

# This week in history: September 25-October 1

24 September 2023

## 25 years ago: Biggest ever Japanese bankruptcy

On September 28, 1998, Japanese Leasing, a non-bank affiliate of the failed Long Term Credit Bank, announced that it was filing for bankruptcy with liabilities of 2.2 trillion yen, or more than \$16 billion. Japan's biggest-ever bankruptcy, it was yet another blow to the world financial system.

The bankruptcy, which eclipsed the record set the previous November with the 2 trillion yen collapse of Yamaichi Securities, was brought on by the announcement of an agreement between the ruling Liberal Democratic Party and opposition parties that public funds would not be used to bail out the LTCB. The failed bank had said that if it received the funds it would forgive loans of 520 billion yen to Japan Leasing and two other affiliated companies.

After months of haggling between the government and opposition leaders, a deal was reached that LTCB would be taken over by the government, its non-performing loans separated out, and the rest of the business sold off.

The decision not to prop up the LTCB had far reaching consequences. LTCB's president pleaded for public funds for the company earlier that month, warning that if it failed, the "domestic and international impacts would be beyond my imagination."

Concerns that the Japanese banking crisis would escalate were not confined to that country. US magazine *BusinessWeek* outlined what it called a "nightmare scenario" upon the announcement:

As the fragile truce between Japan's ruling Liberal Democratic Party and the opposition unravels, all hope of a credible bank rescue disappears. The government of Keizo Obuchi falls. The Nikkei stock index falls several thousand points within weeks. One major Japanese bank after another publicly declares its insolvency. Credit evaporates, and the economy lurches from recession to depression. In a final humiliation, Japanese authorities under intense pressure from the US invite a team of experts from the Bank for International Settlements to come in and sort out the mess.

It said the scenario was not as outlandish as it might seem, with the head of the financial firm Smith Salomon Barney warning that the situation was "extremely dangerous."

## 50 years ago: Chilean Army's "Caravan of Death" begins assassination spree

On September 30, 1973, the Chilean military death squad nicknamed "The Caravan of Death" (Caravana de la Muerte) began a two-month-long campaign of political assassinations and terror against opponents of the new dictatorship of Augusto Pinochet. The operation was led by Lieutenant General Sergio Arellano Stark under direct orders from Pinochet.

In total, the Caravan of Death murdered 97 individuals during its two months of operations throughout Chile. This was a small fraction of the many thousands murdered by the Pinochet regime. But the caravan had a more specific aim: the annihilation of any political or trade union leader who opposed Pinochet. The kill squad was given a list of nearly 100 names of known and suspected opponents of the dictatorship. It used helicopters to fly throughout Chile to carry out the abductions, torture and murders.

Many of the targets of the assassination had already been arrested and were being held in prisons by the military. In the early phase of the operation the caravan would travel from prison to prison, round up the individuals on their lists, and then torture them before carrying out their executions. Most of the bodies of the victims were either buried in mass graves or tied to weights and dumped into the ocean.

A major target of the death squad were the leaders of left-wing militias that had been formed in the late 60s and early 70s. By the time of the coup most of these militias had already been disarmed by Allende and his "popular unity" government, both physically and politically. Allende had disarmed the left-wing militias and workers' councils in an attempt to appease the right-wing elements in the military. As a result, the militants were totally defenseless against Pinochet and his fascist butchers.

Other victims included leaders of student protest organizations, militant trade union leaders, and members of the socialist and communist parties. Virtually anyone in a position of leadership in any organization opposed to the military regime would have found themselves on Pinochet's kill list.

In 2001 a former Chilean General, Joaquin Lagos Osorio, gave testimony about the caravan and the crimes he witnessed. "They were torn apart. They were no longer human bodies. They cut eyes out with daggers. They broke their jaws and legs. They shot them to pieces ... all with machine guns," Lagos said.

## 75 years ago: Sharply escalating tensions between imperialist

## powers and Soviet Union over Germany

This week in September, 1948, conflicts between the imperialist powers, headed by the United States, and the Soviet Union, escalated sharply as the partition of Germany into two antagonistic states dominated by the rival blocs was consolidated.

On September 29, the US, Britain and France issued identical notes to United Nations (UN) Secretary General Trygve Lie, accusing the Soviet Union of violating Article 2 of the UN charter under which member states would resolve disputes “by peaceful means in such a manner that international peace and security, and justice, are not endangered.”

The day before, the defense ministers of Britain, France, Belgium, the Netherlands and Luxembourg had met in Paris where they agreed to establish a western European defence organisation directed against the Soviet Union.

The immediate trigger for the conflicts was the Berlin Blockade. Since late June, the Soviet authorities had blocked a number of railway, road, and canal routes to the sectors of Berlin under US and British control. The US had responded by airlifting supplies and material to Western Berlin.

The crisis was instigated by an announcement of the US, Britain and France of the establishment of the deutschemark as the new German currency. Two-hundred-fifty million deutschemarks were flooded into Berlin by the US and its allies, in a move aimed at undermining Soviet control of the east of the capital and of eastern Germany as a whole.

That formed part of broader moves towards the formal establishment of a US-dominated West German state, including a federal election in August 1948.

The US had long been hostile to the prospect of reunification of Germany. While publicly accusing the Soviet Union of working towards a partition, in 1947 US ambassador Walter Bedell Smith secretly told American military command: “in spite of our announced position, we really do not want nor intend to accept German unification on any terms that the Russians might agree to, even though they seem to meet most of our requirements.”

The Berlin Blockade underscored the unraveling of the wartime alliance between the imperialist powers and the Soviet bureaucracy. In line with its nationalist and counterrevolutionary program, the bureaucracy had struck a series of deals with the imperialist powers, pledging to help restabilize capitalism in Western Europe after the horrors of World War II. In exchange, the Soviets sought control of a buffer zone in Eastern Europe. The cooperation had included the joint management of occupied Germany. But as the US shifted toward a Cold War policy, aimed at asserting its untrammelled dominance, this increasingly broke down.

President of the Weimar Republic, and the gravedigger of the 1918 German Revolution, used Article 48 of the constitution to transfer executive power to the Reichswehr (armed forces) Minister Otto Gessler, and through him to General Hans von Seeckt, the Commander-in-Chief of the Reichswehr.

The immediate reason for the declaration of martial law was an effective coup by the veteran right-wing politician Gustav von Kahr in the state of Bavaria, which, in turn, was motivated by the decision of the national government to end the policy of passive resistance to the French military occupation of the industrial Ruhr Valley.

Bavaria was the center of far-right activity in response to the development of a revolutionary situation throughout Germany and the growth of the German Communist Party. Adolf Hitler and other fascists and ultra-nationalists had recently formed armed militias to suppress the working class. In November, Hitler would attempt his own putsch in Munich, the capital of Bavaria, as a supposed prelude to a march on Berlin in imitation of Benito Mussolini’s “March on Rome” of 1922.

The coalition government of Chancellor Gustav Stresemann, composed of Social Democrats and bourgeois “centrist” parties, however, intended to use martial law primarily against the working class. Communist publications had been banned by the government and workers had been shot to quell a mass strike movement that had brought the previous government down in August.

The Stresemann government was seeking to keep the lid on explosive social tensions in Germany while it maneuvered with the Allied imperialist powers to end the occupation of the Ruhr Valley, satisfy Germany’s war reparation obligations under the Treaty of Versailles, and attempt to stop the hyperinflation that was ravaging the country.

As the historian Pierre Broué noted about Ebert’s action, “The Reichswehr, which now legally ruled the state, announced its intention to ‘defend the Republic’ against its enemies on the Left and the Right, whilst the generals had firmly decided to avoid ‘fratricidal strife’, and to break the threat of revolution.”

The activation of Article 48 had very little impact on the government of Bavaria—von Kahr refused to suppress Nazi publications and expelled foreign-born Jews from the state. But the order would be the basis for the military suppression of a workers’ revolutionary movement in the state of Thuringia in October.



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## 100 years ago: Martial law declared in Germany

On September 26, 1923, Friedrich Ebert, the Social Democratic