# FINANCE CAPITAL AS AN ENGINE OF RESTRUCTURING: THE 1980's MERGER WAVE

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The past fifteen years have seen an explosive growth in the size of international finance capital flows, dominated by speculative activities, but opinion is divided as to the impact of this growth. For some, the expansion of so called "casino capitalism" is an expression of an economic system increasingly volatile and crisis-ridden (Browett and Leaver 1989, Thrift 1990). Others argue it is largely superfluous to long run capital accumulation processes (Parsons 1988). One of the clearest examples of how finance capital has interacted with concrete processes of capital accumulation is provided in the highly leveraged merger and acquisition (M&A) wave of the 1980s. This paper contributes to debate over the role of finance capital by outlining the processes by which the emergent global financial system of the 1980s directly channelled a flow of funds into corporate restructurings. The scale and type of M&A activities varied considerably between nations on account of the different ways national financial regulations and traditions interacted with international financial capital. In the Anglo-American countries (the United States, the United Kingdom and Australia), M&A activity was intense and tended to be driven by short term financial gains. By contrast, continental Europe and Japan experienced more modest levels of M&A behaviour during the 1980s. Accordingly, the extent to which the globalisation of finance has been

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able to create a "global market for corporate control" (Kester 1991) has been mitigated by strong mediations at the level of national financial management. Hence, discussion of finance capital as an engine of restructuring must be careful not to impart what may called an `Anglo-American bias', whereby the potency of international finance capital is overstated and the power of national regulation underplayed.

## The restructuring of finance and the arbitrage economy

Financial systems are pivotal to the creation of surplus in capitalist economies. Their role is to articulate the money and productive forms of capital, enabling accumulation to occur (Bryan 1985). Changes to the operation of financial systems are of central importance because of their potential impact in influencing the sectoral (and spatial) distribution of money capital, therefore shifting the ways accumulation may proceed.

A shift in the operation of global financial systems during the 1980s has been analysed extensively (Harvey 1989; Daly and Logan 1989; Thrift and Leyshon 1988). Yet for most researchers, the precise impact of these changes has been difficult to pin down;

> The plethora of financial intermediatories and investments that have arisen in the 1980s have undeniably influenced production planning, corporate accounting, cash flow management, auditing practice and taxation obligations of individual corporations, but neither the ramifications nor implications of inter-circuit realignments for accumulation have been addressed in depth (Britton and Le Heron 1991;303).

The fundamental difficulty has been the desire to draw neat generalisations from a complex process of change within the financial sector. Restructuring of global financial systems in the 1980s revolved about a locus of four developments. First, global banking was transformed following the emergence of euromarkets in the 1960s and syndicated lending facilities in the 1970s. The collapse of the Third World syndicated loans market in the early 1980s (Daly 1988) encouraged more active participation by banks in corporate lending.



Second, bond markets exploded as securitisation (the packaging of debt into marketable parcels) attracted capital. Securitisation facilitated a merging of debt and equity, and a challenge to equity markets and banks as providers of finance. The process also encouraged the spread and diversification of various kinds of debt. Third, institutions shifted the balance of power in global financial markets. Allied to the emergence of institutions was increased competition for short-term rates of return, which heightened speculative tendencies in markets (Browett and Leaver 1989). Fourth, increased speculation and the growth of securitisation encouraged a wash of monies into so-called *derivative* (futures and options) markets. Rybczynski (1988) has labelled these developments as creating a *securitised financial system.*

These changes opened avenues for actors to take advantage of the potential gains from arbitrage, as a strategy for extracting surplus from individual capitals. Those most able to take advantage of opportunities included corporate raiders and management buy-out teams (the latter group presumably relying on inside-knowledge of a company's worth, from which to launch their bids), and their advisors in the legal and investment banking communities. Indeed, the growth in power of advisors was one of the more visible aspects of the shifts in the financial system. Stakeholders not generally being able to benefit from these conditions include unionised labour, suppliers and governments (tax minimisation being a frequent outcome from increased debt).

Shifts in financial systems during the 1980s can thus be conceived as producing an alteration in the political balance of forces holding together individual capitals. This perspective has been discussed most comprehensively by Coffee (1988, 1991), who conceives corporations as a web of stakeholder interests. Coffee's analysis is instructive because in linking the shape of modern corporations to the political and institutional framework of key relationships (say, between shareholders and management), the role of financial systems as an engine of restructuring is readily apparent. Such an approach underlays Hallsworth's (1991) examination of restructuring in the US retail sector instigated by the Campeau Corporation, a Canadian-based entrepreneurial company. Such restructuring may have few parallels with other processes of industrial change in individual sectors;

> We can legitimately ask, however, if the process [of change instituted by Campeau] should properly be seen as an exemplification of a process of *retail* change at all. The more one examines the Campeau affair the more evidently it emerges as part of a wider process of 'grounding' capital in fixed (retail) property assets (Hallsworth 1991;1217).

Capitalism now "looks more to finance capital as its co-ordinating power" (Harvey 1989;164). Through an expansion of foreign exchange, securities and derivative markets, finance capital has extended the circuit of money capital, opening up avenues for profit. However these markets cannot act wholly independently from production capital, as their expansion ultimately relies on an ongoing creation of surplus value in production (Walker 1985; Parsons 1988). Tangibly this was exposed when an emerging divergence between values of fictitious capital and the real economy induced the stockmarket and property crashes of the late 1980s.

## The Geo-Economy of the 1980s Merger Wave

### The United States, United Kingdom and Australia

In the United States, United Kingdom and Australia, surges of M&A activities on an episodic basis have been a prevalent feature of twentieth century capitalism. In the US, merger waves in the 1900s, 1920s and 1960s were each a major input to economic restructuring at these times. Increased M&A activities in the mid-1970s appeared to herald the beginning of a fourth great merger wave (Davidson 1985;129); however a sustained boost in M&As did not arise until the early 1980s (OECD 1984;92, Salter and Weinhold 1986;19). The 1980s merger wave, from 1982 to 1989, was the largest this century. In constant dollar terms, the value of M&As in 1986 was 50 per cent higher than in 1968, and twice as high as in 1899 (Ravenscraft and Sherer 1987:21). In terms of share of GDP, the 1980s merger wave was considerably larger than the 1960s or 1920s waves (Ravenscraft 1987:19). Although the wave did not peak until 1988, by 1986 it had already wrought massive changes to the American corporate landscape.



During the period 1981 to 1986, one dollar in every five of US manufacturing and mining assets had changed hands (Green 1990:3). After 1985, the wave exceeded the strength of the 1960s wave (Golbe and White 1986:275), and by 1988 the value of mergers approximated 10 per cent of US GDP (Table 1).

**Table 1: Value of M&As in the United States, 1979-89**

| Year | Value ($US billions) |
|---|---|
| 1979 | 34.2 |
| 1980 | 34.8 |
| 1981 | 69.5 |
| 1982 | 60.7 |
| 1983 | 52.7 |
| 1984 | 126.1 |
| 1985 | 146.0 |
| 1986 | 205.8 |
| 1987 | 178.3 |
| 1988 | 236.4 |
| 1989 | 230.7 |

Source:Mergers and Acquisitions 1989b;53 (1979); Mergers and Acquisitions 1990b;57 (1980-89)

The UK's experience with M&As has mirrored very closely that of the United States, with the occurence of four merger waves, roughly corresponding to those across the Atlantic (Rybzcynski 1989:22). The value of completed M&As rose rapidly in the early years of the 1980s, from just over 1 billion pounds in 1981 to over 12 billion pounds in 1986 (Scouller 1987:15). At the middle of the decade, the value of M&As represented six per cent of the total capital *stock* in the UK (Franks, Harris and Mayer 1988:221). Although the UK experience generally mirrored that of the US, there were some differences in the popularity of bidding methods between the two nations. UK acquirers preferred to use cash-stock combinations, rather than all cash (Franks, Harris and Mayer 1988:223).

**Table 2: The 25 Largest US M&As of the 1980s**

| Year | Acquirer | Acquired | Price ($US billions) |
|---|---|---|---|
| 1989 | KKR | RJR Nabisco | 24.7 |
| 1984 | Chevron | Gulf Corp | 13.3 |
| 1988 | Philip Morris | Kraft | 12.6 |
| 1989 | Bristol-Myers | Squibb | 12.5 |
| 1984 | Texaco | Getty Oil | 10.1 |
| 1989 | Beecham | SmithKline-Beckman | 8.3 |
| 1987 | British Petroleum | Standard Oil | 7.6 |
| 1989 | Dow Chemicals | Marion Labs | 7.1 |
| 1981 | El du Pont | Conoco | 6.9 |
| 1988 | Campeau Corp | Fed Dept Stores | 6.5 |
| 1986 | KKR | Beatrice | 6.3 |
| 1982 | US Steel | Marathon Oil | 6.2 |
| 1986 | General Electric | RCA | 6.1 |
| 1989 | Grand Metropolitan | Pillsbury | 5.8 |
| 1984 | Mobil | Superior Oil | 5.7 |
| 1985 | Royal Dutch Shell | Shell Oil | 5.7 |
| 1985 | Philip Morris | General Foods | 5.6 |
| 1988 | BAT Industries | Farmers Group | 5.2 |
| 1988 | Eastman Kodak | Sterling Drug | 5.1 |
| 1985 | General Motors | Hughes Aircraft | 5.0 |
| 1985 | RJR Reynolds | Nabisco Brands | 4.9 |
| 1985 | Allied Corp | Signal Co.s | 4.9 |
| 1986 | Burroughs | Sperry Corp | 4.4 |
| 1986 | KKR | Safeway Stores | 4.2 |
| 1985 | Exxon | Texaco Canada | 4.1 |

Source: Mergers and Acquisitions (1990a).

In both the US and UK, average merger size during the 1980s was historically high. The average value of American M&As in 1986 was roughly double that of 1969. In constant dollar terms (1982 dollars), the mean value of M&As in the period 1972-76 was US$22 million: in 1981-85 it was $85.5 million (Ravenscraft and Sherer 1987:218). The first merger to exceed US$10 billion took place in 1984 (the takeover of Getty Oil by Texaco), and a further four occurred in the years 1987-89



(Table 2). In all, there were 166 M&As worth over US$1 billion each in the seven years 1982-88 (*Mergers and Acquisitions* 1989b:64). Similarly, the average size of UK M&As was large during the 1980s, with acquisitions in 1985 worth in excess of ten million pounds accounting for 84 per cent of the value of all UK acquisitions (Chiplin and Wright 1987:18). In 1986, almost 60 per cent of the value of all British M&A activity was accounted for by just five mergers (Scouller 1987:15). Large mergers such as that of Guiness-Distillers and Imperial-Hanson Trust dominated UK M&A activity during the mid-1980s.

Analysis of Australian merger waves is plagued by poor data. From the end of the Second World War to the 1970s, there appears to have been two merger waves, the first around 1960, and the second during 1967-69. Whereas this latter wave can readily be traced to the expansion of international merger activity at this time, the existence of the 1960s wave probably owes more significance to purely domestic factors, such as changes in the tax structure (Chapman and Junor 1983:3). During the 1970s, M&A activity was steady, with between 50 and 100 bids for public companies being lodged annually (the one exception being 1972, when over 200 bids were made). Australian M&A activity took off in 1983-84 (Table 3), and in value terms was greatest in 1987 (Table 4). In that year the value of M&As in Australia was the equivalent of over one-third of all private gross fixed capital expenditure (Table 4, Column 2).

Like the US and UK, the average size of Australian M&As rose rapidly in the 1980s, with the median size of targets increasing from $5 million in 1979 to $12.1 million in 1985 (Bishop *et al* 1987:23). Yet financing this increase in average size of acquisitions was apparently not problematic, for there was no move towards the use of share swaps as a financing technique. In the years 1980 to 1985, approximately 85 per cent of M&As were financed solely using cash, with the remainder using share swaps or a combination of both (Bishop *et al* 1987:24). The increased size of takeover targets and ready supply of cash to finance these acquisitions underlines the role played by financial restructuring and liquidity in the 1980s.

**Table 3: M&As in Australia, 1982-83 to 1989-90**

| Year | Number of Total Takeover Bids | Number of Takeover Bids for Listed Companies | Percent of Listed Companies facing a Bid |
|---|---|---|---|
| 1982-83 | 89 | 84 | 8.5 |
| 1983-84 | 182 | 138 | 13.8 |
| 1984-85 | 153 | 92 | 8.7 |
| 1985-86 | 179 | 106 | 9.3 |
| 1986-87 | 258 | 182 | 13.2 |
| 1987-88 | 287 | 233 | 15.4 |
| 1988-89 | 236 | 207 | 11.6 |
| 1989-90 | 125 | 100 | 6.2 |

Source: National Companies and Securities Commission (various years)

Note: from 1985-86, number of listed companies includes second board listings.

**Table 4: Value of Australian M&As, 1986-89**

| Year | COL 1 Value of Actual M&As ($ billions) | COL 2 Per cent of Private Gross Fixed Capital Expenditure |
|---|---|---|
| 1986 | 4.8 | 17.6 |
| 1987 | 11.1 | 34.5 |
| 1988 | 10.3 | 27.8 |
| 1989 | 8.9 | 20.2 |

Sources: Col 1 - Ryan 1990;5; COL 2 - ABS (various years)

The restructuring of global finance established a huge growth in credit with major implications for M&A activities. Expansion of funds and the crash of the third world syndicated loans market (Daly 1988) encouraged a rapid expansion in lending to corporations, through either direct bank channels or the bond markets. Corporate bond markets exploded in the 1980s: between 1977 and 1986, the share of the US debt market held in the form of corporate securities rose from 26 per cent to 44 per cent of the total (Yago 1991;29), representing a relative shift away from household-held debt. By 1985 the capitalisation of US



corporate bonds markets was double that of the US stockmarket (Congressional Research Service 1985;19). As the stock of corporate bonds grew their liquidity improved. Prior to the 1980s, bond markets were generally moribund, with investors viewing them as long-term investments. Innovations such as the securitisation of receivables and so-called "junk bonds" (high yield securities offerred by non-investment grade companies) transformed these markets, making credit much more accessible for a wider range of companies.

Whereas a share of the corporate credit surge was put towards investment in plant and equipment, its main outlet was investment in financial assets. As Marzouk (1987) has documented, there has been an historic relationship between corporate credit growth and investment in financial assets. Financial innovations of the 1980s further encouraged use of corporate debt for investment in financial assets. Junk bonds were used in hostile takeovers from 1983. In the first takeover using junk bonds (T. Boone Pickens' bid for Gulf Oil), the bidder's investment bank (Drexel Burnham Lambert) was able to raise $US1.7 billion for the bid within 48 hours (Bailey 1991;73). By 1986, approximately 40 per cent of US junk bonds were issued for M&As or related corporate restructurings (Chorafas 1992;350: Yago 1991;37).

The increased levels of corporate debt gave ammunition for M&A activities during the 1980s. Debt was taken on as a means to finance acquisitions, fund capital expansion, or simply to build up cash reserves. Additionally, many firms established long lines of credit with their bankers during the 1980s. Increasingly, the merger wave fed on itself in terms of debt, with average leverage being ratcheted upwards as the decade progressed. Ironically, the taking on of debt became important not only to make acquisitions, but also as a defence from acquisitions. The so-called "poison pill", whereby a company under threat from a hostile bid would dramatically increase its leverage, was developed in the 1980s as a takeover defence.

Although capital raisings through stock markets increased rapidly in the 1980s, a concomitant rise in equity retirements left markets with negative net equity flows for much of the decade (Shoven and Waldfogel 1990). Consequently, the debt/equity ratios of the corporate sector in Anglo-American economies blew out markedly. In the United

States, corporate debt grew on average one-third faster in the 1980s than in the 1970s (Yago 1991a:113). On a book value basis, debt/equity ratios of US corporations rose from around 0.65 in the mid 1970s to around 0.8 by 1985. The stock of Australian corporate debt during the 1980s grew quickly, from 100 per cent of GDP in 1980 to 230 per cent of GDP in 1989. Associated with this growth, Australian corporate debt/equity ratios doubled, from 0.45 to 0.90 (Ryan 1990). Through the channels opened via financial deregulation, much of this was sourced offshore. A large proportion of corporate debt was held by the ten largest debtors (Ryan 1990:4), with Bond Corporation alone in 1989 holding 8 per cent of Australia's total foreign debt (Thrift 1990). This had major impacts on Australia's current account deficit (Heywood and Tamaschke 1991). However during this period there was little analysis of the nation's worsening current account in terms of the foreign debt obligations of corporate borrowers (a notable exception being Bryan, 1989).

There have been both supply and demand pressures which have encouraged this expansion of debt. Supply factors, relating to the increased propensity of banks in the 1980s to take on corporate debt, have been discussed above. The demand by companies for increased debt in the 1980s can be traced to the readier availability and relatively lower cost of debt (at least until the flow-ons from the 1987 stock market crash forced interest rates up sharply in 1989-90). Underpinning this demand was a generally more liberal attitude by corporate financiers towards the merits of debt-holdings, and loopholes in companies legislation which enabled trusts and partnerships to become vehicles for hiding debt from shareholders (Australia: The Senate 1991:2414).

The increased propensities for companies to take on debt is illustrated most graphically with respect to the emergence of the leveraged buy-out (LBO). From small beginnings at the onset of the decade, LBOs rapidly expanded to comprise over a quarter of all US M&As in 1986 (Table 5). LBOs were practised to best effect in the United States by Mesa Petroleum (owned by T. Boone Pickens) and Kohlberg Kravis Roberts. For these companies, acquisition was just one possible outcome in a range of options when making a bid. When Mesa



Petroleum bid for Phillips Petroleum in 1985 its primary aim was to drive the share price higher giving itself (as an existing shareholder) arbitrage gains. Phillips responded by recapitalising itself (swapping securities for equities), raising dividend payouts, and selling US$2 billion of assets, at a total cost of US$6.5 billion (*Wall Street Journal* 1985:12). A similar play by Mesa Petroleum for Gulf Oil the year before sent the latter into the "white Knight" hands of Chevron, a transaction worth US$13.3 billion, at the time the world's largest M&A. In both cases, Mesa Petroleum made huge financial gains.

**Table 5: Leveraged Buy-Outs in the US, 1981-89**

| Year | Total Value of LBOs (SUS billions) | LBOs as a per centage of all US M&As |
|---|---|---|
| 1981 | 3.1 | 3.8 |
| 1982 | 3.5 | 6.5 |
| 1983 | 4.5 | 6.2 |
| 1984 | 18.8 | 15.4 |
| 1985 | 19.6 | 10.9 |
| 1986 | 46.4 | 26.8 |
| 1987 | 35.6 | 21.7 |
| 1988 | 46.6 | 19.7 |
| 1989 | 61.6 | 26.7 |

Source: 1981 to 1987 (Yago 1991;112);
1988 to 1989 (Mergers and Acquisitions 1990c)

The revolutionary aspect of the LBO enabled the "natural pecking order" of M&As to be turned upside down. Up to the 1980s, larger companies acquired smaller companies: in the 1980s, the LBO allowed this to be reversed. The Davids were able to take over the Goliaths by two means; junk bonds enabled small companies to raise large quantities of cash expeditiously; and because many of their targets were conglomerates, debt could be repayed readily through asset sales.

## Continental Europe and Japan

Lacking such dramatically restructured financial systems, the M&A experience of continental Europe and Japan was quite different. Merger activity in both Japan and continental Europe during the 1980s differred markedly from the Anglo-American experience, with there being a much smaller level of M&A activities, and relatively few hostile acquisitions. In continental Europe, M&A activity grew throughout the 1980s, with the overwhelming proportion involving mergers within European nation-states (as opposed to cross-border mergers). In 1987, approximately 30 per cent of the European Community's largest 1,000 companies were involved in mergers of some kind, up from 10 per cent in 1983 (Geroski and Vlassopoulos 1990:25).[2] Yet in spite of this growth, M&As had nowhere near the impact on the Continent that they did in the US or UK. As a percentage of gross capital formation, M&As during 1988 represented just 1.5 per cent in Germany, 4.9 per cent in France, and 5.8 per cent in the Netherlands, compared to a stunning 41.4 per cent in the UK (Geroski and Vlassopolos 1990:35). Moreover, most European M&As were friendly: hostile takeovers have been relatively unknown in the Continent (Kay 1990:17). By any measure, the merger wave on the Continent simply did not have the muscle it had in the UK and US.

Undoubtedly, the major push behind European merger activity since around 1988 has been the move towards economic integration in the European Union. With greater economic integration there has been rapid restructuring as firms position themselves for the new market conditions. Sectors in which this has been most apparent have been food processing (The Economist 1992b) and chemicals (Geroski and Vlassopoulos 1990).

The reasons for the lower incidence of (particularly hostile) M&A activity in Europe would seem to lie in the different financial and

2 Note that this figure must be regarded with some caution; it includes figures from the UK, which as we have seen experienced rapid increases in merger activity over this period. However, it nonetheless identifies an increase in Continental European M&As during the 1980s.



regulatory structures on the Continent. Capital markets (both for equities and securities) are a smaller share of national economies in Europe than in the UK and USA, tending to make the corporate sector less open to restructuring through market offers (Shore 1990:93). With fewer opportunities, it is perhaps not surprising that European entrepreneurial investment companies in the 1980s failed to match the returns gained by their counterparts in Anglo-American economies (*Mergers and Acquisitions* 1989a:62).

In the developed world, Japan was virtually alone in the 1980s by not having a merger wave at all. Of the approximately 2,000 mergers which occur per year in Japan (little changed for decades), the vast majority are friendly unions between small companies (Kester 1991:10, 104). Between 1971 and 1990 there were only two instances where a tender offer was used to institute a takeover: M&As are generally effected through agreed share-swaps or open market purchases of shares (Kester 1991:99). A hostile takeover did not occur in Japan until 1988, when the Koshin Group took over Kokusai Kogyu, in order to gain access to a rapidly appreciating parcel of Tokyo real estate (Kester 1991:17).

Examining financial structures provides a useful framework to analyse the historic absense of major takeover activity in Japan. The close relationships existing between Japanese industrial and financial groups (the *kigyo keiretsu*), frequently consummated through finance houses taking strategic long-term equity interests in their clients, have mitigated against M&A activites. Approximately 70 per cent of equity on Japanese stockmarkets is held through keiretsu cross-shareholdings (Coffee 1991;1296). This framework is deeply entrenched within the Japanese economy, with the central bank (The Bank of Japan) using commercial banks as intermediaries to provide finance to Japanese industry (Alletzhauser 1990:155).

The economic restructuring forced upon Japan in the era of *endaka* (the high Yen) has challenged these industry-bank networks. Kester's (1991) seminal work on Japanese takeovers traces the emergence of a market for corporate control in Japan to the distancing of traditional relationships between industrial and finance capital (p234). A major component of this shift is the use of share swaps, rather than bank loans, for capital financing (p7). In complete contrast to the experiences of most other industrialised nations, Japanese industrial companies *reduced* their bank borrowings in the 1980s (p195). The liquidity of Japanese companies was maintained in this time by low dividend payouts (p16), a rise in equity issues and vast operating surpluses. The cash richness of Japanese companies, in conjunction with dramatic falls in Japanese asset prices since 1990, provided a boost to corporate restructuring, represented by increasing levels of M&As (The Economist 1992a). Such increases, however, are not comparable in size and scale to the experiences of Anglo-American nations in the 1980s.

## Conclusion: The Impacts of the Wave and the Role of National Governments

Supporters of the view that M&As represent an `invisible hand' for corporate control, which is best left alone by national governments, often use *event studies* to provide evidence of the wealth-enhancing impacts of M&As. These studies, which aim to measure changes in stock market values before and after M&As possess significant limitations. Bishop *et al*'s (1987) celebrated defence of the economic virtues of Australian M&As, for example, examined stock market price fluctuations in a narrow window just three months before and after each M&A. Such a myopic view leaves no room for the impacts of longer term shifts in stock prices if M&As are found to not deliver material benefits to shareholders (cf. Carper 1990). Moreover, in unquestionably assuming that national benefits can be equated with short term shareholder gains, event studies provide little information concerning the broader impacts of M&A activities.

A more comprehensive methodology is the *industrial organisation* approach, which analyses a range of corporate accounting data before and after M&As. The results of industrial organisation studies have generally contrasted with those of event studies. In Australia, the findings of McDougall and Round (1986) provide a stark contrast to the roughly contemporaneous study of Bishop *et al*. In a United States study involving 6,000 M&As between 1950 and 1976, it was found that



M&As generally failed to boost profit and growth for both target and acquiring firms (Ravenscraft and Sherer 1987). The extent to which these conclusions apply to the highly-leveraged M&As of the 1980s has not been adequately researched. Despite his exclusive access to the records of Drexel Burnham Lambert, the study by Yago (1991) is inadequate. It is restrictive in the sense it applies a maximum of three years post-LBO performance to just three years of data (1984, 1985, 1986), and does not isolate other variables (such as the state of the economy) which might have otherwise exerted an impact in influencing outcomes. Consequently, considerable qualifications must be attached to his conclusion that the LBOs of the mid-1980s tended to "result in favourable fundamental changes in corporate organization, behaviour and performance" (Yago 1991;137).

That M&A activities on balance do not lead, unambiguously, to beneficial outcomes suggests there is room in Anglo-American nations for their more careful regulation. The experience to date has witnessed a reluctance by governments to intervene with greater diligence in M&A processes. In the United States, attempts to control M&A activities by state governments resulted in some 65 anti-takeover statutes being passed by 34 states between 1982 and 1988 (Karpoff and Malatesta 1989). The focus of virtually all these pieces of legislation, however, has been on ensuring fair process in takeover events (ie., laws requiring all target company shareholders are treated fairly), rather than on controlling financial aspects of M&A activities. Only four relatively small states (Hawaii, Idaho, Nebraska and Oklahoma) passed laws relating to the disclosure by bidders of their funding and intentions (Karpoff and Malatesta 1989;299). In Australia, the review of anti-merger provisions in the Trade Practices Act (Senate Standing Committee on Legal and Constitutional Affairs 1991) conspicuously side-stepped the whole issue of the role of the financial system in influencing M&A behaviour. Influenced by Michael Porter's ideas on "competitive advantage", this review focused on the potential for market failure through a lessening of competition.

In general, the changes to the operation of the global financial system since the early 1980s exerted a direct impact on corporate restructuring. The channelling of money capital into M&As encouraged massive shifts to the ownership and operation of corporations. The role of financial regulations and traditions was crucial in determining the distribution of this restructuring, with Anglo-American nations experiencing greatest impacts, with continental Europe and Japan being less affected. This underscores the continuing importance of national governments in the global economy: the ways finance capital influences corporate restructuring is determined by the extent to which national governments choose to exercise or relinquish control to international finance.

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# CHILDREN'S MAKE-UP: MASKING THE CONTRADICTIONS

Wendy Varney

Many revealing contradictions of capitalism are found within the sphere of consumption. Consumer items have been developed essentially with profit motives in mind but they must also bring a package of appeal to the potential consumer. As Wolfgang Haug reminds us, "Commodity production does not set as its aim the production of use-values as such, but rather, producing to sell" (Haug, 1986:6).

Some fascinating and contradiction-laden items result, such as the range of toy make-up targeted at young girls since the early 1980s. The economic and social impetus behind this development warrants examination. The major contradiction within these artefacts is that they diminish somewhat the notion of childhood as a distinctly separate phase, yet simultaneously reinforce children as a market niche which must have their own separate products. To understand how such a product innovation came to be developed, it is necessary to take account of the importance of childhood as a distinct marketing niche, the pressures that have been brought to bear by other industries that have sought to shorten the "childhood" phase, and the social milieu into which the product innovation has had to fit.

The upsurge in the marketing of toy make-up for young girls - and the industry stresses that it is a toy (*Toy and Hobby Retailer*, April 1981) - runs against the grain of many of the initiatives of the women's movement at a time when women might have been expected to make headway against pressures on them to conform to standards of appearance. This has happened against a background of increasing commercialisation which has impacted heavily on children's