

THE WALL STREET JOURNAL.

© 1993 Dow Jones & Company, Inc. All Rights Reserved.



EASTERN EDITION

THURSDAY, OCTOBER 21, 1993

CHICOPPEE, MASSACHUSETTS

Business Bulletin

A Special Background Report On Trends in Industry And Finance

TOLD-YOU-SO ECONOMISTS keep an eye on poison pills' role in '90s mergers.

Last spring, economists Robert Comment and G. William Schwert wrote that poison pills and antitakeover laws didn't squash the run of '80s deals; a grim economy did. Now, with mergers aglow again, the pills and laws create a "new model," says Mr. Comment. "Expect the first offer to be friendly, but don't necessarily expect it to win," Mr. Comment adds.

Initial takeover offers will be more polite, not less common, because of the new measures, the economists say. The devices are "significant bargaining chips" that can't completely shut out any one bidder, and they encourage an auction, adds Mr. Schwert. Now when Mr. Schwert lectures about their paper, he can bring news clips to back up the theory. "You don't often get to do academic research in real time," he adds.

Some 87% of all exchange-listed stocks have a poison pill or protective state statute, the economists say.