

Bankruptcy and Economic Stagnation: Mass Layoffs Worldwide as Corporate Mergers near New Record

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Major transnational corporations, including Kraft, Motorola, Lenovo, Tyson and HTC have announced mass layoffs in recent days amid a boom in mergers and acquisitions, which are on track to hit a record this year.

Processed foods maker Kraft Heinz Co said Wednesday that it would cut 2,500 jobs in North America, amounting to 5 percent of its global workforce. The announcement is the result of last month's \$49 billion merger between Kraft and H.J. Heinz Co, in a deal orchestrated by Warren Buffett's Berkshire Hathaway.

The announced layoffs will include 700 at the company's headquarters in Northfield, Illinois, near Chicago. Thousands more layoffs are expected as a result of the deal, as the company said it was "confident" that it would meet its estimated cost savings from the merger of \$1.5 billion through 2017.

On Thursday, Chinese computer maker Lenovo announced 3,200 layoffs, or 5 percent of its global workforce. The layoffs will be concentrated in the company's Motorola Mobility subsidiary, which this week announced an initial round of 500 layoffs in its Chicago-area headquarters. Another three hundred employees will lose their jobs with the closure of the company's facility in Plantation, Florida. Lenovo purchased Motorola Mobility from Google in 2014.

Also Thursday, Smartphone maker HTC announced that it would slash 2,250 jobs, or 15 percent of its global workforce, by the end of the year. The company is seeking to cut costs by 35 percent.

These layoffs follow last month's announcement by Microsoft that it would eliminate 7,800 positions, mostly from its Nokia mobile phone division that it acquired in 2013. Only weeks later, San Diego-based semiconductor company Qualcomm Incorporated announced 4,700 layoffs.

Mass layoffs in the food processing and technology sector come amid an ongoing jobs bloodbath in the global energy sector. On Friday, Samson Resources Corp, a Tulsa, Oklahoma-based oil and gas producer, filed for bankruptcy, threatening over a thousand jobs. The bankruptcy follows the firm's purchase in 2011 by private equity firm KKR & Co.

Earlier this month, Alpha Natural Resources, America's second-largest coal producer, filed for bankruptcy, endangering the jobs of the company's 8,000 employees. Oil consulting firm Swift Worldwide Resources reported in June that over 150,000 energy sector jobs have been

lost globally since the beginning of the downturn in oil prices last year.

Samson's bankruptcy filing followed the announcement by multinational oil giant Royal Dutch Shell that it would eliminate 6,500 positions this year, as well as the announcement by British-based mining conglomerate Anglo American, the world's fifth largest mining company, that it would slash 53,000 jobs.

The latest round of mass layoffs is closely related to the global boom in mergers and acquisitions. Under conditions of slowing global economic growth, together with record amounts of cash sitting on corporate balance sheets, Wall Street is using mergers and acquisitions to put additional pressure on US and global corporations to cut costs and restore profitability on the backs of employees.

Global mergers and acquisitions are close to hitting a record high this year, according to Thomson Reuters data. With a quarter of the year still to go, the value of deals hit \$2.9 trillion, just shy of the \$3 trillion figure for 2007, immediately before the 2008 financial crisis. In the United States, mergers have hit \$1.4 trillion in 2015, up by 62 percent from a year ago.

On Monday, Warren Buffett's Berkshire Hathaway announced the biggest corporate takeover so far this year: the \$37 billion purchase of Precision Castparts, an aerospace and defense metal fabricator with nearly 30,000 employees.

The growing rate of mergers and acquisitions is made possible by the continual infusion of cheap money from global central banks, which have pumped trillions of dollars into the global financial system through years of quantitative easing and zero-interest-rate policies.

Mergers activity has soared even as real economic growth has slowed. According to predictions by the International Monetary Fund, 2015 is set to be the slowest year for economic growth since 2009. The already gloomy growth outlook for the year was made worse Friday with the release of economic data for the Eurozone showing that the region's economy grew only 0.3 percent in the second quarter; significantly lower than had been predicted by analysts.

This followed Friday's release of negative economic figures for China, which showed that the country's exports plunged by 8.3 percent in July. China's poor exports performance likely contributed to its central bank's decision to devalue the yuan this week, a move that roiled the global financial system.

The global boom in mergers and acquisitions, far from expanding economic output and growth, has as its aim the enrichment of shareholders through layoffs and wage cuts. The end result of this vicious cycle of economic stagnation and parasitism is the further enrichment of the financial oligarchy at the expense of the working class.

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