

CULTURE, CRISES, AND CAPITALISM

Panel session “ECONOMIC POLICIES OF COVID ERA”

The panel seeks to bring together works on the rise and management of the Covid crisis under the rule of financialization.

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TITLE: Geopolitics and financial profitability, the big pharmaceutical dispute

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Abstract

The pandemic evidenced the struggle for financial profitability of large pharmaceutical companies, inequality between countries, and inequality within nations, resulting from more than fifty years of stabilization policies, where monetary and fiscal policies have subsumed themselves to the institutional investors' interests. In the face of lockdown measures and the attempt to return to 'normality', central banks, as lenders of last resort, abandoned financial restriction policies to give way to fiscal policies and promoted a soft readjustment through credit expansion and accelerated public debt looking to recover economic growth in a 'fast track'. Proof of this is the worldwide recovery of GDP growth rates but, despite having a rapid recovery, they showed an uncertain scenario in the short and medium terms, accompanied by financial exuberance in stock market indicators at the international level. Firstly, the focus of this paper will be on demonstrating the profits of pharmaceutical companies, a business that, in the long term, intensified due to the new mutations that SARS-CoV-2 has had during the current situation; secondly, it is also important to demonstrate the unequal vaccine access by country and by region, to conclude with a reflection on the struggle between an economy for life and an economy for the financialization process.

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1.Introduction

Almost two years after the SARS-CoV-2 emerged and the pandemic officially declared worldwide, the self-regulating market that Karl Polanyi mentioned in *The Great Transformation: The Political and Economic Origins of Our Time* became visible. To this is added the organizational empire of *haute finance*, the nucleus of one of the most complex institutions produced by human history (Polanyi [1944] 2001: 11). Proof of this is the financial profitability of the pharmaceutical companies producing the covid-19 vaccine. In the current situation, vaccine and profit are synonymous with economic recovery; a principle that is present in the speeches of the International Monetary Fund (IMF), World Bank (WB), and the Bank for International Settlements (BIS) being the axis of the geopolitical reordering for the return to 'normalcy' even from the Davos Economic Forum.

Given the arrival of a virus such as covid-19 and the inability of health systems to meet the demands of the population, the closure of borders began, deepening a disorder in the process of internationalization of the production chains, having lockdown as a response in coping with disease and mortality. The pandemic worsened the macroeconomic indicators of economic and social life. Social distancing affected the deceleration of production and international trade. In countries where the informal economy is around 60%, and commodities export is between 60% and 80%, the distortion of prices affected government revenues and placed the payment of creditors in check, posing a new financial pandemic. The labor market approximately lost 130 million and 300 million jobs in 2020. Despite the exercise of almost 11 trillion dollars by central banks to contain the GDP fall, the digital divide in the labor market and the gap in technological innovation between and within countries became evident.

Unhinged, because of the necessary opening of the economy after lockdown to return to 'normality', there was a transition from monetarist austerity to fiscal policy to supporting large non-financial corporations, families, and some programs with a gender focus to avoid an abrupt fall to the precipice of the economy. In the face of "a crisis like no other" (Georgieva 2020), the International Monetary Fund (IMF) has tried to recover economic growth together with the support of governments and created the exercise of an exponential public debt, where the profitability of large pharmaceutical companies is a part of the principle of economic recovery and of the way to return to 'normality'.

An ideological dispute that places economic theory for debate, mainly the postulates of neoclassical theory that have permeated a dominant ideology in international financial organizations and the management of monetary, fiscal, and financial policies from the breakdown of the Bretton Woods Monetary System for fifty years. Exactly the principle where society and the well-being of humanity depend on the market and where the market itself comes into contradiction by denying the economic and social rights of individuals, such as the right to employment, health, education, and environment, depressing consumption.

When preserving an economy for life or an economy for the market, given the fracture of the productive chains, the search for the vaccine in the hands of big pharmaceuticals has been

prioritized when looking to return to the supposed ‘normality’ accompanied by an expansive fiscal policy by governments, the fundamental axis being financial profitability.

There are several questions explored in this article. First of all, what does it mean that a vaccine appears so quickly without guaranteeing 100% effectiveness?; second, why and how does the process of concentration and centralization of ‘Big Pharma’ take place? Third, who are the actors who play in the ring? And, finally, are vaccines a common good?

2. The unfolding of the pandemic and the deepening of financialization

As the pandemic and the incursion into creating the vaccine to mitigate the virus spread, the major pharmaceutical and biotechnology companies such as Moderna and BioNTech increased their presence in the stock market, increasing their share prices. Between 2018-2020 alone, the shares went from \$12.61 to \$313.59 and \$21.28 to \$242.64, respectively. Meanwhile, J&J moved to third place, with a price per share close to \$150, leading AstraZeneca and Pfizer.

Just at that moment, the dispute over financing large pharmaceutical companies opened because creating a vaccine in a short amount of time would generate a large profit margin for their shareholders. Unlocking the economy to avoid the losses of non-financial corporations was a priority given the fracture of global production chains; an imminent and necessary workforce return to reestablish the production process and guarantee the profitability of the institutional investors who dominate the financial circuits in the global economy. For financial capital, it meant managing, in a few months and with the help of central banks, to enter spaces of high profitability. Progress in government-supported innovation and research was notable² (Lerner, 2020). “AstraZeneca, Johnson & Johnson, and Moderna received government support [...] Moderna received \$483 million from the United States government to develop its product.” (Levine, 2020). “The Special Fund for Research and Production of Vaccines from the German Government had 750 million euros, out of which BioNTech received 375 million, while its competitor CureVac obtained 252 million. The IDT Biologika company received an undisclosed amount.”³(DW, 2020). “Pfizer Inc did not resort to funds from the United States government because 30% of its shares belong to Vanguard Group, BlackRock Inc., State Street Corp., Capital Group Cos., And Wellington Management Group” (Levine, 2020). In the words of John Young, chief commercial officer at Pfizer: “...we did not accept funding from the federal government solely for the reason that we wanted to be able to move our vaccine candidate into the clinic as quickly as possible.” (Levine 2020). The shareholders from Pfizer thought differently because even if the vaccine was

² Regeneron Pharmaceuticals Inc. gave Trump a cocktail against covid-19. “The sales came after Regeneron’s executives and board members had already sold nearly \$700 million in stock in the months immediately following the announcement that the company received BARDA funding to work on a Covid-19 treatment. Schleifer, Regeneron’s chief officer, sold \$178 million worth of stock in a single day.” (Lerner, 2020).

³ “The Minister of Education and Research, Anja Karliczeck, recalled at a press conference that the German Government launched, at the beginning of the year, a special fund for research and production of vaccines with 750 million euros for companies from the sector based in the country.” (DW, 2020)

discovered and distributed at low cost or for free, the loss would not be for them. In other words, for Larry Fink, president of BlackRock, the world's largest investment fund, the perspective for the medium and long term is consistent with the triumph of the discovery of the vaccine and the economic recovery. It would generate great profits for the other companies whose shareholders have diversified their investments in the same group (Levine, 2020).

In short, the profit-seeking financialization process managed to position itself through increasing pharmaceutical companies' shares in a few months. The dispute to create a vaccine, based on the profitability of the shareholders of the pharmaceutical finance capital, lies in a commodity whose use-value provides plaintiffs a psychological return to the 'normality' before 2020. Although the vaccine supply of major laboratories arrives in developed countries, the demand in emerging countries or those with less financial profitability is imminent, however, their needs will not necessarily be met.

3. Big Pharma Covid-19 Vaccines

The profits of the pharmaceutical industry had not been as substantial as those of others linked to high technology, however, in a few weeks, supported by financing from both financial markets and governments, they appeared in the ring. The United States, the United Kingdom, Germany, and France are financing vaccines and favoring 'shareholders' and 'stakeholders', that is, to the shareholders from the companies supplying the vaccines. At the same time, the laboratories of India, China, and Russia also compete for spaces of influence through a "soft diplomacy" fight. Even this struggle for spaces or future markets carries out without satisfying the needs of the vaccination process for their populations.

Next, we are interested in highlighting the indicators of large pharmaceutical companies based on their 1) net income, 2) financial indicators, and 3) price of shares to understand the necessary production of vaccines in the face of SARS mutations -CoV-2, which example is in the Delta and the current situation of the new Omicron variant. It is relevant to continue deepening and researching the development of vaccines.

1) The net income of pharmaceutical companies in the course of a year, based on the period that goes from September 2020 to September 2021, show us the following, in order of importance: in the first place, Johnson & Johnson with a total net income of \$21,344 million; Pfizer, \$21.374 million, BioNTech, \$8,697; Moderna, \$6,827; AstraZeneca, \$2,119; Sinopharm, \$1,517 Moderna, \$6,827; CanSino Biologics, \$162; Sinovac Biotech, \$119, and, in negative numbers, Bharat pharmaceutical, 3.3% losses. When analyzing income distribution, Pfizer with 42% is leading and is followed by Johnson & Johnson 18%, BioNTech 19%, Moderna 17%, Sinopharm 1.6%, CanSino Biologics 0.3%, and others, Sinovac Biotech and Bharat.

Table 1. Net Income for Big Pharma Covid-19 Vaccines					
September 2020-2021					
Millions of US dollars					
	<i>9/30/20</i>	<i>12/31/20</i>	<i>3/31/21</i>	<i>6/30/21</i>	<i>9/30/21</i>
Johnson & Johnson	3,554.00	1,738.00	6,197.00	6,278.00	3,667.00
Pfizer	2,194.00	594.00	4,877.00	5,563.00	8,146.00
AstraZeneca	648.00	1,012.00	1,561.00	550.00	-1,652.00
Moderna	-233.64	-272.49	1,221.00	2,780.00	3,333.00
BioNTech	-245.51	437.69	1,359.19	3,360.93	3,785.12
Sinopharm	298.29	336.77	276.49	277.39	327.47
Sinovac Biotech	11.16	108.83	N.A	N.A	N.A
CanSino Biologics	-10.66	-33.36	-2.18	147.29	61.33
Bharat	-0.52	-0.26	-1.59	0.26	-1.26

Notes: Sinopharm, Sinovac, Cansino Biologics, and Bharat report their financial information in domestic currency. This information was converted into US dollars using the International Monetary Fund exchange rates as a reference. N.A. = no data

Source: own elaboration with data from *Yahoo Finance* and *Google Finance*, 2021.

b) In the analysis of the companies, financial indicators show leverage and return, on which, is shown, the control of the shareholders over the capital. An example of this is the total income, the leverage of companies, and the return on capital, the latter exceeding two digits, which is why they are highly profitable companies. For example, Johnson & Johnson, Pfizer, AstraZeneca, Moderna, BioNTech, Sinopharm, Sinovac Biotech, and Bharat Biotech have had revenues that amount to \$219,125.45 million with a net income of \$941.75 million and leverage amounting to \$104,208.12 million. Johnson & Johnson represented 37.69% of the companies' total revenues; Pfizer, 19.13%; AstraZeneca, 12.15%; Moderna, 0.37%; BioNTech, 0.25%; Sinopharm, 30.18%, Sinovac Biotech, 0.23%; Bharat Biotech 0.01%. In relation to ROE: Johnson & Johnson 23.97%; Pfizer, 11.05%; AstraZeneca, 23.36%; Moderna, 39.99%; BioNTech, 1.55%; Sinopharm, 13.48% and Sinovac Biotech, 21.07%.

Johnson & Johnson, Pfizer, AstraZeneca, and Sinopharm were on top of the list of Covid-19 pharmaceutical companies. They obtained revenues between \$26 and \$82 billion, with a year-on-year change of between 0.6% and 9%. In a second group were Moderna, BioNTech, and Sinovac, whose revenues were between 500 and 800 million, with a year-on-year change between 300 and 1000% surpassing the previous group. Regarding profitability, Johnson & Johnson, Pfizer, Sinovac, and AstraZeneca's net profit margin has been between 12% and 20%. Likewise, Johnson & Johnson, Pfizer, and Sinovac's Return on Assets (ROA) indicators show a value above 5%, coupled with a Return on Capital (ROE) of 20%. The latter exhibits an optimal leverage level to finance the operation of pharmaceutical companies. Despite having a lower net profit margin than

the pharmaceutical companies mentioned above, BioNTech and Sinopharm showed a positive profit margin, ROA, ROE, and debt indices in terms of profitability.

Pharmaceutical company	<i>Revenue</i>	<i>Net Income</i>	<i>Total Debt</i>	<i>Year-on-year change in Revenue (%)</i>	<i>Year-on-year change in Net Income (%)</i>	<i>Net profit margin (%)</i>	<i>ROA (%)</i>	<i>ROE (%)</i>
	<i>Millions of US dollars</i>							
Johnson & Pfizer	82,580.00	14,710.00	35,266.00	0.64	-2.68	17.82	8.85	23.97
AstraZeneca	41,910.00	9,616.00	38,274.00	1.79	-40.91	22.95	4.34	11.05
Moderna	26,620.00	3,196.00	20,380.00	9.16	139.40	12.01	5.24	23.36
BioNTech	803.40	-747.06	207.30	1,234.34	-45.34	-92.99	-16.74	-39.99
Sinopharm**	550.92	17.36	10.44	344.17	108.49	3.15	0.93	1.55
Sinovac	66,139.02	1,041.52	9,930.32	7.32	14.95	1.57	2.41	13.48
Bharat Biotech**	510.62	110.37	136.39	107.53	145.65	21.61	9.35	21.07
	11.50	-2.44	3.68	27.68	-77.38	-21.23	-15.69	-66.45

Notas: *According to the Pan American Health Organization (PAHO): "As of November 2021, WHO has authorized the vaccines from Pfizer/BioNTech, AstraZeneca/Oxford, Janssen, Moderna, Sinopharm, Sinovac, and Bharat. Other vaccines continue to be assessed. In addition, National Regulatory Authorities (NRA) have licensed other COVID-19 vaccines in specific countries" PAHO (November 03rd, 2021). *Frequently Asked Questions: COVID-19 vaccines*. Accessed December 08th, 2021. <https://bit.ly/3Gzi6S3>

**data for companies in China and India were converted to dollars using the International Monetary Fund exchange rates. The data are for the last fiscal year of the companies -December 2020- except for Bharat whose fiscal year ended in March 2021.

Source: own elaboration with data from *Google Finance*, *Yahoo Finance* and *WSJ Markets*, 2021.

c) The share price on financial markets displayed considerable results for large pharmaceutical companies such as Moderna and BioNTech, whose prices per share increased by 1,701.8% and 938.2%, respectively. They went from trading 19.56, at the end of 2019 to September 2021, to 352 dollars, and from 33.88 to 351.74 dollars. During the same period, Pfizer exhibited 37.1%, Johnson & Johnson 6.9%, and AstraZeneca 10%. CanSino Biologics went from trading a price per share equivalent to \$7.53 at the end of 2019 to \$22.02 for November 2021, a 192.5% growth. Sinopharm, like its net income, has managed to keep its share price in range, with an approximate average of \$ 2.10-2.88.

	<i>Dec-19</i>	<i>Mar-20</i>	<i>Jun-20</i>	<i>Sept.20</i>	<i>Dec-20</i>	<i>Mar-21</i>	<i>Jun-21</i>	<i>Sep-21</i>	<i>Oct-21</i>	<i>Nov-21</i>
Johnson & Johnson	145.87	131.13	140.63	148.88	157.38	164.35	164.74	161.5	162.88	155.93
Pfizer	39.18	30.92	30.977	34.766	36.81	36.23	39.16	43.01	43.74	53.73
AstraZeneca	49.86	44.66	52.89	54.8	49.99	49.72	59.9	60.06	62.38	54.83
Moderna	19.56	29.95	64.21	70.75	104.47	130.95	234.98	384.86	345.21	352.43
BioNTech	33.88	58.4	66.74	69.23	81.52	109.19	223.88	272.99	278.73	351.74
Cansino Biologics	7.53	16.07	27.58	21.21	22.73	37.90	53.18	35.36	25.74	22.02
Sinopharm	3.40	2.10	2.39	2.03	2.35	2.35	2.88	2.61	2.38	2.18
Bharat	0.10	0.08	0.19	0.37	0.69	0.62	0.99	0.73	0.73	0.69

Notes: *for comparison purposes, the share prices of Chinese and Indian companies were converted into US dollars at their respective exchange rates obtained from the International Monetary Fund and the Bank for International Settlements.

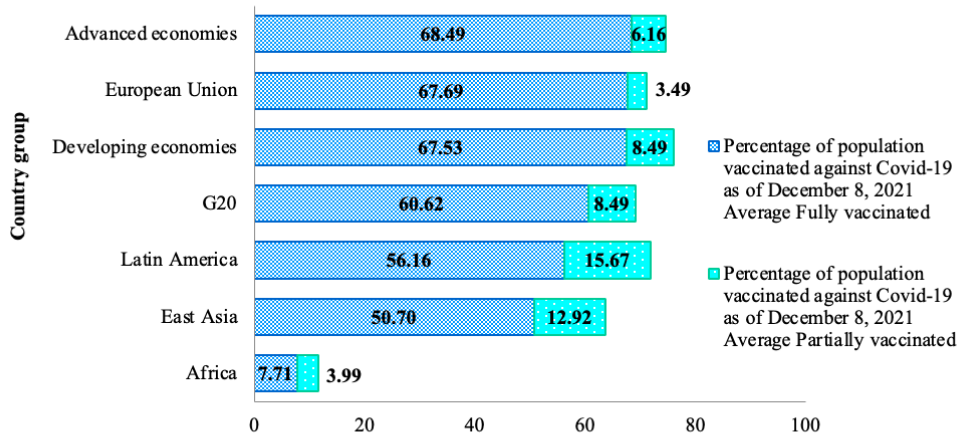
Source: own elaboration with data from *Yahoo finance*, 2021.

4. Geopolitics of inequalities, access to vaccines and the struggle for survival

From the beginning, the development of the pandemic evidenced the inequalities that existed before, between and within countries. Such as access to fundamental economic rights, the right to employment, health, education, and access to water, faced with the significant profits of the ‘Big Pharm’. To achieve recovery, so longed for by international financial organizations, accessing vaccines is essential, especially against the virus mutations. When concluding this research, there was the announcement of a new virus from South Africa by the health authorities of that country.

At the beginning of December 2021, according to Our World in Data, the percentage of the immunized population in advanced economies, the G-20, the European Union, and developing economies exceeded 60%. The objective, set by the WHO that seeks to return to ‘normality’, should be to immunize the majority of the population, that is, between 50% to almost 70%. But there is still a minority that is quite important. In Africa, only 7.71% of the population has immunization, and 3.99 a single vaccine. Other countries show the minimum levels with single-dose population, the highest being Latin America with 15.67% and the lowest the European Union with 3.49%.

Graph 1.
Percentage of population vaccinated against Covid-19
December 8th 2021
Average



Note: the following countries were taken as reference for advanced economies: United Kingdom, Belgium, Italy, Spain, United States, France and Japan; and for developing economies: Saudi Arabia, Turkey, China, Brazil, Mexico, India, Russia, South Africa and Nigeria.
 Source: own elaboration with data from Our World in Data, 2021. <https://bit.ly/3irsckP>

Regarding vaccine donations by producing economies to each continent, the data provided by the World Trade Organization (WTO) in collaboration with the International Monetary Fund (IMF) as of October 31st, 2021, shows that the United States and the European Union have had a more active participation with 191.3 and 84.9 million vaccines donated. The United States mostly donated through COVAX (81% of the total). Donations to the Asian and African continents, in this way, represent 40% and 33%, respectively. In the European Union, just over 50% of the total donations have been direct, trying a more equitable distribution between continents compared to the United States. Although Africa, Asia, and North America also stand out with over 20% each. For its part, China has made direct donations with 59 million doses, with Africa and Asia again accounting for over 90%. Russia has focused its donations in Europe, making them directly, until reaching 227 thousand doses.

Table 4. COVID-19 vaccine donations 2021 *

Producing economy	United States of America				European Union				China			Russian Federation		
Continent/Resource	Direct donations	Donations via COVAX	Direct donations (% of total donations)	Donations via COVAX (% of total donations)	Direct donations	Donations via COVAX	Direct donations (% of total donations)	Donations via COVAX (% of total donations)	Direct donations	Donations via COVAX	Direct donations (% of total donations)	Direct donations	Donations via COVAX	Direct donations (% of total donations)
Africa	756,140	63,147,942	0.4	33.0	9,336,428	16,612,595	11.0	19.6	13,498,340	N.D	22.5	N.D	N.D	
Asia	11,412,520	78,037,732	6.0	40.8	10,758,443	14,332,070	12.7	16.9	42,133,000	N.D	70.4	N.D	N.D	
Europe	42,000	2,895,468	0.0	1.5	4,320,080	188,400	5.1	0.2	2,232,000	N.D	3.7	227,000	N.D	100.0
North America	5,173,619	7,755,448	2.7	4.1	12,467,702	3,264,218	14.7	3.8	390,000	N.D	0.7	N.D	N.D	
South America	18,216,700	3,131,946	9.5	1.6	7,900,000	5,323,560	9.3	6.3	1,260,000	N.D	2.1	N.D	N.D	
Oceania	N.D	754,880	N.D	0.4	217,083	236,032	0.3	0.3	360,000	N.D	0.6	N.D	N.D	
Total per resource	35,600,979	155,723,416	100.00%		44,999,736	39,956,875	100.00%		59,873,340	N.D	100.00%	227,000	N.D	100.00%
Total donations by producing economy	191,324,395				84,956,611				59,873,340.0			227,000.0		

Notes: **As of October 31st, 2021* (WTO, November 19th, 2021). N.D.= No data

Source: own elaboration with data from the World Trade Organization (WTO) (November 19th, 2021) "WTO-IMF COVID-19 Vaccine Trade Tracker". Accessed December 07th, 2021. <https://bit.ly/3lRjEY>

5. Reflection

Almost two years after coronavirus emerged, our lives and the international economy were interrupted. As Polanyi mentions in his book *The Great Transformation*, the market economy has subsumed society for the sake of profitability. As Keynes stated, rentier capital has become quite involved in obtaining profits, contradicting the society’s consumption and enriching shareholders and stakeholders; that is, those in control of companies and large pharmaceutical corporations related to large groups of institutional investors worldwide. Undoubtedly, financialization and how it developed throughout the pandemic shows in both: the profitability indicators of pharmaceutical companies worldwide, the ‘Big Pharma’ from USA, Germany, UK, China, India, and Russia.

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