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The mergers boom, the financial oligarchy and imperialism

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30 October 2015

According to press reports Thursday, the drug makers Allergan and Pfizer are in the advanced stages of talks to merge and form the world's largest pharmaceutical company, a \$330 billion giant that will be based in Ireland and pay next to no income tax.

The merger, which would be the largest so far this year, is only the latest in a wave of corporate mergers and acquisitions that is expected to make 2015 a record year for takeovers, eclipsing the \$3.4 trillion in deals made in 2007, the year before the Wall Street crash.

The Allergan-Pfizer announcement came the day after the Walgreens pharmacy chain announced plans to buy competitor Rite Aid in a deal valued at \$17.2 billion. The resulting company would control 41 percent of the US pharmacy market, with competitor CVS controlling another 58 percent. All other companies combined would account for a mere 0.6 percent.

This is only the latest in a record year for health care mergers, including the \$54.2 billion purchase of health insurer Cigna by its rival Anthem, and the \$37 billion takeover of Humana by Aetna. As a result of these mergers, the five largest health insurers in the US were consolidated into three in a matter of weeks.

A central motive in the Walgreens/Rite Aid and Allergan/Pfizer mergers was increasing pricing power by further monopolizing the market. The transformation of the US pharmacy market into a duopoly will have a dramatic upward impact on drug prices paid by consumers.

The growing monopolization of the health care field has contributed to soaring costs in the United States. In 2013, the last year for which data is available, the price of top brand name prescription drugs increased by 12.9 percent, eight times faster than the rate of inflation.

These mergers, far from expressing economic health and “dynamism,” reflect the economic rot at the heart of global capitalism. Record merger activity in 2015 goes hand in hand with the lowest level of global economic growth since 2008-2009.

In the most immediate sense, these mergers are the response of corporations, driven on by the demands of Wall Street for ever-bigger payouts, to conditions of reduced demand amid a global slump and the collapse of workers’ incomes.

The wave of mergers, along with record stock buybacks and other completely parasitic activities, are facilitated by the policies of the world’s central banks, led by the Federal Reserve, which have kept interest rates near zero and injected trillions of dollars into the financial markets through bond purchases, dubbed “quantitative easing.”

Far from using the funds pumped into the financial system for productive investment, major corporations are sitting on a record cash hoard of \$1.4 trillion, which they are using to buy back shares (further inflating stock prices and the portfolios of the rich and the super-rich), boost executive pay, and carry out mergers and acquisitions.

The mergers, while generating bumper profits for investors and huge payouts to corporate executives, generally lead to layoffs, wage cuts, speedups and the shutdown of plants and retail outlets. Such financial parasitism is the process by which finance capital boosts profits by cannibalizing the productive forces of society.

While these processes have accelerated in the aftermath of the 2008 financial crash, they have been ongoing for decades, resulting in a social disaster for ever-broader sections of the working class. Millions of American workers have been reduced to a state of semi-penury, with 40 percent making less than \$20,000 per year.

Abject social misery is coupled with fantastic levels of wealth. To cite just one example, the hedge fund mogul Kenneth Griffin of Chicago-based Citadel LLC, who made \$1.3 billion last year, has gone on a real estate spending spree, lavishing some \$300 million on properties in three cities, including three full floors at the condo tower under construction at 220 Central Park South, which he purchased for \$200 million, a record for New York City real estate.

Economic and political life in the United States and indeed the whole world is dominated by the parasitic and money-mad financial oligarchy that Griffin embodies. The policies of global central banks and major capitalist governments have had as their sole aim to protect and increase the

wealth of this financial elite and to subsidize their plunder of man's resources all over the world for their own personal fortunes.

These are characteristics that the Russian revolutionary and theoretician Vladimir Lenin identified at a much earlier stage of their development. In his 1917 masterwork, *Imperialism, the Highest Stage of Capitalism*, Lenin explained that the tendency toward financial parasitism, monopoly, dictatorship and war are not simply the result of subjective policies chosen by political leaders, but an expression of the fundamental tendencies of capitalism in its period of decay and morbidity.

Lenin wrote, "Political reaction all along the line is a characteristic feature of imperialism," defined by "corruption, bribery on a huge scale and all kinds of fraud." The domination of the banks over all aspects of social life finds political expression in the erosion of democratic rights at home. "Finance capital strives for domination, not freedom."

There is a connection between the criminal character of this financial aristocracy and the criminal character of foreign policy. The war at home against US workers mirrors the predatory wars launched by the US against the people of the Middle East and Africa. Used to speculative gambling to make its billions, the financial elite turns to geopolitical "risk-taking" and homicidal recklessness in its international policy.

But the corollary of Lenin's theory, proven in the subsequent history of the 20th and 21st centuries, is that imperialism is the epoch of not only reaction and war, but also of revolution. Now, as the fundamental characteristics of capitalism express themselves in the most naked form, the consequent sharpening of class antagonisms will lead inevitably to revolutionary upheavals.