This week in history: January 9-15

8 January 2023

25 years ago: Suharto signs IMF agreement

On January 15, 1998, Indonesia's Suharto government agreed to severe austerity measures after the International Monetary Fund (IMF) threatened to withhold credits from a $33 billion package, sending the Indonesian rupiah and share prices plunging.

General Suharto was forced to sign the IMF agreement on national television with IMF Chief Michel Camdessus looking over his shoulder. Suharto was told he had no choice, given the catastrophic state of the Indonesian economy.

In the space of less than a year, annual per-capita income fell from $1,200 to $300 and stock market values from $118 billion to $17 billion. Only 22 of Indonesia's 286 publicly listed companies were considered solvent.

Approximately 2 million people had already lost their jobs, including about 500,000 workers in the textile industry. Indonesia's military and police were placed on alert. Riots erupted in Bandung, not far from the capital of Jakarta, and in the east Javan town of Srono, as prices for basic items climbed. Shops and supermarkets were cleaned out and hoarding was widespread due to uncertainty over the availability and price of goods.

Indonesia's economic crisis, part of the Asian financial crisis that began in 1997, produced deep cracks in the 31-year-old military-backed regime. Six months prior, Suharto appeared certain to be rubber-stamped for a seventh term of office by the People's Consultative Council. However, his formal confirmation as presidential candidate that week once again sent the rupiah plunging to less than one-quarter of its previous value against the US dollar.

Earlier in January opposition figure Megawati Sukarnoputri, daughter of former president Sukarno, told a crowd of thousands of her supporters that a "peaceful succession" should be organized, and gave notice that she would be prepared to take the post of president.

By May 1998, Suharto resigned, and installed his hand-picked successor, Vice President B. J. Habibie, as his replacement with the backing of the military high command.

Concerns over Suharto's continued rule stemmed from doubts in ruling circles in Indonesia and internationally over his ability to implement the IMF demands and control growing social unrest.

Suharto had seized power in 1965-66 in one of the bloodiest military coups of the 20th century. With the direct assistance of US imperialism, Suharto and the Indonesian generals rounded up and butchered 1 million workers, peasants and members of the Indonesian Communist Party (PKI).

50 years ago: US inflation spikes following end to price controls

On January 11, 1973, United States President Richard Nixon ended "Phase II" of his economic stabilization plan, which had imposed wage and price controls on many industries, supposedly in order to limit inflation. As "Phase III" went into effect, many of the controls were removed, allowing businesses to dramatically increase their prices. In the 11-day period between December 29, 1972 to January 9, 1973, the Consumer Price Index rose at an annualized rate of 102 percent. The index for primary industrial materials jumped 156 percent, annualized.

Inflation had in fact been rising steadily since the late 1960s, touching off a crisis that threatened the viability of the dollar, the chief medium of international trade since the end of the Second World War. This process had come to a head in August 1971, with Nixon's unilateral scrapping of the Bretton Woods system of dollar-gold convertibility. The move triggered substantial inflation in virtually every country, and forced Nixon into a series of ad hoc measures in a desperate bid to maintain the value of the dollar and head off a growing strike movement in the working class.

Nixon's economic stabilization plan was overseen by two bodies, a Pay Board and a Price Commission. But in spite of rhetoric about price controls, the administration's primary purpose was to act in the interests of big business and suppress the wage demands of workers, who were seeing their living standards eroded as prices continued to rise.

Phase III temporarily extended price controls on just three industries particularly prone to inflation—food, health care, and construction. However, no price controls were put on agricultural products, creating a disparity between the cost of food production and prices at the store. The Pay Board claimed to be removing the wage controls that had been placed on the same industries. At the same time, however, Nixon threatened unions, saying that if they demanded more than a 5.5 percent pay increase the federal government would intervene with injunctions and other strikebreaking measures. In most cases, the unions kowtowed to Nixon, setting in motion a wave of wildcat strikes driven by the rank-and-file that continued throughout the 1970s.

In addition to the wage-control measures, the Nixon administration was continuing a major assault on workers who took strike action to defend their living standards. In the weeks leading up to the scrapping of price controls, Nixon had called for the use of riot police to break up picket lines of striking Newspaper Guild workers in Cleveland, Ohio, and Wilmington, Delaware. Workers, however, were determined to fight back against these attacks.

In a major struggle that broke out the same week as the price control announcement, 13,000 teachers in Philadelphia went on strike demanding pay increases to keep up with inflation, no increases in class room sizes, and no layoffs. The School Board had not offered any raises to the teachers in the new year. They had also planned to increase classroom sizes and extend the school day to allow for the firing of 385 teachers.

Speaking to the attitude of militancy in the working class in that period, one worker told a reporter from *The Bulletin*, the US predecessor of the *World Socialist Web Site*, "I'm prepared to walk this picket like for four months if that's what it takes to get a decent contract. That's how I feel, and that's how most of the teachers on this picket line feel."

75 years ago: US Supreme Court ruling undermines college segregation in Oklahoma

On January 12, 1948, the US Supreme Court ruled against the Board of Regents of the University of Oklahoma in a case brought by Ada Lois Sipuel, an African American woman who had been denied the right to an education there. The decision, though limited, undermined an aspect of Southern segregation and would be cited in future civil rights lawsuits.

Sipuel had applied to study law at the all-white University of Oklahoma in 1946 but was denied admission because of her race. Lawyers acting on her behalf filed a case in the Oklahoma courts. In a 1947 ruling, that state's Supreme Court declared: "We conclude that petitioner is fully entitled to education in law with facilities equal to those for white students, but that the separate education policy of Oklahoma is lawful and is not intended to be discriminatory…"

The highest Oklahoma court claimed that Sipuel could enroll in a law school for African Americans, even though there were none in the state. It also touted the proposal of state authorities for her to undertake legal studies outside of Oklahoma with a state grant.

The US Supreme Court case was brought by Thurgood Marshall and Amos Hall, prominent attorneys of the National Association for the Advancement of Colored People (NAACP). Proceedings lasted just four days, after which the Supreme Court issued a unanimous ruling in favor of Sipuel.

It declared, "A Negro, concededly qualified to receive professional legal education offered by a State, cannot be denied such education because of her color. The State must provide such education for her in conformity with the equal protection clause of the Fourteenth Amendment, and provide it as soon as it does for applicants of any other group." That amendment forbids states from denying "to any person within its jurisdiction the equal protection of the laws."

Oklahoma responded by establishing a bogus law school for African Americans, the Langston University School of Law. It consisted of just three rooms in the state capitol and was staffed by only three attorneys. The NAACP would launch further legal action, eventually compelling the state to integrate the University of Oklahoma, where Sipuel would be granted admission in 1949. She would be subjected to racist, segregationist measures, including being forced to sit on a seat marked "negro" in her classes and separated from other students in the cafeteria.

100 years ago: French troops invade Germany's Ruhr Valley

At 5:00 a.m. on January 11, 1923, French troops occupied Essen, a key center in Germany's industrial Ruhr Valley, took control of the railway system, and began moving soldiers into other parts of the region. Belgian troops also participated in the invasion. By the end of the month, France would have over 50,000 troops in the region.

Germany, largely disarmed after the war, was unable to resist. A nationalist demonstration of thousands gathered in Essen but was dispersed by local politicians.

The German government of Wilhelm Cuno had repeatedly defaulted in its war reparations payments under the terms of the 1919 Treaty of Versailles. The French prime minister, Raymond Poincaré, decided to extract reparations directly by military force from the resources of the region, which produced coal, iron ore and other critical raw materials, as the French had threatened to do several times in the last year.

The Cuno government recalled its ambassadors from Paris and Brussels and instructed the population of the Ruhr Valley not to fight the French, but to offer passive resistance. Cuno announced that Germany would refuse to make all reparations payments.

Britain opposed the French move and favored lowering the amount of the reparations paid out by Germany, although British troops in Cologne assisted the deployment of the French military. The fascist dictator of Italy, Benito Mussolini, sent diplomatic notes to the French and Germans calling for further negotiations on the terms of reparations, and the American president, Warren Harding, announced he would withdraw the force of 1,000 American troops from the area. The *New York Times* reported that Poland and Czechoslovakia were preparing to press territorial claims against Germany by military means.

The Communist International issued calls for combined action by European workers against the occupation and against a renewed threat of war. As a result, the French government arrested Communist activists who were opposed to the invasion and who were calling for the unity of the French and German working class. The French government also sought to repeal the parliamentary immunity of Marcel Cachin, a Communist deputy in the French parliament.

The occupation sparked not only a major international crisis, but also, over the next several months, called into question the foundations of capitalist rule in Germany. The country had already passed through revolutionary situations in 1918 and 1919, and an attempted right-wing coup in 1920. Germany had been suffering from hyperinflation, which was to accelerate in the coming year. The far right would engage in terrorist actions in the occupation areas, but more importantly, the confidence of the German working class would shift behind the Communist Party by the summer and a revolutionary situation would emerge again.