

# Massive bank scandal: Austrian right-winger Jörg Haider's legacy

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Austrian far-right politician Jörg Haider, at the time governor of the province of Carinthia, died in October 2008 in an automobile crash—while driving twice the speed limit and with a blood alcohol level three times the legal limit.

His legacy, however, is now costing billions, tearing holes in the budgets of Carinthia and Germany's Bavaria. The crisis surrounding the Hypo Group Alpe Adria (HGAA) bank, in which Haider played a central role, is a prime example of the coming together of high finance and right-wing politics.

A week ago, the Austrian government took control of ailing HGAA to prevent the immediate collapse of the sixth-largest banking house in the Alpine republic. In the settlement, the previous owners—Bayerische Landesbank (BayernLB), the province of Carinthia, and Austrian mutual insurer Grazer Wechsellagerung—each received one euro. They had collectively pumped in several hundred million euros to try and secure the survival of the bank.

The state-owned BayernLB, which became the majority owner two and a half years ago, must now deal with losses of nearly €4 billion. These will largely fall on the Bavarian state treasury and will be recouped through cuts in public spending. A year ago, the state of Bavaria pumped in €10 billion to protect Germany's second-largest Landesbank (owned 94 percent by the Bavarian government) from bankruptcy.

The fate of HGAA is closely linked with the rise of Haider's ultra-right Austrian Freedom Party (FPÖ) and its successor, the Alliance for the Future of Austria (BZÖ). Haider, who served 12 years as governor of Carinthia, used the bank to finance his political projects, enrich his friends in the party, and buy votes.

Under Haider's charge, the financial institution, founded in 1896, rose from being a provincial bank into a market leader in the Balkans. The bank funded Haider's

money-losing prestige projects in Carinthia, such as the luxurious Schlosshotel Velden and the floating stage on the Wörthersee in Klagenfurt, as well as financing the province's growing debts. Carinthia is now considered the "debt emperor" among Austria's provinces.

In return, the state government guaranteed the bank's creditworthiness, underwriting guarantees amounting to €19 billion. That is almost 10 times the state's annual budget of €2 billion. The bankruptcy of HGAA would inevitably have resulted in Carinthia's insolvency.

In the manner of an emperor in ancient Rome, Haider used the cash flow from HGAA to win the support of the voters. He introduced various forms of family benefits, payments for commuters, heating and diesel fuel subsidies, and an inflation relief payment. Under Haider's successors, young people who acquired a driver's license were given €1,000. These monetary gifts did little to lessen social inequality; with 76,000 people at risk for poverty, Carinthia is the second poorest of Austria's provinces—but it ensured that the BZÖ won substantial majorities.

In the successor states of Yugoslavia, the HGAA financed a semi-criminal and corrupt elite, which resembled the one surrounding Haider. "In Macedonia, Bosnia or Montenegro, banking geniuses were drawn hypnotically into the wake of Jörg Haider, needy entrepreneurs who could make good use of inexpensive bridge financing for their cash flow," the *Frankfurter Allgemeine* commented.

A commentary in the *Süddeutsche Zeitung* accuses HGAA of being involved in the Balkans "money-power-spoils, locally and regionally." And in another article, the same newspaper states: "In Croatia, the Carinthian bank funded audacious construction projects for ex-politicians and former generals. In car leasing transactions in Bulgaria, extremely expensive luxury limousines were simply given away. The list of shady financial deals could

be extended almost indefinitely.”

According to other reports, in Croatia, Serbia, and Bosnia alone, the bank financed more than a thousand luxury yachts and several private jets. Meanwhile, the Klagenfurt state prosecutor is investigating the bank for breach of trust.

The stench that these transactions gave off was already obvious when BayernLB acquired a majority stake in HGAA in May 2007. The acquisition had the backing of the then-Bavarian state premier, Edmund Stoiber, and was nodded through on the BayernLB board by State Interior Minister Günther Beckstein and Economics Minister Erwin Huber. Thus, it had the full support of the former Christian Social Union (CSU) leadership.

Now, after a €4 billion loss, a violent dispute has erupted in the CSU over political responsibility for the affair. Beckstein and Huber have had to defend themselves against the accusation that Haider pulled a fast one on them. After the sale, Haider had publicly boasted: “Now we are rich.”

However, the idea that the CSU was fooled by Haider is naive. Rather, the political circumstances suggest that Stoiber, Beckstein, and Huber knew very well what they were doing. With the injection of billions into BayernLB, they protected HGAA from a crash and thus rescued Haider’s political career.

Five months ago, the now-redundant BayernLB CEO, Michael Kemmer, said that the acquisition of HGAA happened “not least against the background of the links between the fellow countrymen of Bavaria and Carinthia”—a clear indication that it was for political and not financial reasons.

There are many political parallels between Haider’s BZÖ and the Bavarian CSU. Both have used their respective state banks to defend their power base and provide for their clientele, and in doing so have been involved in dubious dealings and scandals. Both resort to xenophobic, anti-Islamist, and law-and-order campaigns to divert attention from growing class conflicts and to mobilise right-wing forces.

Although the CSU has publicly distanced itself from the sleazy BZÖ, in face of growing social tensions it did not suit the former that Haider, in his stronghold of Carinthia, should hand over power to nominally left-wing parties. Hence, the involvement in HGAA.

Close links between right-wing forces, multibillion-euro banks, and the semi-criminal milieu are not, of course, restricted to Carinthia and Bavaria. In Italy, Prime Minister Silvio Berlusconi personally embodies these

connections. In Switzerland, the billionaire Christoph Blocher, leader of the Swiss People’s Party, stands behind the recent referendum to ban minarets.

These forces gain strength due to the bankruptcy of the so-called “left.” While the financial elite and their right-wing lackeys unrestrainedly enrich themselves, the Social Democrats, the Greens, the German Left Party, and similar formations have taken on the task of stabilising the state treasuries at the expense of the population.

Now it has happened again in Austria. With the acquisition of HGAA, the Social Democratic Chancellor Werner Faymann has first and foremost saved the BZÖ’s rule in Carinthia. If the bank had gone bankrupt, it would have meant insolvency for Carinthia, and the BZÖ would have been finished. The cost of rescuing the bank is now engulfing the federal government. The costs will be pushed onto the backs of the population, which the ultra-right will in turn attempt to exploit to their advantage.

Faymann justified nationalising the bank on the grounds that if it had collapsed, not only Carinthia, but also Croatia and Austria, would have been affected. “Austria would have reached the level of debt of Greece,” he said. The president of the European Central Bank, Jean-Claude Trichet, also intervened in the negotiations to prevent the bankruptcy of HGAA.

At the same time, Faymann made it clear he does not want to get too close to the BZÖ. Haider’s successor as governor, Gerhard Dörfler, rejected calls for his resignation with the sneering observation: “Carinthia was twice a winner; once through the sale of the debt [to BayernLB] and now.” Although this angered Faymann, he has categorically rejected calling new elections in Carinthia.



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