This week in history: January 5-11

5 January 2015

25 Years Ago | 50 Years Ago | 75 Years Ago | 100 Years Ago

25 years ago: Time Warner completes $18 billion merger

The merger of Time Inc. with Warner Communications was completed January 10, 1990, creating the world's largest media conglomerate to date. Until then the largest communications company was the German company, Bertelsmann AG, which had recently acquired RCA music. The emergence of the new Time Warner company was the culmination of a series of media mergers and acquisitions.

In 1987, News Corporation, owned by Australia's newspaper tycoon Rupert Murdoch, added New York-based publisher Harper & Row. Robert Maxwell, publisher of the British newspaper *Daily Mirror* and others, purchased American publisher Macmillan for $2.6 billion in 1988. Also in 1988, Japanese electronics giant Sony finalized its purchase of CBS records for $2 billion in cash.

The Time Warner merger was an attempt to respond to the upcoming unification of Europe and the anticipated advantages for European-based business. Time Inc. chairman Richard Munro had stated upon the announcement of the planned merger, "We see Robert Maxwell, Rupert Murdoch, Bertelsmann, and Sony coming into our market and raising hell. We see this as an opportunity for an American company to get competitive." Another Time executive added, "This is not a transaction done for the purposes of 1989, or even the nineteen-nineties. It is for us to be positioned for the next century."

In the summer of 1989, after the public announcement by the two companies of their intention to combine, rival Paramount Communications launched a $12.2 billion hostile takeover bid of Time Inc., forcing Time to up its bid to acquire Warner to $14.9 billion in cash and stock. Paramount then filed a suit attempting to block the merger, losing in court twice, but delaying the official combination until the beginning of 1990.

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50 years ago: France swaps dollars for gold

On January 7, 1965, the French government of President Charles de Gaulle announced that it was using $150 million to purchase gold, and that it would continue to convert excess dollars to the precious metal. The dollar closed the week at $35.13 per ounce, depreciating slightly from the official rate of $35 per ounce. By February 25 the US announced a $262 million decline in its gold deposits, more than had taken place the entire previous year. The very same day France announced its intention to purchase another $250 million of gold.

The US Treasury issued a warning in response to the move on the dollar stating that investors expecting an increase in the value of gold "will inevitably end on the losing side." The formal American position, iterated three years earlier by President Kennedy, was that the dollar would stay "at the immutable price of $35 per ounce." At the same time, the US removed its previous stipulation that sufficient gold reserve be allocated to cover 25 percent of Federal Reserve liabilities. By the end of 1965 US gold reserves of $13.75 billion no longer covered its obligations of $14 billion required under the old rules.

The French government, the most independent-minded of the US allies, was the first to act on the inevitable decline of the postwar monetary system, which was predicated on US industrial supremacy and the convertibility of the dollar as the *de facto* international reserve currency, at a fixed rate of $35 per ounce of gold. Purchases of gold with dollars had been taking place among the major industrial powers for several years. The highly public nature of the French announcement was aimed at a revision of the power relations in the Bretton Woods system, which the US and Britain dominated.

The US had begun in the late 1950s to run balance-of-payment deficits with its major trading partners in Europe and Asia. As it did so, the other capitalist powers began to accumulate dollars. Beginning in 1961, the Kennedy and Johnson administration embarked on massive federal spending on the military, the war in Vietnam and domestic social programs, while cutting taxes. The dollar had become overvalued. Dubbed "the miracle of the deficit without tears," this had the ancillary effect of allowing US banks and corporations to buy up foreign assets, including in the French economy, further exacerbating the balance of payments deficit and driving up the dollar holdings of its rivals. The overvalued dollar was also diverting investment away from US industry to more profitable overseas acquisitions.

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75 years ago: Red Army defeated in battle with smaller Finnish forces

On January 8, 1940, after four weeks of brutal combat in temperatures descending to minus 40 degrees Celsius, both the 163rd Rifle Division and the Russian 44th Assault Division were destroyed by the numerically smaller Finnish army. The so-called “Winter War” between the Soviet Union and Finland was not proceeding according to Stalin’s plans. So thorough was the supremacy of the Finnish forces since the Soviet invasion in November 1939 that Stalin took command away from Kliment Voroshilov, just two days before the humiliating defeat at the village of Suomassalmi, replacing him with his personal crony, General Semyon Timoshenko, the commander of all Soviet forces.

The Red Army had invaded Finnish territory, advancing from the northeast towards Suomassalmi with the military objective of ultimately taking the city of Oulu and thereby effectively cutting Finland in two. While the village was taken by the Red Army in early December, the Finns had enacted a slash and burn policy to deny the poorly equipped Red Army soldiers shelter and warmth. They repelled a series of attacks by the Red Army over the next four weeks, until, on December 27, 1939, the Finns advanced and succeeded in pushing the Soviet troops out of Suomassalmi and into blind headlong retreat across frozen lakes.

The panicked retreating 163rd Rifle Division became entangled with an advancing 44th Assault Division on the road between Suomassalmi and Raate. During early January, and culminating in the complete rout of the 44th Division, the Finnish forces employed the tactic of “log cutting” whereby Red Army columns were separated into sections and cut off from their supply lines. The Finns employed semi-guerrilla tactics for which the Red Army was wholly unprepared. Soviet troops began to refer to the camouflaged Finnish ski-troops as *belya smert* the “white death.”

“For four miles,” wrote the American journalist Virginia Cowles for the *Sunday Times* of London, “the roads and forests were strewn with the bodies of men and horses; with wrecked tanks, field kitchens, trucks, gun carriages, maps, books and articles of clothing. The corpses were frozen hard as petrified wood, and the color of their skin was mahogany. Some of the bodies were piled on top of one another like a heap of rubbish, covered only by a merciful blanket of snow; others were sprawled against the trees in grotesque attitudes.”

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100 years ago: Tensions between Britain and US over naval blockade

On January 7, 1915, Sir Edward Grey, British foreign secretary, sent a note to his American counterparts in response to complaints over the impact of Britain’s naval blockade of Germany on American trade. The blockade was affecting the ability of American capitalism to profit from the bloodbath of World War I in Europe.

On December 26, 1914, US Secretary of State William Jennings Bryan had sent a thinly veiled threat to the British government protesting its blockade of neutral European ports. It concluded, “it should be impressed upon His Majesty’s Government that the present condition of American trade with the neutral European countries is such that, if it does not improve, it may arouse a feeling contrary to that which has so long existed between the American and British peoples.”

Grey’s response was conciliatory, offering reparations to neutral traders, i.e., above all the US, adversely affected by British customs decisions relating to the blockade. This was motivated by the crucial role the US was playing as a major supplier of munitions and supplies to Britain and its allies. At the same time, Britain would continue the blockade, which was aimed at crippling the German economy and starving the German people.

Britain had instituted a full blockade of European ports in November 1914 by declaring the North Sea a war zone and blockading the Strait of Dover, cutting off the major routes into neutral European ports for American ships. Britain issued a comprehensive list of contraband that all but prohibited American trade with the Central Powers, Germany and Austria-Hungary. Even food was considered contraband of war. Merchant ships from neutral countries were stopped, taken to British ports, searched and contraband confiscated.

Sections of the British establishment responded to US protests with indignation. Britain’s Prime Minister H. H. Asquith was convinced that “their merchants and ship owners have behaved and are behaving as fraudulently as they can, knowing perfectly well that most of the copper etc which is shipped often under false papers for Holland and Denmark is really destined for Germany. But they have some technical points in their favor, and the president, whose position becomes daily more precarious, dare not offend the powerful money interests.”

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