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## **THE MATCH KING: IVAR KREUGER AND THE FINANCIAL SCANDAL OF THE CENTURY**

### **FRANK PARTNOY**

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The major reforms to US investment laws in 1933 and 1934 did not come as a result of the 1929 Wall Street crash. The prevailing view of that crash was that financial crashes had to be endured and there was little that a government could do about them.

Instead the impetus came from a single bullet to the heart – that which went into Ivar Kreuger on March 12 1932. Kreuger was then one of the most well known figures in world affairs (then as now financial giants received extensive media coverage and he was shortly to be the subject of a Hollywood movie). He was well known for having survived the Wall Street crash and may even have made money from it.

Lawyer Frank Partnoy has written a fascinating book on a person rated in 1984 by the “Financial Times” as being responsible for one of the top five biggest financial scandals of all time. Partnoy’s 2003 book “Infectious Greed: How Deceit and Risk Corrupted the Financial Markets” (also reviewed by AICD) was one of the best warnings of the impending current financial crisis.

Kreuger was more than just a smooth-talking crook. He was a financial genius whose money-making schemes outgrew his native Sweden and he went to the US in the 1920s because it was already the main place for surplus funds looking for investment opportunities.

One of Kreuger’s main sources of revenue – hence his title – came from the humble match. Sweden had perfected the technology for making “safety matches” and Sweden made two-thirds of all the matches sold around the world in 1922. Kreuger cornered the safety match industry in his own country and then went on an international investment spree. He did very well in the early years of the Roaring 20s.

Another early interest was the Swedish movie industry, He was particularly attracted to 15 year old shop assistant Greta Gustafson working in the equivalent of Stockholm’s David Jones store. He paid for her to have acting lessons and set her acting career going both in Sweden and then the US. She remained loyal to him through all the turbulence of his life and her fans remained loyal to her: better known as Greta Garbo.

But where precisely did all his wealth come from? Certainly he earned money from his match monopolies in European countries and he had a flair for smart investments (such as being a pioneer in the emerging telephone industry). But no one ever had full access to his complicated accounting systems.

Investors did not worry all that much about where the money came from – providing it continued to flow. Partnoy's book is an amazing expose of the naiveté of investment firms and their low standards of due diligence (mind you, the current Bernard Madoff scandal suggests that people may not have become much better over the decades!)

In the end he simply could not keep shuffling the money between accounts to pay the stunning dividends. He managed to survive the 1929 Wall Street crash but the Great Depression that followed meant that he could not keep performing his financial magic tricks. He killed himself in 1932.

Ironically many of his individual businesses continued to do well after his death. Swedish Match is still in business and doing well. One of his last projects was to lend money to the ailing German economy. When Hitler came to power in 1933 he honoured the loan and continued paying the interest on it – and continued paying throughout the war. The Allies who occupied West Germany after the war kept up the repayments. The arrangement ended on schedule in 1983 – half a century after his death.

But a value from his suicide was the impetus it gave to the new Roosevelt Administration to introduce better regulations of the US finance industry. However, as the Madoff scandal shows, you cannot regulate against stupidity and greed.

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