Corporate mergers harm the US economy

The multibillion-dollar takeover saga of Bendix, Martin Marietta, United Technologies, and Allied finally ended last Friday as Allied merged with Bendix, 89 percent of Martin Marietta's stock. But now that one of the most bizarre stories in recent corporate history is completed, what was initially accomplished?

As a summer intern at Martin Marietta's division in Denver, I can remember my last days there filled with talk of a possible takeover. I even joked that next year I would be working at home in Detroit, since Bendix's corporate headquarters are in the Detroit suburb of Southfield. My amusement soon became clouded by confusion, as the investors turned to state laws of incorporation, antitrust, and financing. When United Technologies jumped into the shark tank, bids, redactions, and new offers came in. Who would buy the other firm? Would Bendix or Martin Marietta have a controlling interest in one another? What would United sell if it bought Bendix?

When Allied said it wanted to play, I gave up on trying to sort it out. Luckily, this soap opera came to a quick close after Allied moved to the Caribbean.

Of course, the natural course to take for a post-mortem is to look at who won, who lost. At first glance, it appears that Bendix (at least its shareholders) won, Marietta won (it wasn't taken over), and last (its balance sheet took a beating in buying Bendix stock). United broke even, but they may have gained a little. However, I don't think this is the case. The new owners are the investment bankers and lawyers who handled this mess. The loser is the American economy.

Did all of this money and maneuvering improve the nation's technology, open a new market overseas, or create new jobs? Of course not, and neither have many of the recent corporate mergers, which merely are attempts to improve the short-term bottom line. U.S. Steel, notably, exemplifies this mentality. For years, this company has been under severe cost competition from European steelmakers. Saddled with old, obsolete plants and production processes, U.S. Steel doesn't try to modernize its capital stock; it obtains all the financing it can to buy Marathon Oil, for about six billion dollars, while at the same time crying to the U.S. government for protection from imported steel.

And what of the four friendly companies engulfed in this latest struggle? William Agee, chairman of Bendix, is known and hated in the corporate world for his attempts to buy another company with its board of cash: RCA was a target in March. United's Harry Gray has built a conglomerate of $14 billion, not through new products, but through gobbling up other firms. Only Marietta has developed from within, and it is the least, healthy three billion-dollar conglomerate, thanks to a strong aerospace unit. Not only was money involved, but ego as well.

article in last Friday's Wall Street Journal notes that "individual cunning, determination, and sheer all personal ego- rather than business and financial considerations plays a striking role."

Many, including the Reagan administration, turn a deaf ear to these corporate versions of "Pac-Man," saying that it is all part of the free enterprise system. But fortunately others, including Robert Hayes and William Arent, of the Harvard Business School (whose article in the school's Review, "Managing our Way to Economic Decline," was a brisk and timely view of the nation's economic problems, have come to look upon most mergers as doing more harm than good.

At a time when our economy is facing the toughest challenges it has seen in half a century, American business needs to look at itself very closely, and revamped practices that will only hurt, not help, in the long run.