

Wirecard: The German economy sinks into criminality

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The German-based financial services company Wirecard is the latest of the country's leading DAX companies to sink in a whirlpool of scandals, fraud and criminal practices.

Wirecard's founder and long-time head, Markus Braun, was arrested in Munich on Monday. He was released on Tuesday under stringent registration conditions and a bail sum of five million euros. The public prosecutor's office is investigating him on charges of fraudulent accounting and the manipulation of share prices.

Last week it emerged that 1.9 billion euros allegedly deposited by Wirecard in Philippine banks had disappeared without a trace. It has not yet been clarified whether the sum was stolen or never existed. It is believed, however, that the transaction was invented to artificially inflate Wirecard's turnover and increase its share price. According to Wirecard, the money was deposited by a dubious trustee named Mark Tolentino, whom President Rodrigo Duterte had previously sacked from his government for "dubious business practices."

Wirecard was founded in 1999 and offered customers electronic payments, credit cards and the like. It was a rising star on the German stock market although it was never really clear what Wirecard's opaque business model was based upon. The company's share price rose from 35 to 190 euros within a few years. Braun, who holds seven percent of shares, became a billionaire.

In September 2018, Wirecard replaced Commerzbank in the DAX index of the country's 30 most valuable companies. Large financial institutions, such as the DWS fund subsidiary of Deutsche Bank and Union Investment, invested on a large scale and drove up the company's share price, although doubts had already arisen about Wirecard's business practices.

The responsible authorities and auditors covered up for the company. Wirecard has been suspected of falsifying its balance sheets for at least five years, but Germany's financial supervisory agency, BaFin, and Ernst & Young, its auditor, continued to give guarantees for the company.

In April 2019, BaFin even filed criminal charges against two journalists from the *Financial Times* who had reported repeatedly on the tricks, opaque cash flows and possible balance sheet falsifications at Wirecard since 2015. The German financial regulator accused the journalists of seeking to trigger a slide in the share price of Wirecard with their revelations and then enriching themselves by betting on falling prices. The prosecutor's office launched an investigation into the journalists for market manipulation.

In the meantime, Moody's has downgraded the company's creditworthiness to junk level and on Thursday the company applied for bankruptcy. The share price has plummeted to 3 euros and its market value of more than 20 billion euros has been wiped out. Media outlets speak of an "unprecedented financial disaster" and have made comparisons to the case of Enron.

The American energy company Enron rose to become the seventh-largest American company in the 1990s based on financial speculation, criminal methods and a network of political connections. In 2001, Enron collapsed, rocking the entire American economy. With total assets and debt valued at \$80 billion, it was the largest bankruptcy in American corporate history.

At that time, the WSWS commented: "Financial market operations of the kind in which Enron was engaged are not peripheral to the world capitalist economy but at its very heart. Every day trillions of dollars course through global equity, currency and

financial markets in the search for profit. Since the start of the 1980s as much as 75 percent of the total return on investments has resulted from capital gains arising from an appreciation of market values, rather than from profits and interest.”

That was 19 years ago. Since then, the gap between the financial oligarchy and the bulk of the population has widened massively. Following the 2008 financial crisis, which was itself the result of criminal financial speculation, and in the current coronavirus crisis, central banks pumped trillions into the financial markets to artificially drive up prices. The working class has to pay the price in the form of intensified exploitation.

The parasitism and putrefaction of capitalism, which Lenin analysed in his classic book on imperialism over a hundred years ago, have reached unprecedented proportions. The rise of the ruthless and ignorant real estate speculator and casino operator Donald Trump to head the American government is an expression of this fact.

German capitalism is no exception in this respect. The notion that the German model was in some way more serious, socially oriented or moral than America was always misguided. The assets of most DAX companies—including Volkswagen, Deutsche Bank, Bayer, BMW, etc. —have their roots in the most brutal methods of exploitation mankind has ever experienced with millions of workers sacrificed through forced labor, wars of extermination and so-called Aryanisation.

When leading representatives of the German economy uttered *mea culpas* after Hitler’s fall and committed themselves to a “social market economy” after WWII, it was always in order to defend their assets. Some of the company heads involved with the fascists spent a brief time in prison but none were expropriated.

German capitalism has long since been returning to its criminal traditions. Wirecard is only the most recent of a whole series of DAX companies that have been thrown into crisis due to their nefarious business practices.

VW, the world’s largest car company based its business model on manipulating exhaust gas values—and ended up paying tens of billions in compensation and fines. Deutsche Bank played a

leading role in the criminal practices which culminated in the crash of 2008—and has not recovered to date. Bayer attempted to become world leader in agricultural chemistry and biotechnology with its recent takeover of the notorious US company Monsanto and is now liable to pay compensation for Monsanto’s crimes.

Wirecard boss Markus Braun was considered a star as long as prices rose and investors and investment funds earned a fortune. Now he may have to serve as a scapegoat, but he is merely the subjective expression of an objective process—a deeply sick capitalist system that must be abolished as soon as possible.



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