

Billionaire Vulture Grabs Up GM Stock

U.S. stock markets were sent “booming” on May 4 by a strike on General Motors by corporate vulture Kirk Kerkorian, who made a sudden move to raise his holdings to 9% of all GM stock. The stock had fallen to around \$25 a share, from \$46 a year ago, and Kerkorian (or is it Kevorkian?) bid \$31 a share for 28 million shares. Auto supply companies’ stocks also rose, even as they were announcing many new plant closings!

The 87-year-old Kerkorian is an American billionaire businessman of Armenian descent, who is known as the father of the mega-resort. He’s also known for his moves to “unlock shareholder value”—that is, bleed money out of companies for their investors—from a number of major companies over the last half century. He is currently president and CEO of MGM Mirage, one of the largest casino companies in the world, and he operates through his personal Tracinda Corporation, which is based in California.

What’s His Game?

Kerkorian’s move into GM surprised analysts, who see the major automaker as a lost cause, and there has been much speculation over whether he intends to play a role in reshaping and stripping the company, or simply turn over his stock to a higher bidder later on. But Kerkorian’s history of financial operations supports the conclusion that his increased control will bode ill for the productive capacities of the automaker.

One of the schemes most often mentioned as being on his agenda, is the removal of General Motors’ finance arm, General Motors Acceptance Corporation (the part of the company which is generating its revenues) from the industrial corporation itself, most likely leaving the latter to bankruptcy, on the road to extinction.

Kerkorian began his business career in Las Vegas in 1962, and helped build that city into the gambling resort city it is today. That he had close dealings with the organized crime forces who sponsored the buildup of Vegas goes without saying, but that is not the focus of this report. We are talking about crimes of policy, that is, stripping corporations of their assets for the benefit of shareholders.

By 1969, Kerkorian merged his hotel business with the movie business, gaining control of the film studio Metro-Goldwyn-Mayer. What he runs today is an MGM that has nothing to do with movies, but a great deal to do with casino-hotels.

The story of Kerkorian’s relationship with MGM is not



Kirk Kerkorian, the “King of Las Vegas,” has his eyes on the auto sector.

that of consistently building a company. Over the course of the last 35 years, this mega-investor has bought and sold MGM three times, each time reaping a huge profit. The last phase tells the story. In 1996, Kerkorian bought MGM for \$1.3 billion. In the Fall of 2004, he sold it to Sony for \$5 billion.

During this period, MGM has totally removed itself from what might be called its productive activity, making movies. It simply resells rights. At the same time, Kerkorian established the company MGM Mirage, which has taken over the major resorts on the Las Vegas Strip, and through which he owns more than half the hotel rooms at that location. More important, Kerkorian’s Las Vegas operation makes him one of the biggest casino operators in the world, which makes him a key figure in the Dope, Inc. money-laundering circuit.

Airline and Auto Industries

Kerkorian has also made some highly publicized interventions into the airline and auto industries. In 1990, he bought up a 9.8% stake in the Chrysler Corporation, just as that company was going through a cost-cutting restructuring. This made him the largest stockholder in the company.

By 1995, he is reported to have teamed up with Chrysler Chairman Lee Iacocca to try to acquire control over the company, but this effort was defeated, and Chrysler instead went ahead to carry out a merger with Germany’s Daimler-Benz Corporation in 1998. Kerkorian made billions on the merger, but decided to sue the company for misrepresentation of the merger, which he claimed was a takeover instead. Although he has lost in court so far, he has not given up.

Corporate raider Kerkorian also had a battle over the now-defunct TransWorld Airlines (TWA) with fellow-vulture Carl Icahn during the early 1990s, stripping it until its remains were absorbed by American Airlines.

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