi-tech sector recruits its staff from all over the world—and the development of science in general. No man (or woman) is an island unto him or herself. This applies nowhere more so than in the development of science and technology, where individual advancements are the outcome of the development of knowledge on a social scale.

In other words, the gains of science and technology—a social achievement—are pressed into the service of privately-owned capital for the accumulation of wealth in what is essentially a parasitic process.

This parasitism does not just involve the accumulation of profit but extends to its deployment.

During the post-World War II expansion, the accumulated profits of the industrial corporations were used for further investment, in the opening of new plants, the hiring of more workers. This led to general economic expansion and played a role in lifting wages and living standards. This process had important ideological and political consequences, fostering the ideology, developed as a direct counter to Marxism, that the working class and capitalist class were not fundamentally opposed but had a common interest in the development of the economy.

However, that period proved to be an exception, not the rule. A very different economic logic now operates.

Apple does not use its cash reserves and profits in the way that the corporations of the past once did. It employs them in various forms of financial manipulation, the only effect of which is to pour ever-more money into the bank accounts of the already wealthy shareholders, such as the financial investor Warren Buffett who has become a big holder of Apple stock in recent times.

Of course, new products have to be developed and Apple is hoping that its 10th anniversary iPhone, planned for a September release, will boost its bottom line. It will be no doubt accompanied by a wave of publicity to make it a "must have," coupled with innovations incompatible with existing models, thereby forcing users to upgrade.

But as an article in the *New York Times* noted, Apple "has not come up with a technological game changer in recent years" and at the present time "the stock market remains entranced with what Apple is doing financially."

This involves much more than simply parking its cash reserves overseas until, in the words of the company's chief financial officer Luca Maestri, there is a "change" in the current US tax legislation—a reference to possible tax reductions under the Trump administration.

Rather than returning cash to the US, Apple has taken advantage of the low-interest-rate regime in the US to borrow money to fund share buybacks and pay dividends. Record low rates are the product of the US Federal Reserve's "quantitative easing" program, which has pumped more than $3 trillion into the financial system since the crisis of 2008.

Cheap money, made available courtesy of the Fed, is used to buy shares, thereby boosting their value, bringing large capital gains purely through financial manipulation with little or no increase in productive activity. This has provided a bonanza for large financial investors.

Since 2012, Apple buybacks and dividend payouts have totaled more than $211 billion, and in the next two years it plans to return some $89 billion to shareholders. The emphasis on enhancing "shareholder value"—the modus operandi of all major corporations as a result of the incessant pressure exerted by finance capital—stands in marked contrast to earlier periods. While dividends and returns were paid out, corporations used the majority of funds to expand investment in new production facilities.

No doubt Apple's passing of the $800 billion mark will be hailed as a sign of "strength." In reality, both in the mode of its profit accumulation and the financial manipulations to enhance "shareholder value," the valuation is an expression of the rise and rise of financial parasitism at the heart of the US economy.