*banks operating abroad to make them less able to compete against City of London banks in the international markets.*

*Q: What would be the effect of Rep. Reuss's proposal for reserve requirements on the Euromarkets on the establishment of a "Eurocommercial paper market"?*
*A:* I would certainly have a very significant effect on the commercial banks, a very significant effect on their international competitiveness. Why, a market in international paper would be greatly encouraged.

*Q: You sound like you are aware of the proposal...?*
*A:* Oh, yes, we have studied it for some 10 years now, but it's really good to know that things are getting closer to implementation...the Reuss proposal means that it's really getting off the ground, going public from an authority like that. Our firm has done a study of the whole situation, we have two senior partners, one on Euromarkets and the other on the commercial paper angle, (who) haven't written anything, you know, but it's all in their heads. Our conclusion was at the time — last year — that at present the banks are more competitive in the international market. But, we discussed that. The imposition of reserve requirements would put a significant dent in that.

*Q: Have you revived the discussion actively towards implementation in conjunction with the appointment of the new Federal Reserve chief George Miller?*
*A:* Yes, it has been mentioned again recently in conjunction with Miller.

*Q: If the reserve requirements went through, in, say, September, how long would it take a real Eurocommercial paper market to develop and what would the volume be in, say, a year?*
*A: September?* Listen, in a market like that, so highly competitive, people get to work damn quickly—a lot of phones would light up right away. It would take weeks at the most...

*Q: Who are the main traders among investment banks in commercial paper, and do you think your current position will give you advantage over the banks?*
*A:* Salomon, Goldman Sachs, Lehman, First Boston, Merrill-Lynch, Becker. Yes, we're real competition...why, do you know *we* trade the certificates of deposit and deposits for the commercial banks? We find money in the open markets for them.

*Q: You mean you already know the investors who buy bank deposits and certificates of deposit and you would know where to go with your commercial paper once it was more competitive? And the banks would loose those buyers of CDs?*
*A:* Exactly. We know the market. Say the banks have to offer deposits at 7 per cent now, and we're selling commercial paper for that — and as it is the banks don't make much more than 7 per cent on loans, so they're already tight. On top of this they get a 16.5 percent reserve requirement slapped on them — they'd be out of the running compared to the prices we could offer.

*Q: Then the investment banks would get all the desirable corporate borrowers and the desireable government borrowers who like Electricité de France, borrow through state corporations at top rates...and the banks would end up with only the less desirable borrowers, to whom they are already overloaned?*
*A:* Yes, that's it, exactly.

## G.W. Miller And Textron:

# A Study In British-Style 'Asset-Stripping'

If honest businessment and labor leaders knew the corporate history of Textron — and of G. William Miller's role in it — they would never allow the U.S. Senate to ratify Jimmy Carter's nomination of Miller as chairman of the Federal Reserve Board

Textron and Miller's history is not the story of just another conglomerate or "trust," nor a horror tale of "big business." It is the story of a very specific financial intelligence operation directed against American industry. It is a study in what the British call "asset stripping," a study in financial-political takeovers and, finally, penetration of high-technology American production in order to destroy it.

### The First Fling

The story begins with Arthur D. Little, a professor of chemistry at Harvard, who established in 1886 Arthur D. Little Associates, an industrial consulting firm that is now one of the City of London's key infiltrators into the American and Arab economies. Little's nephew, Royal Little, the eventual founder of Textron was set up in the rayon business by his uncle's banking connections.

Rayon, the first synthetic textile, was invented by a student of the great French scientist Louis Pasteur and posed a threat to Great Britain's control of the world textile market. Royal Little was set up in his small rayon business in the 1920s probably to give the British a foot in the synthetics market and a base for capturing New England's traditional textile firms.

Beginning in 1943, using the new name — "Textron" — suggested by J. Walter Thompson's advertising agency, Little began to gobble up textile companies. By 1947 and the completion of the first major phase of the takeovers, Little had increased the total sales of Textron from $8



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million a year to over $110 million.

Yet by 1947, the mills that he had acquired produced *one million yards of cloth per week less* than they had produced two years earlier and employed 10,000 fewer workers. Whole towns from Nashua, New Hampshire to Manville, Rhode Island were wiped out. The scandal was so great that a three-month congressional investigation was called by Rep. Charles Tobey of New Hampshire which resulted in over 1,000 pages of testimony and reports.

Little's operation was straightforward *asset stripping.* Little knew that the New England textile firms, often run as family corporations inherited from their nineteenth-century founders, had large cash reserves and usually adequate stocks of raw materials. Yet, influenced by British propaganda that America would return after World War II to the 1930s depression during which they suffered disastrous losses, many American mill owners were willing to sell to the highest bidder and Little bid high.

### *More than Mere Asset Stripping*

The purchase of Manville Jenckes in March 1945 is an excellent case study. Its stock was selling for about $30 a share — Little offered $55 which he financed with a $.5 million loan from his bank, the First National of Boston, and $1 million from American Associates, a family-owned holding company. Now in control of Manville Jenckes, Little stripped $2 million in working capital from the company. He sold the two mills for $2.2 million against a book value of $4 million handling Little a paper "capital loss" of $1.8 million and a "tax loss" of 1.3 million. (Add the $2 million working capital, the $2.2 million sale value, and the 41.3 million tax loss and you get the full purchase price.) Little then leased back the larger mill to produce an income of over a million dollars a year.

Little chose to close this mill in 1947, but not without the characteristic dastardliness of his Textron operation. In the spring of 1947, the company union handed its workers a flyer reading, "Highest pay in industry — lightest work load in industry" — three months later, the mill was shut down.

In the case of Nashua Mills, producers of the world-famous Indian Head Brand textiles, Royal added a little twist. Using some of First National of Boston's private "charitable trusts" of which he or one other person was the sole trustee (like the MIT Trust or the Providence Community Trust which did occasionally give $20 to the Red Cross), Little bought Nashua for $10.5 million against a book value of $12.5 million. Then, he entered negotiations with the union and the town of Nashua to lay off nearly a third of the 5,000-man work force, claiming that southern workers carried much higher work loads and that the mill would be shut if he did not get his demanded productivity increase.

At the same time, Little was speculating on the sale of the 40,000 bale cotton reserve at the mill. He realized that the market value of this cotton was probably $3 million higher than was listed on the company books. He halted hedging operations on the cotton market in early 1946, slapping them back on just before the market broke in October. By then cotton prices had risen 14 cents a pound.

In less than a year, Textron had milked $9.5 million in *cash* out of Nashua — not to mention the uncalculated tax manipulations. Of course, there wasn't any cotton to produce the Nashua line of cotton blankets, so the mill closed.

Usually, as in this case, the mill machinery was sold to South America or Shanghai, and the real estate disposed of separately. Little was a champion of community-based economic development corporations which would purchase the remains of a Textron operation like this one.

In congressional hearings held in Nashua during September 1947, Little complained bitterly that the union had not held its part of the bargain, that the "community" gave no assistance, and that southern workers worked for 10 cents an hour less, worked on Saturdays and produced twice as much. Congressman Tobey asked point blank whether Little wasn't "mining" the mills. Little, at first ruffled, calmly answered, "Oh no, absolutely not."

Tobey probed another area, the Textron trusts like the MIT Trust, the Sixty Trust, the Rupert C. Thompson Trust (a Textron board member), the Rayon Foundation Trust, and others. What Tobey found puzzling was the fact that the IRS had declared these trusts in default of tax payments — they handled *millions* of dollars but never paid a dime in taxes — yet the IRS Boston office never made a move to collect. Tobey demanded that the Director of Internal Revenue make immediate collection.

Tobey's implication was that there was more than mere asset stripping here. That became clear in the next several years and particularly as G. William Milller entered the Textron scene.

### *The Defeat*

There was one solution to the post-war plight of the textile industry: a massive export program to clothe a war-torn world. A massive export drive by the textile industry clearly would destroy the remaining British control over textiles and banish the last shreds of the rotten Empire. But, once the export policy was not adopted, once the pre-war depression *status quo ante* for the industry was accepted, the American textile capitalists were beaten financially and politically. The Yankee capitalists and their political machines were set up for destruction by the London-based zero-growth sharks.

As the textile industry collapsed, torrents of abuse were heaped on owners and unions alike. "Management is too often in the hands of the fourth and fifth generation, and these managers often have lost the fire and creativeness of the original builders and seem impervious to change," raved Harvard economist Seymour Harris in the New York Times on July 29, 1951.

During the 1948-49 recession, President Truman's Council of Economic Advisors, a triumvirate of Fabians, organized a New England Committee; the Congressional Joint Economic Committee created the Committee on New England's Economy under the direction of the National Planning Association; Truman appointed a presidential New England-New York Inter-Agency Committee; and the Conference of New England Governors created a special Textile Committee. Harvard economist

Harris served on all of these committees, reaching the conclusion of his 1952 book, *The Economics of New England: Case Study of an Older Area*, that there is an axiomatic "aging process in an economy" and that New England was "excessively tied to manufacturing."

These agencies were the forerunners of the Conference of Northeast Governors (CONEG) which reached a conclusion similar to Harris's during its 1975 meeting in Saratoga Springs, New York: the Northeast is too industrialized, too dependent on foreign energy supplies, and too hooked on the promise of nuclear technologies. At that meeting, G. William Miller, the only representative of a corporation in attendance, announced his Energy Corporation of the Northeast (ENCONO), *a plan that would create a $35 billion federally funded takeover of all energy production in the northeast — asset stripping on the grandest scale.*

*Time Magazine, Fortune, Harpers,* and *Atlantic Monthly* joined the fray against the management and "greedy unions," targeting in particular the conservative Boston Herald and Boston Federal Reserve Chairman Laurence Whittemore. As *Time* put it, "He likes to preach the greatness of New England industry, and pooh-poohs statistics which sometimes tell a different tale."

In 1955, Arthur D. Little wrote, "Diversification, an Opportunity for the New England Textile Industry" for the Boston Federal Reserve, a swan song for textiles which never mentioned Textron.

### *The Last Hurrah*

Not all textile capitalists fell easy prey to Textron. One that fought was American Woolen, a large but deficit-ridden company. It was headed by Paul A. Dever, former Democratic governor of Massachusetts, who plainly stated that he would not have Textron steal American Woolen's cash and destroy the mills.

Royal Little brought in his Wall Street attornies, Cravath, Swain and Moore to handle the job. The case was assigned to George William Miller, a recent law school graduate and former Coast Guardsman who saw duty in Shanghai, China at the time, in 1946, when Michael Werner Blumenthal (now Treasury Secretary) lived there.

There was no "business" reason for Textron to grab American Woolen — not even, as *Fortune* magazine described it, the "fifty million quick" that Textron could mine from American Woolen. Furthermore, Textron had produced its first loss the year before and was in no shape to make acquisitions. The operation was a political attack on what remained of progrowth Yankee capitalists.

American Woolen was long controlled by individuals around the Dumaine family, operators of the New Haven and Boston, and Maine railroads. Paul Dever, the company chairman, was a traditional anti-Kennedy Democrat.

Little fired the opening shot in January 1954 by offering American Woolen to Harold J. Walter of Bachmann Uxbridge Worsted Corp. The problem was that Textron (Little-Miller) held no stock in Woolen, and a stockholders' meeting had been called to retire nearly $20 in preferred stock, a large part of the "fifty million quick" which Little-Miller coveted. Through Choate, Hall and Stewart, a Fabian Boston law firm, Little-Miller found a Woolen stockholder who agreed to enjoin the holding of the meeting. There would be a total of 12 adjournments of the stockholders' meeting, usually through court injunctions, before Little-Miller would allow it to meet.

To add national pressure on Dever, the March 1954 issue of *Fortune* magazine ran a major article entitled, "The Twilight of American Woolen."

Little-Miller's next move was to postpone American Woolen's annual meeting scheduled for March 23, during which four directors were to be elected, all surely anti-Textron. This was arranged by having a Trenton, New Jersey stockholder fail to enter his 125,000 shares in violation of Securities and Exchange Commmission rules. With the quorum destroyed, the meeting was cancelled and reset for a month later at which time Little-Miller challenged that quorum in federal court and succeeded in having the anti-Textron proxies thrown out.

But Little-Miller needed more time — and money. On top of its loss the previous year, Textron had begun a takeover of the defense industry, picking up a California-based airborne radar company and an eastern vibration testing outfit. Using its Fabian financial networks, Little-Miller found a sympathetic lender: Albert List, the president of R.K.O. Theaters and an operator who had also made a small fortune stripping assets from New England textile mills.

List loaned Little-Miller $5.57 million for which Textron's southern cotton mills were sold for repayment. These were the mills so highly praised by Royal Little at the congressional hearings in 1948.

Now in control of a majority of voting stock, Little-Miller created a three-way merger with Robbins Mills, a company just purchased under the aegis of Frederic H. Brandi of Dillon Reade and Company. The $30 million tax loss created was carried forward through 1958. Little-Miller cut American Woolen's sinking fund from 13 to 8 percent, draining a *million* in cash immediately and a half-million annually thereafter. Then followed the usual pattern of shutdowns through which Textron drained $20 million in cash for investment in nontextile areas, predominantly in the high-technology defense sector.

The real significance of the American Woolen fight, however, was not the ugly asset stripping, but the fatal blow delivered to Paul Dever's anti-Kennedy forces in the Democratic Party. Now the path was cleared for the London-linked Kennedys to assume political control of Massachusetts as a stepping stone to the presidency. At this time, John was in the Senate and Robert was on Joe McCarthy's Government Operations Subcommittee — the infamous "McCarthy Committee."

In 1956, Miller joined Textron as a vice president. As the October 1971 *Fortune* magazine described it, "Miller came to Textron in 1956 from the prestigious Wall Street firm of Cravath, Swaine and Moore after Royal Little was impressed with his work in a raucous proxy fight with American Woolen."

Asset stripper, political operative for the British-Kennedy interests, wrecker of American progrowth capitalist development, and the 1950s-1960s architect of the infiltration and subversion of American high-technology development in the defense industries, this is George William Miller. This is the man Jimmy Carter has proposed to Congress as the controller of the American dollar in the role of chairman of the Federal Reserve Board.

## Textron Vs. U.S. Aerospace

The massive asset stripping by Textron which had cut production by a million square yards a week and put ten thousand workers on the streets in New England, ruining not merely whole towns but whole regions, was never the ultimate purpose of this operation.

Today Textron doesn't own one textile mill — it hasn't owned a mill in 15 years. Its greatest concentration is in America's most vital industry, the high technology aerospace sector.

Textron's early asset stripping was merely a stepping stone both politically and financially to the penetration and takeover of the American aerospace industry, by the Rothschild-Astor-Morgan controlled Sun Alliance Insurance Group of London, operating through Boston-based allies. Before the present attempt to elevate Miller, one of their top financial agents, to the head of the Federal Reserve Board today, their greatest coups had been to place their top political operatives, John F. Kennedy and Henry Kissinger, in the top American policy making positions.

It was John Kennedy who changed American defense policy from a strategic war winning capability to the hideous British theories of counterinsurgency warfare and "limited nuclear warfare," and thereby changed America's most advanced industry from a high technology breakthrough sector to a gadget-making sector based on game-plan scenario from the California-based RAND corporation. 1960 was the year that Textron bought Bell helicopter and made the extraordinary profits that saved it from certain bankruptcy. It was the year in which Eisenhower made his famous if puzzling valedictory speech warning of the "military industrial complex."

The story begins in 1946, the year that Winston Churchill declared the Cold War in his famous "Iron Curtain" speech in Fulton, Missouri. At that time a major factional battle was being fought in the U.S. over America's postwar role in the world. On the progrowth side stood figures like then Commerce Secretary Henry A. Wallace who in his book, "Sixty Million Jobs," described how even a marginal increase in the standard of living in the undeveloped world would create an unlimited market for American industry and provide the essential basis for capital growth and new technologies. "I foresee the day, thirty years from now (1946), when this country will produce many Henry Fords," Wallace prophesied.

On the other side stood Britain and their largely Boston and New York-based allies. Their strategy was to curb American growth by disrupting world trade, particularly in those areas they had a remaining hold on. The postwar British attack on textiles was merely a prelude to the present attack on high technology exports by the Carter Administration.

The British blocked textile exports by sabotaging the postwar return to convertible currencies, making the dollar the sole trading currency and making that very scarce. Foreign countries therefore used very scarce dollars only for immediate necessities like food, or capital goods. At the same time, Britain purposely suppressed the reindustrialization of Germany, a natural market for the U.S. The U.S. High Commissioner for Germany at that time, and the one responsible for the postwar degradation was John J. McCloy, a partner at Cravath Swain and Moore, Miller's law firm. McCloy brought to West Germany a dozen Cravath Swain and Moore lawyers to run the Occupation.

France, under the heroic rebuilding efforts of the de Gaulle government, had virtually no credit for textile purchases. Simultaneously, Britain used the impoverished labor of its Empire, in India, Pakistan, Hong Kong, Singapore and Shanghai to produce cheap cloth — often with the machinery sold off by Textron from the New England mills.

Contrary to the canards spread by Harvard economists like Seymour Harris, the Boston Globe, the New York Times and the Luce publications, New England textile manufacturers were very willing to modernize their plants and operated with sufficient inventories and operating capital — which was the basis of Textron's asset stripping.

But the Yankee capitalists simply refused to take the political steps to guarantee a market for their goods.

Textron was merely an "inside" operation of the British Empire; it could never have worked without the postwar wrecking of world trade by the British to which American business succumbed. America lost the Cold War.

## Capturing High Technology

The high-technology branch of Textron operations began quietly in Massachusetts in 1946 as the American Research and Development Corporation, a three million dollar venture-capital firm. It was founded by the Sun Life Assurance of London through its Boston operative, Paul F. Clark, president of the John Hancock Life Insurance Company and director of First National of Boston, the bank whose extraordinary largess built Textron. Also founding ARD was Oscar W. Haussmann, a top corporate lawyer and chairman of the New England Industrial Research Foundation and the Boston Municipal Research Bureau, and Lessing J. Rosenwalt of Sears Roebuck and Kuhn Loeb.

Control is exercised by Sun Life of Canada through its chairman, Alistair M. Campbell who sits on the ARD board, and sat on Textron's before their formal merger in 1972.

Sun Life had been involved in the development of computers, jet engines and radar in England and wanted to control, in British mercantilist fashion, the development of these areas in the U.S. and further shape high-technology development in general.

ARD's 1970 Annual Report described its goals:

"Help create, form, develop and build companies based on new ideas.

"Help develop and build existing small or medium sized growth companies.

"Aid entrepreneurs in developing specific business plans from broadly conceived opportunities.

"Cooperate with large corporations in the development of new companies based on products or ideas which may not fit in the particular business of those companies or for which they are not staffed or experienced.

"Help U.S. companies in the commercialization of their products techniques or ideas in Canada and Europe.

"Help European companies in the commercialization of their products, techniques, or ideas on the North American continent."

Sound like they want to take over the world? Consider this: On October 20, 1977 Textron formed the Textron Advisory Group, Inc., which according to Standard and Poor's, would "offer both general management guidance, temporary 'hands on' management and functional advice in a wide vareity of operational areas for manufacturing companies, executive search firms, banks and investment bankers, bankruptcy courts (indeed), venture capital and SBIC firms, government agencies and others.

"The Textron Advisory Group would make available the expertise and services of recently retired senior Textron operating executives and managers from its corporate office and 28 divisions and would also have as a resource active Textron employees and the diverse technologies within the company."

Now also consider the fact that Miller was the only corporate representative at the Saratoga Springs Northeast Governor's Conference in 1976 where Miller proposed an Energy Corporation of the Northeast that would take over all power production in the 9 northeast states. Miller proposed to use one of his favorite instruments, the lease-back arrangement to obtain control of the utilities.

*Help From Kennedy*

In the 1950s, ARD moved quickly into computers — now owning a $260 million share in Digital Equipment Corporation in Maynard, Mass. — and became part of the Kennedy chorus in Congress that demanded more defense contracts for the Northeast. Meanwhile, Textron acquired the California based Dalmo Victor, an airborne radar firm, in 1954.

When Kennedy campaigned for the presidency in 1960, he declared there was an enormous "missile gap" between the U.S. and the Soviet Union. It was a lie, which greatly impaired U.S.-USSR relations and recalled the Cold War days. Meanwhile at Harvard, British agent Henry Kissinger published, under the direction of the Council on Foreign Affairs (headed by John McCloy) his "Nuclear Weapons and Foreign Policy."

This book and the Research and Development Corporation (Rand) limited nuclear war thesis became the cornerstone of the Kennedy reorganization of the Pentagon. The essential shift in government contracts to gimmickry rather than fundamental technological breakthroughs meant that American development was being sabotaged.

Rand madman Robert Strange McNamara became Secretary of Defense while Cravath Swain and Moore partner, Roswell Gilpatrick became the number two man in Defense. This opened a whole new phase in Textron development.

Textron bought Bell Helicopter in July of 1960, four months before the election. Bell's sales were down an even hundred million in 1959 from nearly double that in 1953. Textron bought the company for what was considered one of the worst deals of the year — $32 million or exactly the company's book value. Yet Rupert C. Thompson, Jr., then Textron Chairman (Miller was President), boasted, "We knew we had our objective — 25 percent pre-tax profit on our investment — from day one."

That was a pretty cocky statement by the head of a company that had $98 million in long-term debt, large amounts of warrants and convertible preferred stock outstanding, and was running out of tax credits. Since 1953 the company had not paid a penny in tax, having run up a tax credit as high as $45 million in 1956. Textron faced full tax liability by 1963.

In fact the company was heading for bankruptcy. Yet somehow, the Prudential Life Insurance Company of Newark, a Morgan influenced firm, provided a $25 million unsecured note to Textron, with a six-year grace period on repayments. A most un-insurance company-like type of loan.

With the loan, Textron bought Bell and remarkably, helicopter orders zoomed up 50 percent between 1961 and 1962. Bell's UH-1B and UH-1B Iroquois were heavily ordered for JFK's Vietnam War. With this kick, Textron began another round of acquisitions, now heavily defense or machine-tool oriented. The pace was dizzying. For example in 1965 (January), Textron bought Le Progrès Industriel, a Belgian machine tool manufacturer; in February, it bought Old King Cole to supplement the plastics line of Fanner Industries division; in July, it acquired the South Coast Marine Co.; in September, it obtained substantial interest in the American Screw Company of Chile (nationalized by Chilean Govt. in 1972); in October, it acquired the Patterson-Sargent paint business. In 1966 Textron was even more active, buying, selling or rearranging ten companies.

Not only entering aerospace to limit its development, Textron continues its asset-stripping activities in all acquisitions. As one Textron manager explained in 1964, "Our program is based on an incentive-compensation program. Our people request only the capital equipment which really pays for itself. It made the general foreman try to operate on as low inventory as he can."

In 1974, it appeared that Textron would gobble up the ailing and much "watergated" Lockheed Aircraft. Miller decided not to, but maybe it was already in the family. Lockheed was being run by Felix Rohatyn, of Lazard Freres, part of Rothschild ally André Meyer's London-based Lazard group. Rohatyn was the organizer of the Saratoga Springs Governor's Conference at which he and Miller laid out the Energy Corporation of the Northeast.

What is George William Miller's next asset stripping operation? Probably wrecking U.S. commercial banks, the cornerstone of American industry. In the Oct. 5, 1974 issue of *Business Week*, Miller called for "selective consumer credit controls, a mandatory interest surchage on loans for low priority purposes and a requirement for large bank reserves for certain types of loans." Together with Senator Reuss's proposal for a full reserve requirement for all foreign branches of American banks, these measures would destroy American banking.

Miller will only have to become head of the Federal Reserve Board to do that.

*— Leif Johnson*