This week in history: September 26-October 2

This column profiles important historical events which took place during this week, 25 years ago, 50 years ago, 75 years ago and 100 years ago.

25 September 2022

25 years ago: WorldCom announces massive takeover of MCI

On October 1, 1997, WorldCom Corporation announced its plans to launch a $30 billion takeover of MCI, marking a quantum leap in the takeover fever which had begun to sweep through the telecommunications and computer industries in the mid-1990s. At the time, the offer was the largest takeover bid in history, made by a company which few even on Wall Street had heard of before the previous year.

WorldCom was the personal vehicle of Bernard Ebbers, a Canadian-born capitalist who came to Mississippi to play college basketball and stayed to build a telecommunications empire based on the speculative run-up of the stock market. Ebbers launched LDDS Communications in 1983 after the court-ordered breakup of the AT&T monopoly, renting long-distance services from AT&T and reselling them to small and medium-sized companies.

From 1992 on, Ebbers acquired more than 40 companies. In 1995 LDDS bought Wiltel Network Services for $2.5 billion, and Ebbers renamed the combined company WorldCom, then the fourth-largest US long distance carrier, after AT&T, MCI and Sprint. In 1996 he purchased MFS Communications, which owned local-access phone systems in 46 cities, and its Uunet Technologies subsidiary, a major internet hardware company, for $12 billion in stock.

In 1997, before targeting MCI, Ebbers bought the internet hardware assets of both CompuServe and America On-Line, and on the same day as the MCI bid, he announced the $2.9 billion purchase of Brooks Fiber Properties, another owner of local-access phone systems.

What was most remarkable was that this financial empire had been built up entirely on the basis of WorldCom's own stock, which had soared 3,000 percent since 1989. Each takeover bid was made through stock offerings and each deal further boosted the price of the stock.

WorldCom was essentially a shell company for carrying out these financial operations, providing no real product at all. It originated as a middleman which resold long distance services from AT&T and obtained its hardware assets in return for stock swaps. This did not prevent Wall Street from celebrating the MCI takeover bid as a financial master stroke. WorldCom's shares shot up another 10 percent following the takeover announcement.

Ebbers' paper empire disintegrated in 2002, after the collapse of the dot-com bubble, and he ultimately was convicted of fraud and sentenced to 25 years in prison.

50 years ago: China and Japan restore diplomatic relations

On September 29, 1972 the governments of China and Japan signed a joint communique that reestablished diplomatic relations, which had been severed in 1937 with Japan's invasion of China at the outset of World War II in Asia. The agreement recognized the People's Republic of China (PRC) as the sole government of China and formally ended the state of war between China and Japan, which had yet to be officially ended.

The communique included the usual diplomatic language about recognition of embassies and international law. It stated that China would renounce its claims for war reparations. Japan offered in exchange a semi-admission of war guilt: "The Japanese side is keenly conscious of the responsibility for the serious damage that Japan caused in the past to the Chinese people through war, and deeply reproaches itself."

The treaty was in line with a shift among the capitalist countries, which began to recognize the PRC government of the Chinese Communist Party, headed by Mao Zedong. At the same time, capitalist governments broke off formal relations with Taiwan (officially the "Republic of China"), which they previously treated as the true government of China in exile.

The China-Japan communique laid special stress on Taiwan, an expression of the island's centrality to Beijing. This was particularly significant because Japan had ruled Taiwan as a colonial possession since seizing it in its 1895 war with the Chinese Empire. "The Government of the People's Republic of China reiterates that Taiwan is an inalienable part of the territory of the People's Republic of China," the document declared. "The Government of Japan fully understands and respects this stand of the Government of the People's Republic of China."

This process of normalizing relations with China began with the PRC being recognized and seated at the United Nations in 1971, replacing Taiwan on the Security Council and with veto power, and accelerated with US President Richard Nixon's visit to China to meet with Mao in February 1972. Although the US would not officially recognize the PRC until 1979, the Nixon visit signified a significant shift in US foreign policy towards China, one that US allies like Japan were ready to mirror.

The driving force behind the willingness to accept the reality that the PRC had governed China since the Chinese Revolution in 1949 were

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major changes in global political relations and the world economic crisis sparked by the end of the Bretton Woods system.

The Sino-Soviet split, which had come into the open by the early 1960s, had soured relations between Beijing and Moscow, and presented an opportunity for Washington to draw China closer to itself and to further isolate the Soviet Union in the Cold War. An added bonus for the US and its allies was that establishing relations with China put pressure on its ally North Vietnam to accept a peace agreement that would leave the US puppet regime in South Vietnam in place while the American war effort was shut down.

Another, longer-term factor was potential access to "the China market" and cheap labor of the massive Chinese working class. As the "Nixon shock" drove global inflation to new heights, sparking demands for wage increases from American workers to match rising prices, the prospect of shifting production overseas to China was an opportunity to restore profits for American and Japanese capitalism. Beginning just a few years later, in the late 1970s under Deng Xiaoping, the Maoists of the Chinese Communist Party showed that they were more than happy to assist in this attack on the living standards of the international working class.

75 years ago: Stalinist bureaucracy establishes the Cominform

On September 27, 1947, a five-day conference in Poland, bringing together representatives of the Stalinist bureaucracy of the Soviet Union and eight other Communist parties, concluded with the formation of a new international organization. The entity, named the Information Bureau of the Communist and Workers' Parties, was dubbed the Cominform.

The organization had nothing to do with the fight to unify the international working class on the basis of a socialist program. Instead it was another sordid maneuver of the bureaucracy that had usurped power from the working class in the Soviet Union, aimed at shoring up its own position.

The conference served several purposes. One of them was to ensure the Soviet bureaucracy's dominance over the states in Eastern Europe, in which Communist parties had come to power after World War II. These ruling parties were all led by tried and tested Stalinists. The Soviet bureaucracy, however, was fearful of the consequences of the successful mass partisan movements, especially in Yugoslavia, as well as the prospect that some of these states would turn to the imperialist powers.

More broadly, the formation of the Cominform was part of the Cold War initiated by the Truman administration in the United States. In the course of 1947, the US had proclaimed the Truman Doctrine, sanctioning aggressive US interventions around the world, as well as the Marshall Plan for the reconstruction of Europe under American imperialist supervision.

The document proclaiming the conference asserted that the world was divided into an imperialist camp, led by the US, and democratic and socialist forces led by the Soviet Union. An independent role of the working class was completely excluded.

The document included a defense of the policies pursued by the Stalinist bureaucracy during World War II and its aftermath. It had aligned with the supposedly "democratic" imperialist countries, including the US, Britain and France. This included deals for the division of Europe at the end of the war, premised on the Communist parties stabilizing capitalist rule in Western Europe and preventing socialist revolution.

As part of this counterrevolutionary program, the Soviet bureaucracy in 1943 had dissolved the Comintern. Founded in 1919, it had been an international party of the working class committed to world revolution until the consolidation of the Stalinist bureaucracy in the 1920s and the defeat of the Left Opposition led by Leon Trotsky. Under Stalin's control, the Comintern had served as a foreign policy arm of the bureaucracy, betraying multiple revolutions to reach an accommodation with imperialism. The Cominform now continued these foul traditions.

100 years ago: American authorities detain artists arriving from Soviet Russia

On October 1, 1922, US immigration officials refused to allow the American dancer and choreographer Isadora Duncan and her Russian husband, poet Sergei Yesenin, to disembark in New York from an ocean liner that had arrived from France. It was later revealed that the order to detain came from the Department of Justice. Duncan held a Russian passport because she had married a Russian citizen. Her visa to visit the United States was in order.

"We are not mixing political questions. It is only in the field of art that we are working," the dancer said in a statement.

The official reason for the detention was never made clear. The *New York Times* wrote, in what was overall a breathtakingly light-minded article, "it was understood that the instructions came from Washington and that Soviet opinions expressed by the dancer were involved."

Duncan was one of best-known celebrities of her day and a central figure in the development of modern dance. She was returning to the US for the first time since 1917 to tour. In 1921, while in Soviet Russia, she met the popular poet Yesenin and married him a year later.

After being detained on the ship, the two were taken to Ellis Island where they were interrogated. Duncan denied that she was a communist. Upon her release, Duncan told the press, "They held me because I came from Moscow … I don't feel I can tell you of any definite charge, if there was one, and if there was, it was not substantiated."

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