

This week in history: January 15-21

14 January 2024

25 years ago: Brazil plunges into financial crisis

On January 15, 1999, the Brazilian “samba effect” financial crisis began after devaluing the *real* by 8 percent. Brazilian monetary authorities gave up trying to maintain the currency’s new value and initiated what amounted to a floating exchange rate policy.

The devaluation was triggered by a political crisis within Brazil, arising from domestic opposition to austerity measures demanded by the International Monetary Fund (IMF) as the price of a \$42 billion loan package agreed on two months prior to provide a financial cushion for the Brazilian currency and financial markets.

The action was followed by the resignation of the president of Brazil’s Central Bank, Gustavo Franco, a leading advocate of the harsh austerity policies which Brazil pursued over the previous four years.

The result of the devaluation was a massive boom on the Brazilian stock market as money poured in to pick up share bargains, and a corresponding upsurge on Wall Street. The euphoria was short-lived, however, as the devaluation boosted share values, it simultaneously increased the risk of debt default, both domestically and on international loans.

As a comment in one British newspaper put it: “The devaluation of the Brazilian *real* is eerily reminiscent of the Russian financial collapse last summer, which set off a panic flight from emerging markets around the world, rocked Wall Street, and led to emergency action by the US Federal Reserve.”

The Brazilian devaluation marked a collapse of another effort by the IMF to contain the deepening world crisis of capitalism. It came less than a week after China’s first major bankruptcy of a financial institution, the Guangdong International Trust and Investment Corporation (Gitic).

Brazil’s decision also set off shock waves internationally. In Europe all major markets fell sharply, with the Madrid stock exchange down 6 percent, the Paris Bourse down 4.1 percent and the German exchange in Frankfurt down 4.3 percent. Two of the biggest German banks, with huge outstanding loans to Brazil, saw their stock values plummet—Deutsche Bank fell 6.5 percent and Dresdner Bank 4.43 percent. The New York Stock Exchange plunged more than 260 points in the first few hours of trading. Bank stocks were particularly affected, since Brazil was the largest single foreign borrower from US banks, owing \$30 billion.

Further reading:

Brazil crisis exposes global faultlines

A sign of fragile economic system: China’s first major financial bankruptcy

50 years ago: State visit by Japanese PM triggers anti-Suharto riots in Indonesia

On January 15, 1974, thousands of Indonesian students and workers began demonstrations against the state visit of Japan’s Prime Minister Kakuei Tanaka to Jakarta. The protests quickly turned to riots against the dictatorship of Indonesian President Suharto after the military was sent to intervene.

In the years preceding, Suharto’s government supported Japanese imperialism to heavily invest in the Indonesian economy. Many major businesses were owned by Japanese capital, making Japanese imperialism, allied with Suharto’s military regime, the face of inequality for many Indonesian youth. Students and workers had also taken note that members of the Aspri, a group of Indonesia’s top generals and advisors to Suharto, became enriched by the financial dealings with Japanese business.

With the announcement of the visit by the prime minister of Japan, which occupied and ruled Indonesia brutally during World War II, university students used the opportunity to launch their protests against the government. Students from the University of Indonesia and other schools began marching through the streets of Jakarta that immediately gained support from workers who joined the demonstration.

The crowds demanded the immediate lowering of inflated prices, to combat government corruption and disband the Aspri, and ultimately the ousting of the brutal anti-communist dictatorship. Suharto’s third in command, General Sumitro, the deputy chief of the military, was sent to suppress the demonstration.

Unintimidated by the military’s presence, the unarmed crowd mounted charges against the police lines and were fired upon. Eleven students and workers were killed and over 130 injured.

Brutal violence against political opposition was the defining characteristic of Suharto’s regime. In the course of his seizure of power in 1965, Suharto carried out mass killings of members of the Communist Party of Indonesia (PKI) and those suspected of socialist sympathies.

Outside of the Soviet Union and China, the PKI was the largest Stalinist party in the world. Between the years 1965 to 1966 as many as one million Indonesians were killed by Suharto’s so called “New Order” dictatorship.

The police repression did not cause the crowds to disperse. Despite Tanaka, the original target of the protest, having fled the country, the uprising had taken on broader political demands just hours after forming.

The population enraged by the police attacks against the students, riots broke out throughout Jakarta with many businesses being looted and buildings and cars destroyed. Reports indicate that over 140 buildings were burned down during the night of the protests.

The demonstrations terrified Suharto. To appease the crowds and end the uprising he announced a number of changes in government policy. Among them, General Sumitro was to resign and measures to restrict foreign ownership of businesses were announced, but never enforced. The Aspri was formally disbanded as an official grouping, however most of its members remained as close advisers to the dictatorship.

75 years ago: Smith Act trials begin against US Communist Party leaders

On January 17, 1949, a New York City trial began of 11 leaders of the Communist Party US, who faced federal charges under the Smith Act. The Stalinist leaders were accused of educating and preparing the overthrow of the American government, on counts that provided for up to ten years' imprisonment.

The prosecution was a major assault on civil liberties, the sharpest to that point of the domestic repression that accompanied American imperialism's developing Cold War against the Soviet Union, aimed at asserting hegemony throughout Europe and internationally while stamping-down on domestic opposition.

In a front page lead, the *Militant*, the weekly publication of the Socialist Workers Party (SWP), warned that the "Trial of the CP threatens all Labor's rights." An SWP reporter painted a picture of the trial, which was held under a police-state atmosphere, with hundreds of federal agents present, passers-by instructed to keep moving and those within the courtroom threatened if they expressed the slightest concern amid the proceedings.

The SWP, then the American section of the world Trotskyist movement, also published a prominent comment by its National Chairman Farrell Dobbs. He noted that he was "one of the 18 people in this country" best qualified to speak on the Smith Act frame-up, having been prosecuted and convicted along with other SWP leaders under the same legislation in 1941.

Dobbs cited the indictment against the Communist Party leaders, which accused them of conspiring to overthrow the US government on the basis of their purportedly promoting of materials "advocating the principles of Marxism and Leninism." He noted that "[E]xcept for the omission of the name of Leon Trotsky, this is conclusive proof that the Minneapolis Labor case of the 18 Trotskyists is the forerunner of the indictment of the CP under the identical sections of the Smith 'Gag' Act of 1940." The evidence against the Trotskyist leaders had similarly been that they had advocated Marxist politics, together with their ties to Leon Trotsky.

The Communist Party had cheered on the 1941 prosecution of the Trotskyists, in keeping with the counter-revolutionary program of the Soviet Stalinist bureaucracy and its developing alignment with American and British imperialism in World War II. Throughout the rest of that conflict, the Stalinist leaders would enforce a no-strike policy in the American trade unions, as part of their aggressive support for the US imperialist war effort. The CP leaders had been charged and prosecuted, only when American imperialism shifted, from an alignment with the Stalinist bureaucracy, to a Cold War policy aimed at asserting untrammelled hegemony.

100 years ago: V. I. Lenin dies

On January 21, 1924, Vladimir Ilyich Lenin, the leader of the 1917 Russian revolution and brilliant strategist of the international working class, suffered his fourth and final stroke. He fell into a coma and died. He was only 53 years old.

Lenin was the founder of the Bolshevik Party and the greatest Marxist theoretician of the early 20th century. By his struggle to develop socialist consciousness among workers, particularly through a relentless struggle against opportunism, he prepared the working class to intervene globally in a struggle for power as capitalism entered its final, imperialist phase, culminated in 1914 with the outbreak of the First World War. He played the leading role in establishing and defending the first workers' state in history, on the territory of the former Tsarist Empire.

Lenin's death came at a time of crisis for the communist movement. Leon Trotsky, his closest co-thinker, was being attacked by the representatives of the ruling bureaucratic apparatus in the party and Soviet state, led by Stalin, because Trotsky had begun a fight to root out the privileges of the bureaucracy, restore party democracy, and make significant economic reforms. Only two weeks earlier Trotsky had published his collection of articles, *The New Course*, which examined the party crisis in great depth.

Lenin had been incapacitated since October 1923 and could not participate in party life, though he had begun the struggle against the domination of the party by the bureaucratic apparatus in 1922. This included a proposal to remove Stalin from his post as general secretary. Although he was convalescing in a dacha at Gorki (now Gorki Leninskiye), on the southern outskirts of Moscow, in January 1924, Lenin was able to read party resolutions and was in contact with some of his most trusted comrades.

Vadim Rogovin, the Russian Marxist historian, suggests that Lenin's death may have been hastened by news of the campaign against Trotsky, as well as the announcement that Trotsky was ill. Rogovin highlights the insidious role of Stalin in preventing Lenin from meeting with Trotsky and seeking to control what information he received about the inner-party struggle. He notes, "Lenin received the greatest psychological blow, a blow of enormous explosive force, from Stalin's speeches at the Thirteenth Party Conference, which were anti-Trotskyist in form, but anti-Leninist in essence."

Lenin's death was a blow to the struggle against the bureaucratic degeneration of the first workers state. After his death, this task fell to Trotsky and his followers in the Left Opposition and subsequently to the Fourth International, founded by Trotsky in 1938.



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