

'Post-crash' asset-grabs continue at record pace

by John Hoefle

With \$2.2 trillion in mergers and acquisitions worldwide during the first nine months of 1999, the global financial reorganization and asset-grab is proceeding at a record pace. Financial institutions are consolidating, control over natural resources is being rapidly concentrated, and the utility sectors are being overrun with sharks. Everywhere one looks, control over the essentials of life is passing into fewer and fewer hands, the hands of the international financial oligarchy.

Most of the players in this drama don't understand the forces which are driving their actions — after all, the policy of post-crash positioning hasn't been officially announced in the *Wall Street Journal* — but are merely following the “business practices” currently in vogue, and doing what Wall Street tells them is necessary to maximize the value of their stocks. (If you want to make a business executive a slave to Wall Street's demands, play on his greed by giving him stock options in his own company. Spread a few stock options around and many managements will gleefully cannibalize their own company in the name of “efficiency.”)

During the first nine months of 1999, some \$2.2 trillion in mergers and acquisitions were announced worldwide, well ahead of the then-record \$1.6 trillion for the same period in 1998, according to Thomson Financial Securities Data, which tracks such things. Unless something catastrophic happens — a possibility not to be dismissed — the merger total for 1999 will easily surpass the \$2.5 trillion in mergers announced for 1998, and is well ahead of the \$1.6 trillion for all of 1997 and the \$1.1 trillion for 1996. The mergers announced for the first nine months of this year equals the sum of all mergers announced worldwide for the first half of the 1990s (1990 through 1994).

For the third quarter, the leading sectors for worldwide merger activity were, in order, banking, telecommunications, and utilities, which accounted for about 30% of the total, while in the United States the radio and television sector led the pack, followed by power utilities and banking.

Telecommunications will likely lead the fourth quarter as well, thanks to the Oct. 5 announcement by MCI WorldCom that it will acquire Sprint for \$115 billion, plus another \$14 billion in assumed debt and preferred stock. The deal is the largest corporate merger in history, in terms of purchase price, and marks the second time WorldCom has set the record; its \$35 billion takeover of MCI Communications was the largest ever at that time. Over the years, WorldCom has acquired

some 60 companies.

WorldCom is hardly alone. Telecommunications sector mergers account for six of the ten largest mergers in history, not counting Deutsche Telekom's failed \$92 billion bid for Telecom Italia. SBC Communications, formerly Southwestern Bell, has gobbled up Baby Bells Ameritech and Pacific Telesis, while Bell Atlantic has grabbed NYNEX, the New York-New England Baby Bell, and the non-Bell GTE. AT&T has not been idle either, buying both MediaOne Group and Tele-Communications Inc., giving it substantial cable operations (and a direct “pipe” into millions of American homes). This consolidation is partly driven by the Information Age/Internet technology boom, and partly by the rush to acquire post-crash income streams.

The mergers in the power utilities sector — \$76 billion in deals worldwide in the third quarter alone — also reflects the move to acquire income streams in the post-crash world. Indicative are the September announcements of mergers between Philadelphia-based PECO Energy and Unicom (the Chicago-based parent of Commonwealth Edison), and between Germany's Veba and Viag; and the August acquisition by Carolina Power & Light of Florida Progress, the parent of Florida Power & Light. New York's Consolidated Edison is reportedly in merger talks with Connecticut-based Northeast Utilities

Also indicative are the mergers in the natural resources field, in particular aluminum, where Canada's Alcan is buying both France's Pechiney and Switzerland's Alusuisse Lonza, and Alcoa is buying Reynolds Metals; and copper, where Phelps Dodge is buying Cyprus Amax and battling Grupo Mexico for control of Asarco.

A rash of deals can also be expected in gold, where the recent price spike has blown out the derivatives portfolios of many gold producers. Lonmin, the successor to Lonrho, has made a bid for Ashanti Goldfields, which is facing a reported \$270 million in margin calls from its derivatives counterparties, including Goldman Sachs, Société Générale, Crédit Suisse First Boston, UBS, American International Group, and Chase Manhattan.

Media concentration

At the same time that the oligarchy is consolidating its control over the post-crash essentials, it is increasing its control over the media, to keep the public in the dark about the ongoing reorganization and the disintegration of the financial system. Viacom is paying \$41 billion to acquire CBS, the last remaining “independent” major television network (Hollywood's Disney owns ABC and General Electric owns NBC). CBS controls Infinity Broadcasting, the nation's second-largest radio network with 163 stations. Number three Clear Channel Communications is buying number one AMFM (itself formed by the mergers of Chancellor Media, Evergreen Media, and Capstar Broadcasting), resulting in a company which will control more than 800 radio stations nationwide.