

# The Bawag affair and the decay of the Austrian trade unions

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A scandal involving the trade union-owned Labour and Economics Bank (Bawag) has revealed the true extent of the rottenness of the Austrian trade union movement. The Austrian trade union federation (OEGB) is currently experiencing the deepest crisis in its more-than-50-year history.

The affair came to light with the announcement of billions in losses incurred by the Bawag following high-risk financial transactions in the Caribbean and through its involvement in the bankrupt US broker house Refco.

At the end of last year, the Bawag granted Refco boss Phillip Bennet a credit of more than €400 million. A few days later, Bennet was arrested in the US and charged with falsifying the books. The financial market supervisory authority announced a special investigation into the credit and, in the process of the investigation, details emerged of the Bawag's "Caribbean business."

Between 1995 and 2000, the Bawag had lost at least €1 billion through risky interest and money deals that were organised and disguised through a number of letter-box companies with an address in the Caribbean.

The chief instigator of these shady business deals was Wolfgang Flöttl, son of the former general secretary of the Bawag, Walter Flöttl. The investment banker is the proud owner of several luxurious residences in the Caribbean and New York, together with his own luxury yacht and jet. He used the nepotism and corruption that pervades in the Bawag and OEGB apparatus to shift vast sums into risky funds and earn handsome commissions. The resulting losses by the bank were then deliberately hushed up by the executive heads of the Bawag and the OEGB.

Eventually, the trade union bank confronted ruination and could only be protected from bankruptcy by declarations of liability on the part of the OEGB. The OEGB chairman Fritz Verzetnitsch (since resigned) and the OEGB head of finances Günter Weninger (who has been dismissed) utilised the trade union's strike fund to rescue the decrepit bank—without consulting any of the appropriate trade union committees.

Bawag held up to 50 percent of the shares in Refco, which means that creditors and shareholders in Refco are now claiming billions in recompense from the bank, which has only been able to initially fend off insolvency through the combined intervention of the Austrian state, major banks and two major insurance companies. The Austrian state agreed on a limited warranty of up to €900 million, while the banks and insurance companies contributed about €450 million.

The OEGB will pay a high price for this rescue package, which was initiated by the Austrian chancellor Wolfgang Schüssel and his right-wing conservative government—a coalition of the Austrian People's

Party (APP) and the right-wing Alliance for Austria's Future. In return, the OEGB has been forced to fully disclose its financial circumstances—including the extent of the strike fund. This "oath of disclosure," as high-ranking functionaries call it, excludes in advance any extensive strike action by the trade union body.

The intervention by the government and private banks prepares the way for the sale of the Bawag, which in turn will make possible a deal with Refco creditors. In addition, the planned sale of trade union shares in the Austrian central bank means the complete disposal of the financial interests of the trade union federation.

The political consequences of the Bawag scandal are far-reaching. The news magazine *Profile* writes that the Bawag affair is "not only the biggest bank scandal in past decades, it has at the same time also led to the most lasting political shift of power in the Second Republic. The power of the trade unions has been substantially broken, their economic empire smashed and their most important protagonists implicated in criminal-type activities."

Parallel to the hastily agreed sale of the Bawag, several members of the executive board of the bank have also had to vacate their seats, including OEGB head Fritz Verzetnitsch who is being sued by the organisation he led.

For 19 years, the 60-year-old Verzetnitsch stood at the head of the Austrian trade union federation and followed the classical career of a trade unionist: from the youth federations of the trade union he rose to become its secretary, and finally to the leadership of the OEGB. At the same time, Verzetnitsch rose in the ranks of the Austrian Socialist Party. He filled posts as a state and federal deputy and sat on the party executive. He was also a member of the executive of the Austrian broadcasting corporation and exerted influence through the public media. He lived in a luxurious penthouse (owned and largely paid for by the Bawag) in the best part of Vienna and was neighbourly enough to share his swimming pool with his close companion Walter Flöttl.

Alongside Verzetnitsch, Rudolf Nuernberger—head of the Austrian engineering union for 18 years—also quit his post. In his farewell speech, he spoke of the deepest crisis of the trade union since 1945. At the same time, he called upon his successor to follow his own course. Further "flexible steps" were necessary, he said, to make Austria an attractive location for investment.

The replacement of a few leading figures will do nothing, however, to resolve the crisis of the OEGB. The current bank affair is by no means the first scandal in the history of the trade union. In the 1990s, a number of scandals relating to the salaries of OEGB and workers' chamber functionaries came to light. In 2001, the head of the postal trade union, Hans George Dörfler, was forced to resign after he had inappropriately secured excessive salary increases for his works

council colleagues.

At the time, the ultra-right Freedom Party led by Jörg Haider, which posed as opponents of excess and privileges, politically exploited the escapades of the OEGB. Now, once again, right-wing forces are profiting from this latest scandal.

With national parliamentary elections due in the autumn, the disclosure of the Bawag dealings is a political gift to the government. Up until recently, a change of power in favour of the Austrian social democrats looked probable, under conditions of plunging popularity for the governing alliance of Schüssel's APP and Haider's current Alliance for Austria's Future (split off from the Freedom Party). According to the latest polls, however, the APP now heads the Austrian Socialist Party (ASP) for the first time in three years.

Conservatives and the right wing see the crisis of the OEGB as a chance to press ahead with their reactionary policies. The trade unions and social democracy provide no alternative. They have reacted to the recent crisis by moving even further to the right.

Prominent functionaries, like the new OEGB chairman Rudolf Hundstorfer, have already recognised the "need for reform" and announced that the organisation will renew itself both structurally and in terms of its perspective. In plain language, this means it will cooperate even more closely with the government in its attacks on wages and jobs.

While the ASP has sought to play down its links with the trade unions in the middle of the election campaign, the Austrian Greens are using the affair to demand even closer cooperation with the APP. On issues such as the sale of the Bawag, they stand uncompromisingly on the side of the government.

For so-called left organisations, the threatening collapse of the trade union federation has unleashed panic. Fearing future political instability, they are reacting by propping up the crippled trade union bureaucracy.

The Communist Party (ACP), which has played a leading role inside the OEGB for a long time, reacted with shock to the trade union crisis. The ACP made those heads of the organisation who had resigned responsible for the crisis and abusing the trust of the membership. Under the slogan "another OEGB is possible," the former arch-Stalinist party has appealed to the current trade union bosses to democratise the OEGB in the interest of ordinary members.

The Socialist Left Party (SLP), which falsely calls itself Trotskyist, has also sought to give the OEGB a fresh coat of paint. The organisation has demanded a new political change of direction along the lines of that favoured by the Election Alternative grouping (WASG) in Germany.

Neither the replacement of a few leaders or the hopeless attempt to pledge the OEGB to more democracy will do anything to alleviate the crisis of the organisation. The Bawag affair has not come out of the blue. The decay and right-wing orientation of the trade unions is an international phenomenon that has its roots in the character and political perspective of these organisations.

The globalisation of production and the domination of world markets over national economies have long since stripped away the basis for the trade unions and their traditional policies based on "social-partnership." They react to such developments by merging ever more closely with governments and big business interests. This tendency has taken particularly repugnant forms in a country like Austria where the trade unions have been integrated into a dense corporatist network for a considerable time.

Owing to their close relationship with the Socialist Party (ASP),

which until four years ago was involved in every Austrian government between 1945 and 2000, and due to state control of many large factories, the trade unions had direct access to the highest government offices and the executive boards of many of the country's major companies.

The OEGB was formed in April 1945. Just days after the Red Army raised the Soviet flag in Vienna, prominent representatives from the Social Democrats, the Communists and the Christian Democrats met together to establish a new trade union federation. Demands for the nationalisation of industries and the supply of sufficient dwellings were issued to assuage a powerful radicalisation at the end of the war by Austrian workers.

The Bawag was also set up in this period. The former Workers Bank, which had been initially founded in 1922 by the right-wing social democrat and later chancellor Karl Renner, was first disbanded by the fascists and then reestablished in 1947. For decades, it was described as the "bank for the ordinary man." In the 1960s and 1970s, it enjoyed wide popularity with workers and small independent entrepreneurs and grew to become Austria's fourth-largest bank.

In 1947, the OEGB already had 1 million members. Against a background of worldwide economic recovery and growth in the Austrian economy, the union federation was able to achieve a number of concessions for workers. In 1962, a major strike by metalworkers forced the government to raise the minimum wage by 10 percent. Up into the late 1970s, a series of reductions took place in the number of hours worked per week, while wages and holiday entitlements increased. At the end of the 1970s, OEGB membership peaked at 1.7 million.

At the same time, socialist ideas were increasingly scorned inside the movement, and the trade unions adopted an increasingly right-wing course. Following the shift by trade union leader Franz Ohla to the post of interior minister in 1963, Anton Benya, a rabid anti-communist and populist, took over as head of the OEGB. In 1983, the OEGB then undertook a fundamental change of course with regard to its social policy. It concluded the so-called "Mallorca package" with the government, which involved drastic new burdens for broad social layers.

When Verzetnitsch finally took over the leadership of the OEGB in 1987, globalisation had removed the remaining foundations for any sort of reformist policy. In the following 13 years, the OEGB cooperated closely with the government—a "grand coalition" of the ASP and APP—in attacking workers' wages, conditions of work and social standards. "Red managers" in the state- and trade union-owned enterprises had severed any connection to the working class and used their affiliation to the ASP or the trade unions purely to further their own careers.



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