**Macroeconomic Drivers**

1. Low growth + high inflation = “stagflation”
2. Declining relative standards of living
3. Declining share of markets for output
**Political Drivers**

1. Dissatisfaction with “mixed-economy” results

2. Frustration with globalization and protectionism

3. Thatcher reforms:
   a. decontrol of foreign exchange market
   b. reduction of income taxes
   c. challenges to unions
   d. privatization
   e. “big bang”
   f. importance of private sector

4. Pragmatism in other countries

5. 1985 “white paper” on economics of “single market”
Results

1. Spread of privatization

2. Financial market liberalization and stock exchange reforms

3. 1986 “Basel Agreement” on bank capital adequacy

4. “Second Banking Directive”

5. EU competition directives; anti-trust policies

6. Beginning of restructuring in economic sectors
   a. Emphasis on ROI, competition
   b. mergers and acquisitions; hostile bids
   c. corporate control challenges; shareholder rights issues
   d. new dialog on corporate governance (esp. conglomeration)
   e. LBO market begins to develop


Results

7. Global connections: FDI outside Europe

8. Increased financial market activity

   a. Bond markets
   b. money markets and MTNs
   c. derivatives
   d. equities (IPOs)
   e. mutual funds (unit trusts)
   f. venture capital
   g. “allfinanz”

9. Changed strategies for banking institutions

   a. increased competition
   b. pressure for ROI, shareholder interests
   c. consolidation; national concentration and bigger size
   d. M&A activity, some hostile, governments permissive
   e. specialization; retail vs wholesale; national vs global