Renewed surge in US mergers

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A spate of mergers announced in the US this week has underscored the growth of monopolisation and parasitism, fuelled by the moves by the US Federal Reserve and the European Central Bank (ECB) to continue the supply of ultra-cheap money to global financial markets.

On Monday alone, takeover deals amounting to more than $70 billion were announced as multinational firms sought to tighten their grip on the markets in which they operate.

The deals included: the takeover by discount brokerage firm Charles Schwab of its rival TD Ameritrade; the decision by the American jewellery firm Tiffany's to be bought by the French luxury goods firm LVMH, owner of the Louis Vuitton brand; a move by the Japanese conglomerate Mitsubishi to buy the Dutch utility firm Eneco; and the purchase by the Swiss drugmaker Novartis of a biotech firm The Medicines Company.

Reporting on the renewed burst of takeover activity, following a pause attributed to uncertainties arising from the state of the world economy and fear of a global slowdown, the *Financial Times* said the recent decisions of the Fed and the ECB to cut interest rates had "propped up stock markets and extended the availability of historically cheap borrowing."

The largest deal was the Schwab takeover of TD Ameritrade in a share-swap deal valued at $26 billion. The merging of the two largest publicly traded brokerage firms will create what has been widely described as a Mammoth or Goliath in wealth management with more than $5 trillion in client assets.

Wall Street roared its approved of the deal with Schwab shares rising by 8 percent when it was announced TD Ameritrade's stock shot up by 16 percent.

When the deal is finally completed, if it receives regulatory approval, Schwab's current shareholders will hold 69 percent of the new firm, TD Ameritrade's 18 percent, with the Canadian Toronto Dominion Bank, which owns 43 percent of TD Ameritrade, will hold 13 percent.

The main impetus for the merger of the two brokerage house appears to have been the rise of challengers in the brokerage industry which has forced the cutting of trading fees. The aim is to stamp out rivals. A statement by company president Charles Schwab and the firm's CEO Walter Bettinger said the combination of the two firms "positions us to be competing and winning in the investment services business for the long run—the very long run."

The purchase by LVMH of Tiffany's for $16.2 billion in an all-cash deal saw its share price rise instantly increasing the wealth of Bernard Arnault, the owner of the Louis Vuitton brand, by $2.85 billion. The rise briefly made him the world's second wealthiest man, with a total wealth of more than $107 billion, before falling back to third spot behind Bill Gates, $107.5 billion, and Amazon chief Jeff Bezos, $111.7 billion.

The deal means that Tiffany's will now join the more than 70 luxury brands owned by LVMH, which include Bulgari, Dom Pérignon, Christian Dior and Givenchy.

The increase in merger activity, while providing fabulous gains in the wealth of corporate chiefs and rich pickings for the banks and legal firms that arrange the deals, does not indicate improved economic health—rather the opposite.

Anu Aiyengar, who heads JP Morgan Chase's merger and acquisition business in North America, told the *Financial Times*: "Regulatory uncertainty, equity market volatility, elections and recession are all looming out there and could have a detrimental impact."

Luigi De Veechi, who heads investment banking for Citigroup in Europe, also pointed to global risks in

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comments to the newspaper.

"Cash rich companies are once again targeting the US markets as many emerging markets represent a more dangerous equation due to increased geopolitical risk," he said.

One of the biggest mergers involving US-based firms is that between the mobile phone and telecommunications firms T-Mobile and Sprint in a deal estimated to be worth $26 billion.

Last month the Federal Communications Commission gave its go head for the deal which will cut US wireless telecom providers from four to three—the merged firm plus AT&T and Verizon.

The decision went three to two, the split was on party lines with Republicans hailing the merger as Democrats warned it would lead to monopoly pricing.

The two companies only secured approval after they had promised a series of concessions including not raising prices for three years, improving their broadband services in rural areas and speeding up the spread of the 5G network.

But these commitments were dismissed by the dissenters to the decision saying they are unenforceable. One of the commissioners Geoffrey Stark wrote: "In the short term, this merger will result in the loss of potentially thousands of jobs. In the long term, it will establish a market of three giant wireless carriers with every incentive to divide up the markets, increase prices, and compete for only the most lucrative customers."

Legal action has been launched by ten state attorneys general against the merger. New York attorney general Letitia James, who is heading the legal action, said the merger would cause "irreparable damage" to millions of subscribers by cutting access to affordable and reliable services and would particularly affect lower income communities in New York and in urban areas across the country.

California attorney general Xavier Becerra, who is also part of the legal challenge, said the merger would "hurt the most vulnerable Californians and result in a compressed market with fewer choices and higher prices." The attorneys general said the companies had "yet to provide plans to build new cell sites in areas that would not otherwise be served by either T-Mobile or Sprint."

The legal case will go to trial next month. Whatever the outcome, the grip of the giant telecommunications firms will surely tighten, underscoring the case for these necessary services to be brought into public ownership under democratic control.

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