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www.afgazad.com

afgazad@gmail.com

European Languages

زبانهای اروپایی

By Peter Schwarz

28.07.2020

Wirecard and the criminality of capitalism

The criminal abyss opening around the bankrupt financial services provider Wirecard is getting deeper and deeper. The public prosecutor's office is now investigating the executives of the Dax-listed corporation, which filed for insolvency on June 25, for commercial fraud, balance sheet forgery, market manipulation, embezzlement of assets and money laundering.

Wirecard is said to have faked transactions worth billions to artificially inflate its balance sheet and sales revenues. In doing so, it is said to have boosted the company's share price and obtained loans of €3.2 billion, most of which have now been lost. There is also the suspicion that thousands of millions were stolen through sham transactions with partner companies and that Wirecard was involved in international money laundering on a large scale.

Markus Braun, the company's long-time boss, who was released at the end of June on bail of €5 million, was again remanded in custody on Wednesday. Two other high-ranking former managers of the company were also arrested on Wednesday. Jan Marsalek, who is considered a key figure in the company's criminal activities, has been on the run for four weeks.



Wirecard headquarters in Munich (Image: Victoria Huber / flickr)

Numerous high-ranking politicians, including Chancellor Angela Merkel (Christian Democratic Union, CDU) and Vice-Chancellor Olaf Scholz (Social Democratic Party, SPD), are also involved in the affair. As recently as September 2019, when reports of irregularities had been circulating at Wirecard for four years, Merkel had been advertising for the group on a trip to China.

As finance minister, Scholz is responsible for Bafin (Federal Financial Supervisory Authority), which had covered up Wirecard's machinations for years. Although the *Financial Times* has repeatedly reported on opaque money flows and possible balance sheet forgeries at Wirecard since 2015, Bafin did not investigate the accusations. Instead, it issued a ban on short sales and filed criminal charges in 2019 against the FT journalists, whom it accused of manipulating the share price by negative reporting. Scholz's state secretary, Jörg Kukies, a former banker at Goldman Sachs, met with Wirecard CEO Braun for confidential talks as late as November 2019.

Several high-ranking German and Austrian politicians, predominantly from the right-wing fringes of the political spectrum, were in close contact with Wirecard or were active as lobbyists for the corporation.

For instance, former Minister of Economics and Defence Karl-Theodor zu Guttenberg's lobbying firm Spitzberg Partners "advised" Wirecard between 2016 and 2020. In autumn 2019, Guttenberg personally met with Merkel to convince her to promote Wirecard in China. Guttenberg is also a key figure behind the dubious company Augustus Intelligence, which hit the headlines because it paid the young CDU member of parliament Philipp

Amthor. Numerous right-wing figures from the security services were in its orbit, including the former head of the secret service, Hans-Georg Maassen.

The government's former secret service coordinator Klaus-Dieter Fritsche, who played a decisive role in the cover-up of the neo-Nazi National Socialist Underground (NSU) terrorist group and later worked for extreme right-wing Austrian Interior Minister Herbert Kickl (Austrian Freedom Party, FPÖ), also worked as a lobbyist for Wirecard. He arranged several appointments for Wirecard CEO Braun at the German Chancellery.

Braun and Marsalek, who both come from Vienna, also maintained close contacts with the right-wing conservative government there. While Braun was appointed to his "Think Austria" strategy team by Chancellor Sebastian Kurz (Austrian Peoples Party, ÖVP), Marsalek maintained contact with Heinz-Christian Strache, head of the extreme-right-wing FPÖ, and his intimate colleague Johann Gudenus, the two key figures in the "Ibiza scandal" that led to the fall of the ÖVP-FPÖ coalition government in May 2019.

Marsalek, who cultivated a James Bond image, enjoyed a lavish lifestyle and was constantly on the move, is said to have also maintained close relations with various secret services, including Russia's—at least he boasted about it. Among other things, he is said to have tried to build up his own militia in Libya.

Wirecard was a shady company from the very beginning. Founded in 1999, it handled payment transactions for porn and gambling sites on the internet. Jan Marsalek, born in 1980, came to Wirecard as a 20-year-old school drop-out. He was hired because he was familiar with the early mobile phone technology WAP. Markus Braun, born in 1969, joined Wirecard as a management consultant from KPMG.

When the US banned the payment processing of online gaming in 2006, a key pillar of Wirecard's earnings fell away. Braun and Marsalek, who by then controlled the company, embarked on a course of international expansion. Braun was responsible for the external presentation and the advertising of investors, while Marsalek built up an international network of companies, which is now proving to be a Potemkin village.

Wirecard also processed payments for larger customers such as Aldi and TUI. But here the profit margins were extremely low or negative. The lion's share of sales and profits came from business in Asia, which, as it now turns out, was largely invented.

From the beginning, the rise of Wirecard was associated with scandals. "It is striking how many accusations and rumours have accompanied the company for years. Especially when

it comes to money laundering,” writes *Der Spiegel*, which dedicated its recent cover story to the Wirecard scandal.

But that did not prevent the auditing company EY from issuing the corporation with a clean bill of health every year. EY (formerly Ernst & Young), KPMG, PwC and Deloitte, who together dominate the global auditing market, also act as consultants to the companies they audit and are paid by them. The financial oligarchy is therefore among friends.

Politicians and the media were also enthusiastic about Wirecard. At last, Germany had a company that could play at world level in the digital business and take on giants like Google, they enthused. As a result, the share price rose steadily—from €4 in 2009 to €193 in September 2019, increasing almost 50 times within 10 years. It now stands at €1.60. The major investors who pulled out in time made a killing; many small investors lost their savings, however.

Now, the political establishment and the media are trying to portray the Wirecard scandal either as the result of the machinations of a brilliant impostor or the failure of state institutions, which can be corrected by some administrative changes. Finance Minister Scholz has already presented a 16-point plan for the reform of the supervisory authorities.

But this is a sham. Wirecard is not some terrible lapse but shows the true face of capitalism in the 21st century. For a long time now, the accumulation of wealth and assets has completely detached itself from the real economy. The result is unprecedented social polarisation and the criminalisation of all sectors of the capitalist economy.

This began in the 1990s in the Soviet Union and Eastern Europe, where oligarchs used methods that made even hard-boiled Mafiosi shiver and stole the nationalised property that had been built up over generations. The corrupt drunkard Boris Yeltsin, who made this smash-and-grab possible, was hailed as a hero of democracy by the Western media.

The financialization of the US economy, which eventually culminated in the rise of real estate speculator and casino operator Donald Trump, was accompanied by similar criminal affairs as was Wirecard—the bankruptcies of Long-Term Capital Management in 1998, WorldCom and Enron in 2001, and Lehman Brothers, AIG and Bernard Madoff in 2008 were just a few of the sordid landmarks. The crisis of 2008, a result of criminal banking practices, pushed the global economy to the brink of the abyss. All the world’s central banks and governments reacted by throwing trillions to those responsible.

The result is now being reflected in the coronavirus crisis. While millions of workers are forced back to work at the risk of their lives or losing their jobs and livelihoods, the stock markets and accounts of the rich are being inflated with trillions of dollars from the state coffers. Amazon CEO Jeff Bezos made \$13 billion in a single day last week. Since the beginning of the year, his assets have grown by \$74 billion to \$189 billion.

The Wirecard affair shows that Germany is no exception. Angela Merkel may appear more reserved, more controlled, and less provocative than the fascistic choleric Donald Trump. But her government, the grand coalition of the Christian Democrats and Social Democrats, is determined to defend the wealth and global interests of the ruling class just as ruthlessly as Trump does in the US. Therefore, it had no problem supporting the criminal enterprise that was Wirecard. Between 1933 and 1945, German capital had already shown the bestial crimes it was capable of to defend its power and assets. This has not changed.

The combination of “white-collar” crime, ultra-right politics, state protection and secret service activities, which characterizes the case of Wirecard, is a warning signal. No opposition can be expected from the so-called opposition parties—the Greens, the Left Party and the trade unions. If they criticise the government’s behaviour and call for a parliamentary committee of inquiry, it is only to try to reassure the public and suppress any serious opposition.

The fight against the financial oligarchy and its criminal methods requires the independent mobilisation of the working class to overthrow capitalism based on a socialist programme.

World Socialist 27.07.2020