The Life and Death of Ivar Kreuger

William H. Stoneman
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THE LIFE AND DEATH OF IVAR KREUGER
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By

WILLIAM H. STONEMAN

Illustrated

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FOREWORD

There are both advantages and disadvantages in writing the story of Ivar Kreuger at this time. The advantages are evident: The story must be told when Kreuger’s downfall is still fresh in the memory of the public, when those people who are able to throw clear light on the life of the man are still to be found with ease, and their imaginations have not had time in which to distort the honest facts. The disadvantages are multitudinous. The full story of Kreuger will not be known for years, and there are still many points which lie in obscurity. Many of those who had business dealings with Kreuger are still faced by the danger of criminal or civil prosecution and are consequently unwilling to tell what they know. And there is the further danger which always attends the description of events of the immediate past, the danger of not seeing them in their proper perspective and of being influenced by emotional considerations.

I have not been blind to these difficulties, but I believe, at the same time, that sufficient facts are already available to allow rather complete treatment of the subject. Again I have attempted to avoid those pitfalls of sentimentalism which arise from having known Kreuger and having admired him as a great leader.

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FOREWORD

Such a book as this can not but risk the danger of damaging peoples' feelings, and I am well aware that I may have written things which can not hope to please a certain section of the public. The only defense against having tread upon peoples' toes is that it has been done only when it has been utterly necessary to the work in hand, which has been the task of telling the Kreuger story objectively, without the exclusion of any facts simply because they are "unpleasant."

The material used has been collected more with a view toward its authenticity than to its glamorous qualities. If the discard of countless anecdotes whose validity is doubtful has deprived the story of interest which it might otherwise have had there is no excuse to offer. It has not been my purpose to make the story uninteresting. If the book is rather profuse in figures and details of rather complicated financial transactions it is because Kreuger's swindle was no simple crime. The reader who will really understand what Kreuger did must consequently be prepared to bear with those details. I have attempted to present them as clearly and concisely as is allowed by their very nature. Details of Kreuger's early life have been gathered from his boyhood friends and acquaintances, as well as from the more reliable of the biographies which were published prior to his death. Kreuger's manipulations have been traced by resort to the early reports of his concerns, by extended personal investigations and conversations with those who worked
FOREWORD

with him, and by means of the original reports made by the authorities in charge of the Kreuger investigation after his death.

It was as correspondent for The Chicago Daily News that I first met Kreuger and it was in that same capacity that I was stationed in Stockholm before and after his death. I wish to acknowledge with a feeling of deep gratitude the permission granted to me by my editors allowing the incorporation in this story of material which was secured on behalf of The Daily News. I also wish to thank those colleagues of mine on The Daily News who have made possible the publication of this book. Acknowledgement must also be made of the valuable cooperation given to me by T.G.B. and those others whose names may not be given.

William H. Stoneman.

Stockholm, Sweden.
The Life and Death of Ivar Kreuger

INTRODUCTION—THE PLOT

For twenty years the star of Ivar Kreuger rose steadily in the firmament of Big Business. Organizer of a world-spanning match trust, creator of a half-billion-dollar industrial and banking structure, lender of money to fifteen different governments, he became a mythical figure, surrounded by all the glamour which comes of accomplishments beyond the scope of ordinary men.

The mystery which surrounded Kreuger as an individual was made the more intriguing by his sudden bursts into the limelight through the execution of magnificent deals. When he rescued France and Germany from financial predicaments his star reached the zenith. Here is a man, thought the world, who couples benevolence with power, a magnate who puts his riches to proper uses. To the capitalistically minded, Kreuger became a real hero, a Midas with a heart.

During the final years of his career when his achievements had spread his name to the far corners of the world the "Match King" associated with presidents and premiers as an equal, the first private individual in modern times to move in the high places of politics and
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finance with equal liberty. He was a being apart, an individual whose very Greatness belied the faintest suspicion of anything mean or rotten in his make-up.

Even when Kreuger lay down on a bed in his Paris apartment on March 12, 1932, and sent a bullet into his heart that odor of decorum and distinction which had surrounded him during his business career continued to linger about his name. The London Times sounded the sentiments of the public when it wrote of him:

"The man who was driven on Saturday to this last act was no common adventurer caught up and cornered at last by the self-defeating ingenuity of his devices. . . . It is clear that he was the victim, not so much of faults in the huge system which he had built up within a brief twenty years, as of a world condition simultaneously affecting and afflicting every industrialist and every financier in greater or less degree."

But before they brought the body of the Match King back to Stockholm the truth was leaking out. Wall Street bankers had found discrepancies in the books of one of his subsidiaries. The Swedish Government had been saving him from bankruptcy for more than a year by doling out cash to him. Kreuger & Toll, Kreuger's gigantic "holding company," was insolvent. By April fifth it was known that Kreuger had been falsifying his accounts. One month after his death it was learned that he had personally forged Italian Govern-
ment paper to a value of nearly thirty million pounds sterling. The deficits of the Kreuger concerns were estimated to be greater than Sweden's total national debt—1,800,000,000 Swedish kronor.

The shock of disillusionment, coming at a time when a crisis-worn world had already begun to lose all faith in Big Business, was far more serious than were the material losses. Kreuger, after all, had not destroyed any money—he had simply taken it from one part of the public and lost it to another. What he had destroyed was faith, the faith which the world had placed in him as a glowing symbol for Big Business.

As the story of Kreuger's manipulations was revealed it became increasingly evident that his crime of forgery had been very incidental to the whole pattern of unethical practises in which he had indulged during his career. And it was startlingly evident that many of the things which he had done were little more than common practise in the stratosphere of the financial world.

The story was this:

After a decade of relatively small business affairs in Sweden, Kreuger organized the Swedish Match Company, a combine of all of the principal match companies in his native land. He also formed the Kreuger & Toll holding company, to assist in financing the formation of a world match trust.

Kreuger, in common with all business men with big
ideas, was eager to raise large sums of money by public financing—selling securities to the public. In order to create the impression that he was a money-maker, worthy of being entrusted with the public's funds, he falsified his statements, indicating that his assets and profits were greater than they were. Like any cheap bank embezzler he believed that with the large sums of money raised on the basis of these statements he could make enough money to cover the deficiencies in his account.

Two things made it possible for Kreuger to falsify his statements without detection. The first was his absolute dictatorial power over his underlings and the lack of laws in Sweden making it necessary for him to employ capable accountants. The second condition to this practise was the creation of a large chain of holding companies and subsidiaries, resulting in such a complication of different enterprises that no accountant, however canny, could expect to succeed in tracing all of his manipulations.

Due to his ability in deceiving the public and his banking associates, Kreuger succeeded in raising huge sums of money by public issues. Part of these sums he invested in solid and promising enterprises and in expanding the Match Company's interests. Other large sums were devoted to speculation, to the payment of dividends on his over-grown capital, and to boosting the value of his own securities by supporting operations in the open market.
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While Kreuger at the beginning undoubtedly expected to cover up his tracks, the constant inflow of fresh funds lured him into believing that he could continue to raise new funds indefinitely. So instead of trying to brace his inflated structure he branched into new fields of activity. Hundreds of millions went into ambitious government loans, in return for which the Match Company received monopolies. He became possessed by the idea that he could become an Iron Ore King and a Telephone King, as well as a Match King, and he boldly invested in those enterprises.

When toward the middle of 1930 the crisis shut off Kreuger’s source of fresh cash, he was opulent enough to carry on for the time being, his native optimism leading him to believe that the crisis would wear itself out in a year. When the market failed to absorb his securities he hastened to take them over to his personal account, prompted by the necessity of concealing his failure and by the belief that they could be sold later, "when the market turned."

When at the beginning of 1931 he discovered that the crisis was not a passing incident he was so deeply involved that the long delayed retrenchment was out of the question. He had to strain his resources to the breaking-point to fulfill a loan to Germany and to pay his dividends. His actual assets were so depleted by wild efforts to support his falling securities that his unethical practises in "public financing" were threatened with
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disclosure. At that point, still hoping that the market would take an upward turn, Kreuger made a final effort to carry on by replenishing his treasury with forged Italian treasury bills.

The disclosure of his malefactions which awaited him at the time of his death was directly brought about by the fact that he had been compelled to borrow money from the International Telephone & Telegraph Company, a Morgan concern, and from the Swedish Government. The American concern was the first to discover that Kreuger had been guilty of malpractise. The Swedish Government demanded such a thorough account of his affairs that discovery was inevitable. So, not because he was broken with shame but because the market had failed to turn, the Match King shot himself.

Several questions immediately arise: How was Kreuger able to maintain such dictatorial power over his subordinates and to evade the supervision of American and Continental bankers who had entrusted him with the public’s funds? What excuse could have prompted the existence of those many subsidiaries in the eyes of honest bankers? Do other magnates also gamble with the money of the public and do they, too, give rosy profit statements in order to inveigle the public into giving up its money? Certainly other magnates do not indulge in forgery, but do they, like Kreuger, support their own securities on the open market?

Kreuger’s ability to operate without supervision was [ 20 ]
due largely to the very tradition of Big Business which rules that the Magnate must be allowed to work his mighty deeds in secret. Big Business deals are not executed in the broad light of publicity, trusts are not formed by telling the world all about them beforehand. If there are to be any magnates at all they must be allowed to mind their own affairs without the interference of busybodies.

The Kreugerian saga, however, could not have become a reality had it not been for the setting in which Kreuger operated. Sweden, a bourgeois land of some six million people without any well-founded tradition of Big Business, was utterly unable to cope with a man of his proportions; did not have the actual physical power necessary to control or supervise him. Had Kreuger operated in England or America he would either have been kept in the paths of righteousness or would have been caught up short by the very type of supervision which eventually unveiled him. Countries with a long tradition of Big Business are highly particular about their auditors; Sweden is not.

There are good and capable auditors in Sweden who might have surveyed Kreuger’s affairs with some hope of success but Kreuger was not compelled by either tradition or law to use them. Instead he employed as auditors for Kreuger & Toll a group of men who were completely dominated by him. It is significant to note that other big Swedish business organizations, outside of the
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Kreuger sphere, to this day retain as auditors such incompetents as policemen, ministers of the gospel, and ordinary merchants who scarcely know a share from a bond. Whether this practise is due to a complacent self-trust on the part of the Swedes or simply to negligence is beside the point.

The British sent their own auditors up to keep track of the affairs of Swedish Match but their work was greatly handicapped by the almost inseparable conglomeration of that concern's affairs with those of Kreuger & Toll, International Match, and the subsidiaries. When Lee, Higginson & Co. sent an auditor over to look into Kreuger & Toll's accounts he was allowed to sit around for six weeks without getting any information. At the end of that time Kreuger cabled New York to the effect that he did not like the man. After that, either because they thought that the Kreuger & Toll auditors were doing their business well or because they trusted Kreuger blindly, the Americans made little attempt to check up on the accounts of Kreuger and Toll.

Kreuger's numerous subsidiaries were evidently regarded by his banking associates as very necessary features of such a big business as his although there were only two possible justifications for them: first, the necessity to do business on the sly; second, the desirability of evading the payment of income taxes in such countries as Sweden and the United States. In the eyes of Big Business there would have been nothing damning in
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the existence of these dummy companies had they been used simply for secret deals and tax evasion. Many of the most reputable magnates of both Sweden and America maintain holding companies in such extraordinary countries as Liechtenstein and Luxemburg.

A loud cry of amazement went up from the public when it was discovered that Kreuger had been “gambling” on the stock exchange. Big Business, however, was not at all surprised and neither were those who had taken the trouble to look at Kreuger’s profit statements or to question him in regard to his business. Kreuger never made any pretext of earning all of his reported profits by income from solid industrial enterprises. A large part of Kreuger & Toll’s business was in short-term transactions and he privately bragged to his directors of having made tremendous profits by buying and selling stocks and bonds. There would have been nothing unethical about this method of money-making had he succeeded in making a “go” of it.

Although Kreuger unquestionably lacked any sense of proportion in his bookkeeping tricks, he proceeded on lines which had been laid down, long before he ever made his appearance in the world, by financiers of a more sober sort. Few large concerns give an exact idea of their positions in their annual reports. In times of prosperity, when they are rolling in money, it is common for them to conceal assets and this is considered to be a perfectly legitimate thing to do. While good
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auditing and sound business practise do not countenance the opposite operation—the display of assets which do not exist—many reputable firms in times of difficulty give generous appraisals to the assets which they do have. It is a quite logical thing for a going concern, furthermore, to consider the possibilities of the future and to reckon with them as assets. If this practise is not abused it may be justifiable according to quite any standard.

Kreuger was thus justified to some extent in painting a better picture of his situation than the hard cold facts justified, particularly when there loomed the possibility of a world monopoly in such an article of common use as the match. The cinching of such a monopoly would make it possible for its owner practically to dictate the size of his profits. Kreuger could not explain this to the world and he could profit by the possibilities of the future only by showing his contemporary position to be better than it was. If there was any justification for Kreuger’s false statements this was it. Other men had counted on the future in the same way and had succeeded in both gaining money and maintaining their reputations as honest business men.

The Match King also had ample precedent for his activity in buying up his own shares on the open market. It is as common as dirt for issuing houses to support the market at the time of issue, particularly if the rate of issue is high above par and there is a danger that the sudden unlimbering of an issue may drive down...
THE MATCH KING'S CASTLE.

The Match Palace at No. 16 Västra Trädgårdsgatan, Stockholm.

Central court of the Match Palace.
INTRODUCTION—THE PLOT

the market value of the securities. Such a practise can be justified, from the standpoint of Big Business, as long as the company concerned is sound.

The practise of absorbing his own capital issues in wholesale fashion was, according to American and English business standards, highly dishonest, but here Kreuger was simply indulging in an old Continental business custom. On the Continent it has always been considered little more than "sharp practise" for a concern to establish a subsidiary company to hold large blocks of its own stock, however artificial the position must become as a result of that procedure. The L. M. Ericsson Telephone Company, at the time it was taken over by Kreuger, was holding about half of its own shares.

Kreuger made the mistake of using these Big Business methods to excess, and he did so only because there was no adequate supervision over him. His dummy companies were used not only for the execution of underhanded deals and tax evasion but they also offered the temptation, which Kreuger could not resist, to exaggerate his profits and assets without fear of detection. His perfectly orthodox speculations in real estate, foreign exchange and industrial shares turned into a mad gamble on the stock exchanges of the world. In the same way his early practise of exaggerating his profits in order to make it easy to raise money became a regular routine of falsifications, and the practise of supporting issues
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became a costly fight against a raging bear market.

It must be repeated that Kreuger’s most spectacular crime—the blunt and unbusinesslike crime of forgery—was quite incidental to the whole story. Kreuger’s greatest crime was the crime of playing fast and loose with Big Business methods which were already sufficiently loose. And this was a crime which should never have been allowed to take place.
II

PARADOX

It is one of the blessings of a benevolent nature that the Genius and the Fool, the Gentleman and the Rascal, are seldom incorporated in the same person. It is a most fortunate coincidence. The Genius and the Gentleman give the individual power and prestige, the Fool and the Rascal make him abuse both, upsetting society and the faith of his fellow men.

Kreuger broke the rule. Here was a complex individual in whom the most admirable of human characteristics were combined with the most despicable; at once a genius, a fool, a gentleman and a rascal. During his lifetime the Genius and the Gentleman masked the other characters, charmed the world with visions of grandeur and propriety. After death had lifted the mask the world suddenly saw the Rascal and the Fool and promptly forgot that Kreuger had even been anything else.

Though the world must see Kreuger as two individuals, Kreuger the Good and Kreuger the Bad, there was no definite line between his two characters . . . no Doctor Jekyll and Mr. Hyde split-up of the individual into
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two distinct personalities. He was a composite whole, all parts of which worked like those of a perfect machine when he was in action. While the genius envisioned deeds of greatness the unprincipled fool was dictating the means by which those deeds were to be accomplished, the gentleman meanwhile forming a screen against the glances of the outside world.

Beginning with his physical appearance everything about Kreuger was extraordinary.

His ability to charm certainly lay in no open-facedness; rather it came from a certain mysteriousness of countenance and bearing which intrigued his acquaintances at the same time that his tongue reassured them. The face of Kreuger defied any attempt at immediate interpretation of the character behind it. Deep-sunk gray-green eyes gave the only touch of life to a sallow countenance, marked by high cheek-bones, a generous nose and big ears. The high dome-shaped head in which so many things were going on was partly bald, with an edging of colorless hair. When Kreuger spoke he had an unpleasant habit of drawing his mouth back into a frozen smile and twisting his neck about. A weak heart made him stoop-shouldered and he hitched one shoulder nervously. People who saw him from a distance either thought nothing of his appearance or definitely disliked it. But once he spoke to them they forgot all about his physical characteristics and became completely enmeshed in the charm which he radiated.

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Charm was born in the Match King and developed as his brilliant mind ripened to maturity. Early years out in the great wide world deprived him of that stiffness which makes life a ceremony for most stay-at-home Swedes and lent him a cosmopolitan air, but at the same time they failed to destroy completely that heritage of refinement which he had acquired from his Swedish ancestors.

Superficially, at least, he lacked none of the social graces which are commonly associated with the gentleman. A natural linguistic ability developed during long years abroad showed in his excellent English, French and German. He was intimately acquainted with the classics of all those languages as well as with the vernacular press and the latest novels. Where he got time for all of his reading is a mystery, but the fact remains that he did. When he was drawn into conversation he spoke with logic and authority on any subject which was brought up: the latest trial in America, the reparations question, bank mergers in Chicago, the wines of France, Fascism, Swedish architecture, the transfer problem, Socialism, or fishing.

It was only on rare occasions outside of business hours that he was thrown into the company of refined people, but then he conducted himself with all of the poise and gentility which the most meticulous hostess could require. Aboard ship on his way to and from America he stopped his incessant telephoning to the far corners of the earth
long enough to participate in parties with those at the ship’s table. Women liked him because he jollied their children and was so attentive about “the little things.”

On those voyages and in the homes of his banker associates where he was occasionally entertained he chatted wittily, played a moderately good hand of bridge, and later—when the ladies had retired—took away their husbands’ money at poker. Kreuger was an extraordinarily keen poker player and he seldom lost. It was one of the few games, outside of the great game which he was playing in his business life, which seemed to please him.

The outward modesty of the man never failed to impress those who met him. He thoroughly disliked fuss and ceremony, made it a rule not to accept invitations to either public or private functions, and it took three invitations to draw him to dinner at the Royal Palace in Stockholm. When he decided to enjoy himself in the company of genteel friends he preferred to drive them out to his island home in the Stockholm archipelago. His idea of a very good time was to go fishing for perch and his guests were calmly invited to participate in that modest sport.

One little incident, trifling at first thought but tremendously significant in its implications, served to show that this modesty was not altogether a mask for the benefit of his public. One winter evening in 1929 Kreuger finished up a full day’s work at the Match Palace and decided to drop in at the Blanche Theater to see a pre-
mière. The girl in the cage curtly informed him that the house was completely sold out. Kreuger was anxious to see the show—he never missed a première if he could help it—but he took the ultimatum of the girl with a smile and a murmur of thanks. One word in regard to his identity would have secured him any seat in the house.

Until the pressure of business made it necessary for him to shoo away all unimportant callers he was never known to refuse to receive guests, and even in his heyday he showed an extraordinary patience in listening to the hard-luck stories of his old friends. He was never accused of being either vain or ungenerous.

No libraries stand as monuments to his philanthropy but a hundred individuals in Stockholm alone can testify to his private charities, all of which were dispensed without ostentation and quite evidently without any thought of reward. A good number of budding artists who were "too proud to accept charity" were enabled to make ends meet by being invited to give private performances for the benefit of Kreuger's guests at his apartment in Stockholm. The fee he generally paid for such a performance was one thousand kronor and at least two artists personally declared that they made ten thousand kronor a year in this way.

One Stockholm actress, who was not too proud to beg and was not, at the same time, in any way intimate with the Match King, regularly received large sums from
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him. On one occasion when she came calling he nearly lost his patience. "I don't wish to seem impolite," he said, "but I am busy. May I trouble you to say how much it will be this time?" Then he pulled out his ever-ready check-book and dashed off a check for thirty thousand kronor.

Again he was approached by a former competitor in the building business who had once abruptly turned down Kreuger's offer of a working agreement. He was in trouble and he wanted a loan of seventy thousand kronor. He not only received the money but was not even asked to sign a note. When he finally insisted upon giving a note for the sum Kreuger threw it into a desk drawer, mislaying it so completely that he was not able to give it back to the man when the latter finally repaid the loan.

In the final days of his life when he had plenty of other uses for his money he listened sympathetically to the complaints of his old friends who were losing money on the depreciation of their Kreuger securities and in many cases personally made good their losses. He was ruining his more important associates by forcing them to support his securities to the limit, but, for old times' sake, he passed out tens of thousands of dollars to the "small fry" who had bought his securities.

It is not remarkable for a big swindler or criminal to be charitable—Ponzi and Capone both were—but it is remarkable for charity of this sort to be dispensed in
unassuming fashion, as it always was in the case of the Match King.

Kreuger lived well but by no means as well as might have been expected of one in his position. He had two Rolls-Royce cars and a trio of boats, one of them a racer which did sixty miles per hour. He maintained one large flat in Stockholm, a country place on the edge of town, and a summer cottage on an island in the archipelago. But he ate little, dressed modestly, kept few servants and made no sort of splash.

The first consideration in his life was business. His indulgences were of the indelicate sort, the indulgences of an unscrupulous human engine which on occasion had to let off steam.

Kreuger, like J. Pierpont Morgan the elder, was a sensualist, but he can scarcely be said to have been a hypocrite about his private life. Here was no marshal of mistresses who tried to give an aura of respectability to his immoralities by playing patron to the church. Kreuger posed as a Big Business man, nothing else, and people were free to think what they wanted to about his private conduct. The general impression that he was an entirely respectable person in his private life was the outgrowth of conjecture, and even Kreuger’s press-agents never tried either to strengthen or dispel that impression. If the world wished to think that he was a moralist, and it helped his business, it was not Kreuger’s affair to disillusion his worshipers.
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To his friends he made no secret of his sentiments in regard to marriage. "Marriage is nothing to bother one's head about," he often told them, pointing to the marital misadventures of his friends in support of his theory. Those on the outside were allowed to believe that he would like to be married but had no time for it, a more satisfactory explanation for church-going investors.

Kreuger's personal charm was an invaluable asset to him in his gigantic operations, many of which depended on his ability to deal with impressionable chiefs of state. But it would never have made him anything but a gentleman had it not been for the extraordinary brain which he had carried behind those deep-sunk gray-green eyes. In this brain there were the ability to think clearly and rapidly in large terms, to create ideas where other men copied old ones, the audacity and insouciance to force those ideas into realization. Unlike many other great creative brains it had the mechanical ability to deal with details, to file and put away for future use every scrap of information, every idea which was worthy of attention. In this storehouse Kreuger carried the balance sheets of not one but of scores of companies, worked out profit and loss accounts—both real and fictitious—for all of his concerns, envisioned world-spanning trusts, concocted extraordinary schemes for separating the public from its funds, and developed panacean systems for the political and economic ills of the world.

Things began to hum when Kreuger set this machine
in motion. Sitting in his private office at the Match Palace in remote Stockholm, a red light outside the door announcing that he was busy, he spoke by telephone with the outposts of his financial empire. A Kreuger broker in New York was to buy ten thousand debentures, the manager of a match concession in South America was to buy this or that factory, would Monsieur Blank see the Minister of Finance about that matter, this piece of Berlin real estate was to be sold to So and So at such and such a price. Why hadn't this particular government come through on that deal? So and So in Zurich was to enter a debit of so and so much on the books of this or that company. Did the Spaniards mean business or didn't they?

The stature of this brain was first evidenced to the public in 1917 when Kreuger formed the Swedish match trust. It was nearly eight years later, in 1925, that he really entered the international limelight as a Great Man by starting to lend money to various governments in return for match monopolies. From that time on he was a diplomat as well as a financier and industrialist.

Kreuger took to diplomacy as a dog takes to a bone and he made an astounding success of the vocation until his imagination ran away with him. His mental equipment was equal or superior to that of the average statesman whom he encountered and he appeared to take pleasure in winning them to his plans. His innate self-
confidence gradually grew into a feeling of superiority and eventually into an illusion of grandeur as one sensational coup followed another in quick succession. In justice to the man it must be said that his real accomplishments between 1925 and 1930 were sufficiently magnificent to go to any one's head.

In 1928 haughty France was in the position of a mendicant in the money markets of the world. Wall Street distrusted her but Kreuger did not. He loaned Poincaré seventy-five million dollars with which to complete the stabilization of the franc, then turned around and borrowed more than enough money for the operation in the United States.

Kreuger thrived on sensational deals like this which made the public forget about the particulars of his business, particulars which could not have borne the light of day. At the same time there was something truly magnificent in the audacity which he displayed as he moved from one nation to another, loaning money and seizing new markets for his matches.

The boldest of all his moves was the loan of one hundred and twenty-five million dollars to Germany in 1929 which Kreuger granted, before the Wall Street crash, without any binding guarantee of support from his American banking associates. No sooner had he done so than the whole financial world was turned topsyturvy, making it impossible for him to seek support in the ordinary channels, forcing him into a corner from
which he never emerged. But Kreuger stuck to his guns, went through with the deal and fulfilled his pledge as a business man. There was nothing dishonorable or mean about this, the most spectacular of all his achievements.

After Philip Snowden had broken up the first Hague Conference by his refusal to cut the war debts owing to Great Britain, Kreuger was largely responsible for bringing agreement between France and Germany at the second Hague Conference. Even the French acknowledged his disinterested benevolence.

It is half ridiculous, half tragic that a man capable of such splendid accomplishments should have been driven by his illusion of greatness and by his own precarious position to embroider upon his exploits in the manner of a schoolboy boasting of his feats of strength. But Kreuger found it necessary to tell his intimates that he had been President Hoover’s chief inspiration in proposing the one-year moratorium for war debts and reparations in 1931. Kreuger actually was a welcome guest in the White House whenever he visited America and it is known that he did discuss the question of war debts with President Hoover shortly before the moratorium. But his claim to this accomplishment was by all means exaggerated.

On another occasion and for more practical reasons he concocted a fantastic tale of having arranged a naval limitation agreement between France and Italy—
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a naval agreement which had not been either arranged or signed at the time of Kreuger’s death. He told this story in order to support the authenticity of the twenty-nine million pounds of forged Italian Government paper which he had manufactured.

But here again there was some basis in fact for his myth. He had actually met Signor Mosconi, Italian Minister of Finance, at the home of Count Costatini in Florence at the end of 1930 and he had discussed the terms under which Italy might be willing to grant him a match monopoly.

Kreuger seemed to take a devilish delight in matching his wits against those of other financiers and in deceiving them in regard to his position. One day in 1927 when his shares were about to be introduced on several Continental stock exchanges he sat at a table in Berlin with several of Europe’s canniest financial heads and answered their questions for eight solid hours. They wanted to know how he made such enormous profits out of the match business which had never before proved to be so highly profitable. They wanted to know, too, just exactly what his “other industrial interests” and his “real estate interests abroad” were. They wanted to know many other things. Kreuger parried here, thrust there, refused to specify in regard to some items because they were “secret,” showed his interrogators how tremendously profitable some of his deals had been. Kreuger’s concern was blown up like a balloon at that time, one
misstep might have aroused suspicion, and those bankers were in a position to check up on all of the information he gave. But when it was all over and the bankers returned to their respective financial centers with news of the interview the general impression was so favorable that Kreuger was flooded with letters from dozens of Continental banks, demanding to know why they had not been included among the issuing houses. Kreuger must have smiled when he read those pleas for a chance to get on the band wagon.

Even during the final weeks of his life when the approach of inevitable ruin preyed on his mind and punctured his self-confidence he was still able to keep the investigators at bay through sheer mental fireworks. Night after night he sat in his Park Avenue penthouse racking his head for a new scheme which would solve his difficulties. In the daytime he held conferences with suspicious representatives of Morgan & Company who had good reason to believe that his position was precarious. Yet all that they got out of Kreuger was that his position was not so highly liquid as he might have desired.

From his first entrance in Big Business, Kreuger mingled fact with fiction, true accomplishments, which would have done justice to any man, with dishonorable rascalities. No sooner had he made a good speculation than he sat down and figured out how much more he might have made had he played his hand differently.
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And when he told about it, it was almost inevitably what he might have done which became what he had done.

He had made seventy million gold marks in German real estate. When a banker friend suggested that he might also have done well by buying German stocks during the inflation period he lied like a trooper. "I bought German industrials until I couldn't find any more safes in Germany to put the stuff in," he said solemnly. At another time he casually remarked that he had made paper profits of forty million dollars on the rise in United States Steel and General Electric stock in the spring of 1930. What he had done, apparently, was to sit down with a market report and figure out that he might have made an enormous profit if he had bought those two stocks at one date and had sold them at another.

It is completely paradoxical that Kreuger should have had such remarkable foresight and organizing ability and should have been so utterly devoid of common sense in bracing those great structures which he created. It was a great man who organized the Swedish Match Company, conceived the idea of linking up international loans with the granting of monopolies, rationalized the Swedish pulp industry, evolved canny plans for the creation of world-spanning iron ore and telephone monopoly systems. It was certainly a silly fellow, at the same time, who bloated the share capital of his companies out of all proportion to their earning capacities,
PARADOX

exaggerated his profit statements, paid dividends out of capital and tried to play the bull in a world-wide bear market, at last capping the climax by indulging in common crime.

But that was simply Kreuger.
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Along a street in Kalmar walked a small boy on his way to school. He faced an examination for entrance into the läroverk and he was completely preoccupied. Suddenly a bicycle rider turned out of a side-street and before the boy could dodge he was knocked to the cobbled pavement. He scrambled up, his face torn and covered with blood, but he did not cry. Holding his hand to his face he ran to a near-by doctor's office.

"Var god och sy ihop det här," he calmly told the physician. The doctor complied by taking several stitches in the boy's face and putting a bandage around his head. Then the lad continued on his way to school, took his examination and passed it. His mother nearly fainted when he appeared at home for supper.

Ivar Kreuger was eight years old when that happened, a child in years, yet already an independent and resourceful individual who went quietly about his business, unconcerned by trifles. Kreuger, even as a child, did not believe in showing any signs of weakness.

The man who was to dictate to chiefs of state and to fool some of the world's sharpest financiers with his
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consummate deceit came, in common with many other remarkable figures of history, from extremely unremarkable surroundings. The provincial town of Kalmar, Sweden, in which he was born on March 2, 1880, was just the sort of place which by its very lack of excitement would be expected to breed in an imaginative individual the desire to "go places and do things."

Before Ivar appeared there had never been anything very unusual about the Kreuger family. It was just another middle-class Swedish family, relatively prosperous but not unduly distinguished. The Kreugers had been rooted in Kalmar since the end of the eighteenth century and its men-folk had all managed to take an active part in the business life of the town. Ivar's grandfather had made money at the match business, but had lost most of it trying to grow silkworms in the frigid Scandinavian climate. Kreuger's father started his business career as manager of a match factory in Fredriksdahl, near Kalmar, and by the time Kreuger was through grammar school the family owned a thriving little match factory. Ivar's uncle also had one. Kreuger's sisters traveled abroad and the family cut some figure in the little city where it made its home.

Kreuger is still remembered by his childhood playmates as a moody self-sufficient youngster given to domineering over the others. He made a poor playmate because he insisted on dictating and in school he refused to respond to discipline when it did not suit him. [43]
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He was a good scholar in arithmetic but the other subjects seem to have had no appeal for him. "Independent" is the adjective used by his former teachers in describing him. His mother believed in letting her children amuse themselves and his family discipline was anything but rigid.

That young Ivar was also an unscrupulous individual in his own schoolboy fashion was indicated by his experience in the läroverk. In accordance with the theory that a maximum number of results should be obtained for a minimum of effort, he formed a consortium of pupils, each of whom was to do the daily assignment in his own favorite subject and pass the results on to the others. Kreuger did the arithmetic problems. This system, like Kreuger's later "game," worked splendidly until it was discovered.

Having finished grammar school Kreuger journeyed to Stockholm and enrolled in the Tekniska Högskola, a technical college, for a course in mechanical engineering. One of the first things he did was to fall in love with a pretty Norwegian girl who is reported to have turned him down, partly because he was not well to do, partly because he was quiet and plain-faced. It seems that nobody among Kreuger's relatives and friends suspected his budding genius.

In the Högskola he also made a practise of outsmarting the teachers, just as he had in the läroverk. On the occasion of an examination in mineralogy for which he
was not prepared, he solved his dilemma by the simple expedient of hiding the samples of minerals which he could not identify. At the time of Kreuger’s fiftieth birthday celebration—always an occasion for anecdotes in Sweden—this incident was recalled with something approaching admiration. Kreuger had been a “klok gosse” (a smart lad) it was said.

Ivar’s classmates remember him as a young man completely lacking in principle, who cheated whenever he thought that he could do it without being caught. In one examination, according to a man who sat beside him, he copied his entire paper from that of a companion, transposing just enough to prevent suspicion on the part of the teacher.

“He seemed to take pleasure in his mental agility and to enjoy using it for the deception of every one with whom he came in contact,” said this same classmate. “He knew that his teachers were preoccupied and he took advantage of their preoccupation.” It was this same feeling of superiority over other mortals and his ability to spot their weaknesses and to take advantage of them that marked Kreuger’s whole later career.

In any event he managed to finish the Högskola course in mechanical engineering and spent an extra year studying civil engineering. Then he began to look about for a field of activity.

At the turn of the century Sweden was still very
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much of an old-fashioned European country, bound by tradition, her natural resources still undeveloped, and opportunities apparently lacking. The only escape from the existence of dull middle-class Sweden lay to the west. Following the crowd Kreuger borrowed some money from his father and boarded a ship for America.

Kreuger arrived in Chicago in 1900, just another Swedish immigrant boy who said "Veesconseen" instead of "Wisconsin," homely, stoop-shouldered and inexperienced. One hundred dollars remained of his original capital. He bought a newspaper, scanned the want-ads and enlisted in the force of a real estate firm. He attended a free course in salesmanship conducted by the firm, learning the fundamentals of "approach," "convincing the customer" and "closing the deal." The ability to picture the transformation of sand-bur patches into flowering cities came natural to him, but for one reason or another—principally his difficulty with the language—it was a full six weeks before he sold his first lot.

Kreuger did not remain in the real estate business very long. After a few months he took another job, as a lineman working south of Chicago. This too proved to be a dull sort of work and he was beginning to feel discouraged with the American adventure when he heard of a vacancy with a group of engineers who were being sent to Vera Cruz to build some bridge foundations. This expedition proved to be more adventurous than it

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was healthy. Of the eleven men who set out from Chicago all but two died of yellow fever.

Due to Kreuger’s own reticence in discussing his early career it is difficult to form a clear picture of all of his years spent abroad, and to disentangle the fiction concerning them from the actual facts. His own family has no clear idea of where and how he spent all of his time. But a general idea of his activities between the Mexican adventure and his return to Sweden has been pieced together from the numerous and conflicting accounts of his life, published before his death, and the piecemeal accounts of friends. When Kreuger’s estate was being settled after his death his old mother, broken by the shock of learning that he had been dishonest, asked for only one of her son’s personal belongings—a gold hero’s-medal which Kreuger had been given as a young man for saving a child from drowning. While Kreuger obstinately refused to give details of the episode his family finally learned that he had jumped over the rail of a ship in Havana harbor and rescued a young girl. A story circulated about Stockholm to the effect that Kreuger in later years was often entertained at the home of the girl’s parents in the United States and that when she blossomed into womanhood they fell in love.

Shortly after this adventure Kreuger was in New York, working as an engineer for the Fuller Construction Company. In this capacity he helped to build the Flatiron Building, Macy’s, the Metropolitan Life Insur-
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ance Building, and the Plaza and St. Regis Hotels. Having gained valuable experience in the technique of steel and concrete construction he left New York in 1903 and went to London where he secured a position with another building firm. They in turn sent him to South Africa, birthplace of his mother, to take charge of constructing the Carlton Hotel in Johannesburg. This building was the first monument to Kreuger's individual ability as a "builder."

South Africa was still unsettled as a result of the Boer War and business had slumped, but Kreuger decided to test his mettle by going into business as an independent contractor. It was the same kind of mistake which Kreuger later committed when he tried to erect a "financial League of Nations" in turbulent Europe. His failure was quite inevitable. With what he had left he took a trip to the Far East, amused himself in Paris for a time, and then returned to America to replenish his purse. He spent several months in Canada, again as an independent contractor, and then went to New York, where he put in the two years between 1905 and 1907 with another construction firm which employed him on the erection of the Syracuse University athletic stadium. In 1930 Syracuse recognized this association by conferring an honorary doctorate upon him.

When Kreuger returned to Sweden in 1907, at the age of twenty-seven, he was equipped with a knowledge of the world such as few men acquire in their life-
Kreuger as honorary doctor of business administration, Syracuse University, 1930.
times. He spoke the English language as an American, felt more at home on Broadway or State Street than he did on old Gustaf Adolfs Torg in Stockholm and he understood Americans as well as he did his own countrymen. He possessed all of the self-confidence which must come to a man who knows the world from Calcutta to Mexico City and from Cape Town to Kiruna. Englishmen, Indians, Frenchmen, Germans, South Africans, Mexicans—all of whom were to fall victims to his grandiose schemes a quarter of a century later—were his familiars.

The technical knowledge which Kreuger brought back to Stockholm with him was at this stage of his career of even greater importance to him than that astounding knowledge of the world and of the world’s peoples which later served him. His first dip into business in Stockholm was as representative for the Trussed Concrete Steel Company, a fact which he advertised characteristically with impressive letter-heads. On May 18, 1908, he formed a partnership with Paul Toll, another young Swedish engineer with faith in the future of reenforced concrete construction. Victorian building methods were still in vogue in Sweden, as well as in most other European countries, and Kreuger was far-sighted enough to see the endless possibilities open to those who would introduce the new American ideas.

Sweden has many causes for complaint against Kreuger, but it may thank him for the fact that it was
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one of the first European countries to possess modern office, apartment and factory buildings.

The position of Paul Sekvens Esaias Toll in the whole Kreuger story was a most unhappy one, the more so because he himself was not in any way responsible for what later happened to the "partnership." The fact that his name was coupled to that of Kreuger in all of the subsequent scandals was none of his own doing unless it may be said that he was incautious in hitching his wagon to the snorting Pegasus which was Kreuger.

Paul Toll was born in 1882, two years later than Kreuger, secured his education at the Technical Elementary School, traveled abroad a bit, and then settled down as assistant city engineer in the city of Norrköping. In 1905 he became construction chief for the Kasper Höglund building firm in Stockholm. It was there that Kreuger found him. During the subsequent years Toll stuck closely to the building business, playing only a most passive part in the development of Kreuger’s financial business. He married Gunhild Engwall, daughter of the well-to-do merchant Ernst E. Engwall, and lived the unimaginative existence of a Swedish engineer: solid, stolid and conservative. Kreuger wished the title of "Consul General" upon him in 1927 by arranging his appointment as Consul General for Lithuania in Stockholm. His own brother, Torsten Kreuger, was made Consul General for Poland.

Kreuger and Toll’s partnership began with a capital
of only 10,000 kronor—$2,666 at par—which Kreuger personally raised. The first contract was for a 12,000 kronor project and they were so short of working capital that they had to wait for the profits before they could buy a concrete mixer from England for use on the second job, a 50,000 kronor viaduct.

Kreuger took complete charge of securing contracts and raising working capital. One of his first coups was the drawing up of a contract for a project, providing a bonus of five thousand kronor a day for the completion of work ahead of schedule and a similar penalty, to be paid by Kreuger, for every day beyond the scheduled period taken for the work. The partners completed that job two months ahead of time and collected an enormous bonus.

He surprised his old-fashioned compatriots by pouring concrete in winter behind protecting canvas curtains and by running night shifts whenever he had managed to secure a bonus contract. Progressive Swedes marveled at his work while unprogressive Swedes highly disapproved of it. His first communiqué to the public, to be followed by so many others, was called forth by a loud protest from Stockholmers living at Lutternsgatan 3 whose sleep was being disturbed by the nightly crunchings of a Kreuger concrete mixer.

"In the first place," wrote Kreuger, "it is only a machine which is working during the night, a concrete mixer..."
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mixer which operates very quietly and does not cause undue disturbance. The firm has done all in its power to cause the neighbors as little displeasure as possible and the police have shown that the evening calm has not been disturbed to any great extent. One ought to be able to understand that the firm does not take delight in running night shifts when it is remembered that we must pay double-time for night work."

This communiqué, like most of those which followed it, told only half the story but its logic was good. Unfortunately it did not satisfy the Stockholm press. "Even though the residents at Lutternsgatan 3 soon will have their nightly peace reestablished, another American building will be popping up somewhere in Stockholm in the near future and the rumpus will continue," wrote one staid journal.

As early as 1910 Kreuger began his "foreign invasion" by establishing a branch office of the building firm in Helsingfors, Finland. In 1911 the two partners, on the initiative of Kreuger, formally incorporated their concern with a capital of one million kronor—two hundred and sixty-six thousand dollars—and began to expand rapidly. They constructed the stadium for the Stockholm Olympic games of 1912 and built the foundations for the Stockholm City Hall, best known building in all Scandinavia. This last project was fraught with many technical complications but Kreuger & Toll finished it a full two months ahead of schedule.

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The year 1913 definitely marked the entrance of Kreuger into the world of Big Business which he was to distinguish by his ever-increasing importance for the remainder of his life. From that time on he built corporations with the same success and ingenuity with which he had once erected buildings.

In 1913 Kreuger & Toll gave birth to subsidiaries in Germany, Russia and Sweden while the Finnish branch was formally incorporated. The capital of the central concern was increased to two million kronor and the reserve fund to five hundred thousand kronor through the issue of new shares at a rate of one hundred and forty per cent. of par. Kreuger & Toll was no longer a modest Swedish building concern.

Then Kreuger turned his attention to matches.

The grandfather of Ivar, P. E. Kreuger, had yielded to the "match-making craze" in the 'seventies by buying a factory at Fredriksdahl. He later bought another factory and united the two but eventually sold both. Kreuger's father, Ernst Kreuger, served his apprenticeship in the Fredriksdahl plant and in the 'nineties set up his own factory at Mönsterås. Kreuger's brother Torsten also set up a factory in Kalmar. Finally in 1912 these concerns were united, preparing the way for Kreuger's entry into the business.

Inasmuch as we are going to talk about matches a great deal during the coming chapters it may not be out of place to trace the history of their origin briefly.

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Heated debates have been staged over the origin of the match, but it is generally agreed that the first sulphur-match was invented by one Jacob Fredrik Kammerer, a citizen of the Grand Duchy of Wurtemburg.

The grandfather of the modern match, however, was John Walker, a resident of Stockton-on-Tees, England, who in 1827 first introduced to the world the "Congreve friction light," a flat match provided with a head whose ingredients were similar to those contained in the head of the modern safety-match. In 1830 a Stockholmer named J. S. Bagge started to make matches at a little shop at Drottninggatan 56, but the newfangled kemiska eldon did not make much of an impression upon the Swedes at that time. People were particularly shy of sulphur-matches because of their extreme inflammability, which resulted in almost as much damage as good. It was also soon discovered that workers employed in the manufacture of sulphur-matches developed a frightful disease known as "phossy jaw" and several countries took steps to prevent the manufacture of these matches altogether.

Gustaf Eric Pasch, professor at the Swedish Royal Academy of Science, solved the problem of safety-matches when in 1844 he obtained a patent on a new match. His idea was as simple as it was good—to replace the poisonous type of yellow phosphorus with red phosphorus and to transfer it to a striking surface. The double danger of fire and disease was thus removed and
the match became a practical article of household use. In strict accordance with tradition, which rules that valuable inventions are not to be exploited by their originators, Pasch never succeeded in making a "good thing" of his match, and it made little impression upon the country. His invention might have been overlooked for decades had it not been for two brothers, Johan Edward and Carl Frans Lundström, who in 1844 established a small factory at Jönköping and started to turn out safety-matches. The brothers effected several improvements in the product and in 1846 formed the firm of J. & C. Lundström, turning out matches on a large scale from a good-sized factory on the shores of Lake Vättern. In 1855 and 1856 they patented their improvements and began to branch out into the foreign market—modest predecessors of the coming Match King. Carl Frans established connections with firms in Hamburg and London which in turn began to distribute "Swedish matches" to the far corners of the earth. By 1858 their business had increased to such an extent that they formed a stock company, Jönköpings Tändsticksfabriksaktiebolaget—The Jönköping Match Factory Company—with Bernard Hay as manager. During the thirty-five years of this man's leadership the company successfully fought competition and established markets all over the world.

Another very important development came in 1872 when Alexander Lagerman invented a "master machine" which almost completely eliminated the need for human
labor in the actual manufacture of matches. Lager-
man, like Kreuger, had been an emigrant to America
and had returned to Sweden with a fund of new ideas.
That original machine was so well conceived and effi-
cient that it has not been changed to any marked extent
to this day. The original machine is still turning out
boxes of matches at Jönköping, closely guarded from
the eyes of prying strangers.

During the last two decades of the nineteenth century
match-making took Sweden by storm, and every person,
it seemed, who had nothing better to do started up a
new factory. Most of those mushroom concerns died
almost as quickly as they came into being but there re-
mained enough to make the competition costly. The
landscape of southern Sweden was transformed by the
appearance of new stacks as every Tom, Dick and Harry
tried his hand at the business. This wild competition
in turn weakened the position of the better concerns
and began to jeopardize their position in the world
market.

Rationalization of the Swedish industry, which Kreu-
ger was to complete, was begun by Fredrik Löwenadler,
Swedish owner of the London firm of Trummer & Com-
pany, Successors, which for some time had acted as
export agents for one of Sweden’s largest match con-
cerns. In 1903 this gentleman succeeded in amalgamat-
ing the six largest concerns of the “Jönköping group”
into the Jönköpings och Vulcans Tändsticksfabriksaktie-
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bolaget—Jönköping and Vulcan Match Factories Company.

It was against this background that Kreuger, in 1913, forgot his building business and merged the seven leading concerns of the Kalmar group into a single unit—Förenade Tändsticksaktiebolaget. The original capital was only four million kronor, compared to the fourteen millions of the Jönköping group, and the factories in the Kalmar group had a much lower production than those of the Jönköping group. But this state of comparative inferiority did not last long. Within a short time the capital of Förenade had been increased to eighteen million kronor.

Kreuger's ability as a financier was already showing itself and Swedish bankers definitely regarded him as a man of both keen business ability and money-drawing power. When a group of Swedish provincial banks decided to form a central bank at Stockholm to serve as a clearing-house for their affairs he was honored with a position on the board of directors.

The growth of Kreuger & Toll during the war years was remarkable in more than one sense of the word.

When the concern was incorporated in 1911 it had a capital of 1,000,000 kronor—$266,000 at par. The net profit for the first year was only 90,469 kronor and its dividend a most modest 4%. In 1912 the net profits jumped to 193,999 kronor and the dividend to 12%; profits slightly more than doubled, dividends tripled.

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The following year marked the incorporation of four subsidiaries, the profits slumping to 185,000 kronor but the dividend being maintained at 12%. In December, 1913, Kreuger doubled the share capital by issuing new stock to a nominal value of 1,000,000 kronor at an issue rate of 140% of par, bringing the capital to 2,000,000 kronor and the reserve fund to 500,000 kronor. Then at the end of 1914 the profits were reported to have been 405,383 kronor, far more than double those of the preceding year despite the havoc worked by the war on the subsidiaries in Finland, Russia and Germany.

By 1915 the Kreuger & Toll Company possessed six subsidiaries: Finnish Kreuger & Toll, the German Kahn-Steel Company, the Russia Company, the Three Crowns Concrete Construction Company, the Sikfors Power Company and the Hufvudstaden Real Estate Company. In July of that year the share capital was raised to 3,000,000 kronor and the reserve fund to 1,000,000 kronor by the issue of new stock at the rate of 150% of par. The earnings were down to 329,898 kronor but the dividends were up to 12½%. In his later years Kreuger never made the mistake of showing "earnings down and dividends up"—always a suspicious coincidence.

The report for 1916 showed the profits to have increased to 602,000 kronor and the dividend to 15%, although no new acquisitions were made during the [58]
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year and the effects of the war were being felt with increasing violence.

In the spring of 1917, on the eve of Kreuger's metamorphosis into a superman, he made a new issue of stock at 200% of par, bringing the share capital up to 6,000,000 kronor and the reserve fund to 4,000,000.

He had decidedly proved his knowledge of public financing by the manner in which he had increased the capital of his concern. He had already solved the trinity of the magnate: a statement showing increased profits, an encouraging dividend, and a new issue of stock at a rate far above par. It was this simple practise, on an enormous scale, which was to give him command of hundreds of millions of dollars of the public's money in the later and more spectacular part of his career.
IV

THE GROWTH OF AN OCTOPUS

Down in France the armies of the Great Powers were at one another's throats. Russia was having her second revolution of the year. The high seas of the world were mined and patrolled by the war-ships of the belligerent countries. The factories of Europe and America were working day and night to turn out war materials. Business, big and little, was in a war complex. And up in Stockholm Ivar Kreuger, looking years into the future, was laying plans for a peace-time business of startling proportions.

In December, 1917, while the outside world had its attention elsewhere, Kreuger formally assumed the rôle of Match King by uniting the United Swedish Match Factories Company, which he had formed in 1913, with the older Jönköping group—thus unifying the entire Swedish match industry. In doing so he laid the groundwork for that whole great structure of myth and reality which was to command the admiration of the world for more than a decade before it fell into pieces in 1932.

It was no easy job, this union of the Swedish match
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industry, and the future of the organization was by no means as assured as it might have appeared to an outsider. The war had robbed the Swedish companies of many of their markets and the Jönköping group in particular had suffered heavily through its inability to reach its traditional market in British India. The Japanese had sent several little yellow men to look over the factories at Jönköping and had succeeded in learning important details about the Lagerman automatic match-making machine. Near Kobe they were turning out matches "Made in Tidaholm, Sweden," and shipping them to all corners of the Far East. An American engineer visiting a plant at Jönköping had "accidentally" dropped his hat into a tank of chemicals, had recovered it and later had analyzed the mixture.

A full-fledged price war was on. Before the war the Swedes had practically controlled the world match industry by sheer ability to put out a better product than the other match-producing countries of the world. Now there were many other factors to be considered. Many other countries in addition to Japan were interested in the match business. Many countries in which Swedish matches previously had found a ready market now had their own factories which they were protecting from outside competition by tariffs. The monopoly idea had spread and particularly those countries whose finances had been depleted by the war were anxious to replenish their exchequers by this method.

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The Swedish match industry either had to resign itself to a ruinously small percentage of its pre-war business or to start an aggressive fight for the recovery of its markets, by whatever means were necessary. Those means were three: The Swedish product had to be standardized and maintained at a high quality in order to force out of business the many factories which were selling bogus Swedish matches. In those countries where tariff walls had been created against the importation of matches it would be necessary to buy local factories, in order to work from within the barrier. Finally, where the government insisted on having a monopoly, it would be necessary to come to an agreement with the government.

Rationalization of the Swedish industry was work for the Swedish match men to attend to. Generations of training had taught them the business inside out and they set about their new task with vigor. But it was another task which was cut out for Ivar Kreuger—the task of raising stupendous sums of money which were necessary to such an enormous effort to crush competition as that which awaited the great concern which he had created. The money had to be raised quickly in order to allow an immediate and hard-hitting campaign to wipe out the leeches in the side of the industry. Every year of delay meant another year of decreased profits and another year in which the opposition might gather momentum.

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Kreuger resolved himself to the task with all the energy and ruthless craft in his big-boned frame. Simultaneously he almost completely withdrew from his old circle of friends, became increasingly mysterious in his movements, sought diversion more and more in the company of questionable women, and became more abrupt in his dealings with his underlings.

His early years of experience with Kreuger & Toll, whose capital he had increased six hundred per cent. in six years, had given him ideas which he immediately began to put into effect with the larger interests which he had in his control. The story of Swedish Match and Kreuger & Toll from 1917 to the time of Kreuger’s suicide in March, 1932, is the story of huge dividends, constantly increasing profit figures, and a constant succession of enormous issues of securities by both concerns. And always there were enough real achievements to be announced to make the new capital issues appear justified.

Kreuger & Toll, as one of the first steps in the organization of the international campaign, was transformed into a holding company and its original activities, which had long played a minor part in its business, were relegated to the Kreuger & Toll Building Company. At the end of 1917 it reported earnings of 1,308,392 kronor and issued a 20% dividend. Then in the beginning of 1918 it made two new capital issues raising its share capital to 16,000,000 and its reserves to 21,
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000,000. Thereupon it took over 120,000 shares in the newly formed Swedish Match, slightly more than one quarter of the total stock. The Kreuger & Toll stables now numbered eleven enterprises.

The Swedish Match Company was incorporated with a capital of 45,000,000 kronor and a reserve fund of 61,740,000 kronor.

With these tremendous amounts of working capital Kreuger moved swiftly and deftly. The Swedish Match Company added to its already imposing holdings of timber tracts, chemical factories, and other second line investments. Simultaneously it began to acquire match factories in other countries.

The difficulties at the beginning were not concealed in any way by the reports of the Swedish Match Company. “The past year has been marked by difficulties of various kinds, in connection with both the acquisition of the necessary raw products and the turn-over of the finished product,” read the report for 1918. “Because of these difficulties the concern has found it necessary during the greater part of the year to reduce the working week of its factories to three or four days. Actually the difficulties in securing the raw products have been considerably decreased during the past year but the continuously high freight rates and the unsteady condition of the exchange rates continue to render the disposition of the factories' products difficult. In the first place, thanks to more favorable transportation facilities,
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the Japanese have during the war succeeded in driving Swedish matches out of British and Dutch India, once their principal markets.” But the same report went on to announce profits of 5,763,535 kronor for the year and a pleasing 12% dividend. Kreuger never allowed the Swedish Match dividend to fall below that figure.

Kreuger & Toll also pleased the customers at the end of 1918 by announcing earnings of 4,309,834 kronor and declaring a dividend of 22½%. It is notable that “earnings from various transactions” account for no less than 2,747,200 kronor of these profits. Kreuger was already being highly indefinite as to the source of the major part of his profits.

Here at the beginning of his career as a “Great” Kreuger was relying upon speculation for the money with which to bulge his profits and pay big dividends, in return for which, of course, he might expect to secure more and more money by the sale of securities. One of his major speculations which was successful was an operation in foreign exchange. He was reputed to have made no less than 10,000,000 kronor by buying dollars in 1917, when they were quoted at 2.34 kronor, and selling them in 1920 when they had jumped to 5.70 kronor.

Another highly successful speculation was his trade of large stocks of inferior war-time matches for valuable real estate holdings on Unter den Linden and Friedrichsstrasse in Berlin. He was known to have made a clear profit of some seventy million gold marks on this.

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Kreuger made a policy of weaving these profits from speculation into the balance sheets of his two growing concerns, Kreuger & Toll and the Match Company. He did so again during the inflation period in Germany when he bought German industrial stocks at rock-bottom prices, later to realize millions on their rise. As previously noted Kreuger greatly exaggerated the extent of these profits. This was not a criminal practise, but it was a dangerous game for the reason that any great losses in speculation, such as he later suffered, were bound to have an enormous reaction on the profit statements of his concerns, provided those profit statements were honest.

In 1919 both Kreuger & Toll and the Match Company continued to show tremendous progress and the structure of the former company became increasingly complex. Swedish Match profits jumped to 8,753,068 kronor and its dividend went up to 14%. Kreuger & Toll's net profits were up to 6,660,787 kronor and the dividend to 25%. Earnings on "various transactions" amounted to 4,245,900 kronor of the total.

Kreuger & Toll and Swedish Match were both growing like weeds. Kreuger & Toll's first step toward expansion after the twin issues of 1918, coincidental with the acquisition of part interest in Swedish Match, came in 1920 when the capital was raised from sixteen to twenty million kronor. The new funds were to be used for the purchase of half interest in the six-million-
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dollar American Kreuger & Toll which had been formed in November, 1929, to take over property owned by Kreuger & Toll's German subsidiary and to engage in the building supply business in the United States. "Certain American interests" were reported to have subscribed the other half of the capital. In 1920 Kreuger & Toll branched into two new fields by purchasing interests in the Swedish Film Industry and in the Stockholm Mortgage Bank. At the 1921 annual meeting it was decided to increase the capital to twenty-eight million kronor and the reserve fund to forty million two hundred thousand kronor by issuing eighty thousand new shares at a rate of two hundred and forty per cent. of par. The purpose of this expansion, according to the annual report, was "to increase the firm's interests in the Capital Real Estate Company, the American Kreuger & Toll Corporation, and the Stockholm Mortgage Bank."

Kreuger & Toll was even at this date completely a one-man show and it made no pretense to being anything else. The board of directors consisted of Kreuger, his elderly father, his partner Paul Toll, and two Kreuger-made men, Major Nils Ahlström and Erik Sjöström. After Kreuger's death the latter two men swore that they were never taken into Kreuger's confidence and testimonials were secured to prove that Ahlström had neither the training nor the mental capacity to participate in involved financial transactions.

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The annual meetings were abrupt affairs. "When we had all gathered together," said one of the directors later, in describing such an affair, "Kreuger would come walking in briskly and go through a monologue something like this: 'Good morning, gentlemen. Will the secretary please read the minutes? It has been decided to increase the capital of Kreuger & Toll by twelve million kronor by issuing new shares at a rate of two hundred and forty per cent. of par. Do I hear any objections? Thank you, gentlemen. Good morning.'" If any one of those present had enough of an idea of what was going on to formulate a question he held his tongue. Kreuger did not like silly questions and Kreuger was not to be displeased.

Swedish Match complained of major difficulties in marketing its products in both 1920 and 1921, but it announced profits of 8,904,510 kronor in 1920 and paid a dividend of 14%, while in 1921 it showed profits of 7,750,548 kronor and paid a 12% dividend. The financial world by this time was paying full attention to this concern and was beginning to realize that Kreuger was no ordinary business man. Kreuger was no man to lose sight of the fact that his reputation was growing and he hastened to capitalize upon it.

On a trip to New York in 1922 he met Donald Durant and Frederic W. Allen, partners in the old and highly reputed banking firm of Lee, Higginson & Co. Upon his return to Europe he looked in on the London affili-
ate, Higginson & Company, and made the acquaintance of the British partners. The result was a trip up to Stockholm by two of the London partners and their decision, after looking over Kreuger properties, to assist in financing the Match Company. Accordingly, in the fall of 1922, Swedish Match increased its capital to ninety million kronor, double the original figure, and its reserve fund to seventy-two millions, the British market furnishing forty per cent. of the new capital. This was the first of Kreuger's many capital issues in foreign markets.

Meanwhile Kreuger was making constant investments on behalf of the Swedish Match Company in all corners of the world. Factories were being built in British India in order to offset the advantage in freight rates which the aggressive Japanese had enjoyed since the beginning of their match campaign in the Far East. Striking at the very root of his difficulties in this part of the world Kreuger sought and obtained a half interest in the leading Japanese match company. The Baltic was made a veritable "Mare Nostrum" by the purchase of dominating interests in the match industries of the Scandinavian and Baltic countries, all of which were benefited by the plenteous supply of aspen wood in that part of the world and were consequently potential stumbling-blocks in the way of the great monopoly which Kreuger hoped to establish.

The Swedish factories themselves were bringing their export figures up to the pre-war standard. During the
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First half-year of 1921 the exports were forty-nine per cent. of the exports for the first half of 1913; during the second half of 1921 they reached sixty-six per cent. of those for the last half of 1913, and during 1922 they jumped to seventy-five and ninety-five per cent. of the figures for the two half-years of 1913. By the end of 1922 the Swedish match industry had recovered all of its lost ground and was definitely on the way toward greater achievements.

Swedish Match showed profits of 9,019,751 kronor for 1922 and repeated its 12% dividend. Kreuger & Toll kept up the pace by granting 25% dividends for both 1921 and 1922.

Kreuger by this time was in constant contact with foreign financial centers and was laying plans for "bigger and better things" in the way of raising money abroad. In the summer of 1923 he took another new step by arranging with Lee, Higginson & Co. for the organization of the International Match Corporation, the concern through which he was to secure some one hundred and fifty million good American dollars for his enterprises. While a separate chapter has been devoted to the manner in which this company operated it may be noted that its original capital was twenty-eight million dollars, its business to secure American money for Kreuger's enterprises by giving the American public what appeared to be an American concern to which to entrust its money. Swedish Match received the con-
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trolling interest in this concern in return for "a considerable part of its foreign interests." Scarcely had the concern been formed before a fifteen-million-dollar bond issue was floated.

Kreuger was now the proprietor of three enormous concerns, Kreuger & Toll, the Swedish Match Company, and International Match Corporation. He ruled as absolute dictator over them all and regarded them as his own private property, to do with as he wished. That they were three separate enterprises, on paper, was due entirely to the exigencies of his financing operations and he actually made no attempt to keep their interests separate from one another. All the money raised by his capital issues literally flowed into a single "pot," to be used as Kreuger deemed fit. Strangely enough none of those who helped him to finance his concerns seems to have made a serious attempt to get a clear picture of the precise manner in which he divided the spoils or to have sought a graphic plan of the organization as a whole.

All that the world knew about the Swedish Match Company was that it owned factories all over the face of the globe, that its profits were enormous, and that its dividend was twelve per cent. This half-knowledge of what Kreuger was doing was sufficient, however, to lead the investing public to throw its money at Kreuger's feet.

There was one difficulty in Kreuger's way at the be-
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The beginning of 1924 which he had to solve before proceeding with the business of collecting more money from the outside world. Swedish Match, after all, was a Swedish concern and there was a law in Sweden requiring that foreign interest could not control any firm owning real estate in Sweden. He solved this difficulty neatly and prepared the way for his own dominating control over all foreign funds entrusted to him by introducing a new type of security, the so-called "B share." The B share carried only one one-thousandth of a vote and could thus be sold at random without affecting the actual control of the concern. As soon as he had solved his dilemma he arranged for the issue of 900,000 such shares, the greater part of which were placed on the British market. In this way the share capital of Swedish Match was increased to 180,000,000 kronor and its reserve fund to 81,541,081 kronor.

It is remarkable that the profits of Swedish Match kept constant pace with the increases in share capital. Whereas they had been slightly more than 9,000,000 kronor in 1922 when the share capital was 90,000,000 kronor they were reported at 19,132,063 kronor in 1924, when the capital had been doubled. Kreuger was a good mathematician and his annual statements were just what they should have been according to the most severe standards of the careful investor.

Only a few of the shrewdest financial experts seem to have questioned Kreuger's ability to make such enor-
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mous profits on the sale of matches when other manu-
facturers had always found it very much less lucrative. The following figures, furnished by the Stockholm fi-
nancial weekly, Affärsvärlden, give some idea of how great Kreuger’s actual match profits should have been.

Taking the year 1929 as a basis Affärsvärlden esti-
mated the total world consumption of matches to be forty billion boxes per year. The public paid an average price of slightly more than one-half cent per box while the factories, after deducting shipping expenses, taxes, duties and sales costs received less than half of that amount. The total amount received by the match fac-
tories of the world for their production was approxi-
mately one hundred and seven million dollars, accord-
ing to this estimate. If, as is estimated, the Swedish Match Company’s factories produced two-thirds of the matches consumed their receipts were approximately eighty million dollars.

In 1930 the Swedish Match Company proper reported net earnings of fifteen million dollars while its subsidiary International Match Corporation reported earnings of twenty-one millions. The profits of Swedish Match in-
cluded four million dollars in dividends on its holdings of International Match stock but the total match earn-
ings of the two companies must have been about thirty million dollars. And these profits were supposed to have been made on a gross income of eighty million dollars.

When Kreuger was called to task by one banker for the
inconceivably high reported profits on the match business he assumed an air of perfect candor and admitted that the actual profits made by Swedish Match on the match business were only about half of the total profits reported. The other profits were from speculation, he indicated. One financial writer who broached a similar doubt was told that profits in certain countries where the company held monopoly rights were extraordinarily high. The Polish factories earned thirty per cent. on the investment, he declared.

The year 1925 marked two new public developments in the Kreugerian structure. The Swedish Match Company, Kreuger & Toll and International Match working hand in hand began to grant loans to governments in return for absolute monopolies for the manufacture and sale of matches in various countries. Kreuger & Toll simultaneously began to dominate the picture by branching into new enterprises which were to contribute quite as much to Kreuger’s fame as had his match venture.

It was in 1925 that Kreuger first publicly interested himself in the iron industry by acquiring for Kreuger & Toll a minority interest in the Grängesberg-Oxelösund Mining Company, Sweden’s greatest producer of iron ore. In the same year it also revealed an interest in Skandinaviska Kreditaktiebolaget, one of Sweden’s largest banks which was later to get into trouble by rendering first aid to Kreuger in time of trouble. Kreuger & Toll also became heavily interested in a second American
Prometheus (Kreuger) frightens away the powers of darkness in a panel above the fireplace of the board room in the Match Palace.

Board room of the Match Palace.
concern, the Swedish-American Investment Corporation, which Kreuger and Lee, Higginson & Co. formed with a capital of forty-five million dollars. This concern was to act as a holding company for Kreuger & Toll’s varied foreign interests, Sweden’s tax laws, against which Kreuger did not hesitate to complain in his annual reports, providing a legitimate excuse for the existence of this corporation. Later these laws were revised and this concern decreased its activity, eventually being taken over by the Dutch Kreuger & Toll in 1930. Meanwhile it had swallowed the old American Kreuger & Toll Corporation—one of the few attempts which Kreuger made toward simplification of his system.

The Dutch Kreuger & Toll was formed in 1926, its purported purpose in life being to provide a deposit for Kreuger & Toll reserves. This concern was supposed to act as a retailer for Kreuger & Toll securities, taking them over at par from the Swedish company, issuing them to the public at several times that figure, and keeping the difference “in Holland” where the taxes were less burdensome than in Sweden.

By 1927 Kreuger was ready for a money-raising campaign which far outdid all of his past achievements in that direction. The first move was the issue of new shares in Kreuger & Toll, raising its share capital from 28,000,000 to 50,000,000 kronor and its reserves from 40,200,000 to 133,700,000. Then Swedish Match un-
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burdened itself of 900,000 B shares, increasing its share capital from 180,000,000 to 270,000,000 kronor.

In order to place these securities on the market it was necessary for Kreuger to have them introduced on as many stock exchanges as possible. In order to accomplish this he went to Berlin where a meeting with several of the principal bankers of Switzerland and Germany had been arranged. It took him a full eight hours to explain away all of the doubts which those gentlemen entertained, but at the conclusion of the meeting they were all stout Kreuger supporters.

Kreuger spent huge sums in "encouraging the market" for his giant issue of 1927 and they appear to have been fully subscribed. How much Kreuger gave his agents for these supporting operations will probably never be known.

Although the 1927 issues went off well Kreuger's bankers brought his attention to the fact that many investors, particularly French investors, were shying away from his securities because they were subject to payment of heavy taxes to the Swedish State. If he was to raise any more capital he would have to do it in a manner which would prevent this "oppression" of investors by the authorities in Stockholm.

It was no less a person than the Swedish Minister of Foreign Affairs whom Kreuger called in to help him out of this difficulty, and Foreign Minister Eliel Löfgren, being a lawyer as well as a public servant, rallied to the
colors. Out of the brains of Löfgren and other experts came the idea of debentures—certificates of indebtedness—which could be issued in lieu of shares. The "participating debentures" which Kreuger thereupon introduced entitled the holder to a guaranteed five per cent. interest on the face value of the certificate and to one per cent. additional for every per cent. by which dividends on shares exceeded five per cent. It must have given Kreuger some feeling of self-righteousness to know that Löfgren, one of Sweden's foremost public servants, had helped to relieve the tax burden of Kreuger & Toll.

Kreuger's appreciation of the importance of appearing "conservative" showed itself in the imposing list of financial houses comprising the syndicate which put the debentures on to the market. Among those houses in the United States which participated were Lee, Higginson & Co., The Guaranty Company of New York, The National City Company, Brown & Company, Dillon, Read & Company, Clark, Dodge & Company, and The Union Trust Company of Pittsburgh. N. M. Rothschild & Sons and Lee, Higginson & Co. put their names back of the Kreuger securities in England. Deutsche Bank, Berliner Handels Gesellschaft, Darmstädter und Nationalbank, and eleven other important houses in Germany sold them to investors in the Rhineland. Eleven prominent houses in Switzerland, three in Belgium and four in Holland also aided in the issue.
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The first issue of debentures was almost fully subscribed by the market but those which followed called for more than "supporting operations" on the part of Kreuger. Without exception these later issues were miserable failures and Kreuger, in order to conceal the fact that he had failed, had to take up tremendous blocks of them on his own personal account, giving personal guarantee to Kreuger & Toll for the amounts of capital which the unsubscribing portions represented. The first debenture issue early in 1928 was 20,000,000 kronor. Late in 1928 a second issue to a nominal value of 45,000,000 was not fully subscribed and Kreuger had to give a guarantee for debentures to a nominal value of 472,100 kronor, at a rate of 525% of par. In March, 1929, an issue to the nominal value of 16,250,000 kronor failed by 2,305,000 of subscription and Kreuger took over the balance at a rate of 600% of par, giving his guarantee for 13,830,480 kronor.

This would have been enough to discourage the average financier, but Kreuger continued to make additional issues. In October, 1929, issues of debentures to a nominal value of 57,916,660 kronor and shares to a nominal value of 11,000,000 were authorized, the respective issue rates being 429 and 405% of par. Kreuger had to take up debentures to a nominal value of 14,672,360 kronor and exactly one-half of the shares, giving in return his guarantees for 62,900,000 kronor and 22,300,000 kronor. Thus in four issues of debentures and shares Kreuger & Toll got 102,571,230 kronor less of
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fresh capital than its statements showed it received.

Kreuger & Toll had issued ordinary shares, B shares, and participating debentures. In 1929 it also issued "Gold Bonds" or "secured debentures" to a value of fifty million dollars through the Lee, Higginson Trust Company, Boston, the rate of issue being ninety-eight.

Finally at the end of 1931, new participating debentures to a nominal value of 80,833,340 kronor were issued in exchange for the controlling stock in the Boliden Mining Company. At the end of its rope Kreuger & Toll's liabilities consisted of 76,000,000 kronor in share capital, 220,000,000 kronor in participating debentures, 182,238,806 kronor in secured debentures and reserve funds of 588,050,293 kronor.

During the final period International Match Corporation, which had always proved a willing and consistent source of funds, was being used to the limit, and finally in 1931 Swedish Match was forced into the breach with a new capital emission of 90,000,000 kronor, bringing its capital to 360,000,000 kronor, and a bond loan of 60,000,000 kronor. Its reserves were 245,000,000 kronor.

In following Kreuger's public financing operations we have necessarily avoided detailed discussion of several highly important activities in which he engaged. His organization of the monopoly system, his operations with the International Match Corporation, and his real and fictitious achievements as an organizer of industry are all worthy of separate treatment. We shall consider those phases of activity in detail.

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Kreuger the Engineer worked hand in hand with Kreuger the Gambler in building up one of the oddest conglomerations of splendid industrial enterprises and rank dummy concerns which had ever been collected under the guidance of a single man.

The Kreuger & Toll Company which bankers and investors saw was truly a great concern, backed by a group of fine undertakings. Three of those undertakings were of Kreuger's own creation: the Swedish Match Company, the Swedish Pulp Company, and the Capital Real Estate Company. The L. M. Ericsson Telephone Company was not Kreuger's creation but its potentialities were greatly enchanced when it came into the Kreuger group and began to profit by his connections with foreign governments. Kreuger's minority interests in the Grängesberg Mining Company and in the Skandinaviska Kreditaktiebolaget formed further buttresses for what appeared to be a solid and carefully built organization.

The Kreuger & Toll Company which bankers and investors did not see was a maze of scores of more or less
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bogus concerns: banks, real estate companies, holding companies—a hollow sphere with a glittering outer coating of pure gold formed by the more genuine enterprises. The annual report of Kreuger & Toll for 1930 stated that the concern had permanent holdings in twenty-one industrial, banking and real estate enterprises. It remained for the police to report on the countless other concerns which were not known to exist at the time that report was made.

By all means the most imposing of Kreuger enterprises was the Swedish Match Company, formed by Kreuger in 1917. By the end of 1931 it had a share capital of 360,000,000 kronor, reserves of 200,000,000, and a bonded debt of another 60,000,000. Beside this giant concern stood the International Match Corporation, the American subsidiary, in which Americans invested 150,000,000 dollars.

These two concerns operated two hundred and fifty match factories in forty-three different countries, had de facto or outright monopolies in twenty-five different countries, made three-quarters of all the matches sold in the world. They had loaned three hundred and eighty-four million dollars to fifteen different nations. There was a genuine feeling that Kreuger, the Match King, had a world match monopoly in his grasp and it is highly possible that he might have completed seizure of the world market had he not been caught in the maelstrom of the financial crisis.

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The Hufvudstaden, or Capital Real Estate Company, was the largest concern of its kind which had ever existed in Sweden. It actually owned eighty-seven large buildings with a book value of seventy-one million kronor and had been responsible for modernizing downtown Stockholm. Kungsgatan, Stockholm's principal thoroughfare, was developed by this concern.

The L. M. Ericsson Telephone Company, which came into Kreuger's possession in 1930, was another "world concern" with possibilities in many ways comparable to those of Swedish Match. It maintained factories in ten different countries and owned concessions in four countries and there loomed the possibility that it, like Swedish Match, might be able to extend its markets by negotiating loans with various governments. L. M. Ericsson was the pioneer in the telephone industry in Europe and had made Sweden the most thoroughly "telephonized" country in the world. While prosperous America was struggling along with one hundred and sixty-three telephones per thousand inhabitants Sweden had two hundred and ninety-eight per thousand. This was the one Kreuger enterprise which the Morgan interests thought worthy of their direct interest.

Kreuger had held a secret interest in Ericsson as early as 1925, but it was not until the firm got into hot water in 1929 that he decided to take it over bodily.

Ericsson had indulged in the typically Continental custom of holding large blocks of its own shares. By
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means of a "dummy" it owned 126,340 shares of its own A and B stock and consequently when it decided to make a new 40,000,000 kronor issue of B shares it owned subscription rights to no less than 192,343 of those shares. Unless these shares were taken up, at a price of 21,576,-455 kronor, the new issue would not be a success. The subsidiary company at the same time was devoid of cash and could provide this 21,000,000 kronor in new capital to Ericsson only by borrowing the money from Ericsson itself! An astounding state of affairs, it was, but only what might be expected to result from the Continental custom of holding one's own shares.

Then again L. M. Ericsson had gone wildly ahead with an ambitious program of international expansion without having had the means to back it up. Its much advertised concessions demanded investment of enormous sums which the company's backers did not even dream of having. Some forty million kronor were needed for development of the Mexican concession, between fifteen and twenty millions were needed in Italy, and one hundred millions were to be needed, over a period of five years, in Argentina. Then Kreuger, who had been largely responsible for urging Ericsson into its grandiose program, appeared in the guise of a merciful benefactor, taking over the Ericsson dummy with its large stock holdings and its "rights" in connection with the new issue, in return for a block of German bonds.

Kreuger's ability to command large sums of money on
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the public market was indispensable to Ericsson and that company had him to thank for its very ability to carry on with its business. Once he had the company in his control he saw to it that it secured a good share of the benefits received in connection with the "match loans."

The Swedish Pulp Company—most important producer of sulphite and sulphate pulp in Europe—was formed by Kreuger in 1929 at a time when the pulp market was extremely promising. Sweden's wealth in forests and in conveniently located rivers made the pulp industry the country's leading enterprise in the decade following the war and it was natural that the Match King, constantly longing for new industrial playthings, should have seized upon it as a field for endeavor. The Pulp Company, capitalized at one hundred million kronor, controlled ten of the country's most important sawmills, pulp plants and power stations. Its forest preserves covered nearly five million acres, equivalent to sixty per cent. of the area of Holland.

Kreuger & Toll owned one-fifth of the share capital of the Grängesberg-Oxelösund Mining Company, one of the most important iron mining companies in the world. Together with the Swedish State it controlled rich and easily workable iron-ore deposits in Sweden, estimated to total two billion tons. Considering content of metal it made half of the total iron ore exports of the world in 1929.

Through Grängesberg Kreuger hoped to capture the
iron-ore resources of the world just as he had seized the
match markets. In 1927 Grängesberg acquired impor-
tant interests in the North African mines, Ouenza, Za-
car, Timezrit and Rar-el-Madev, joining them with its
subsidiary Aktiebolaget Hematit. Sweden and North
Africa together practically controlled the free iron mar-
ket of the world, Sweden contributing, according to
statistics for 1929, approximately 6,750,000 tons of the
14,350,000 tons on the market while North Africa
furnished 2,200,000 tons.

Here was the principal advertised basis for Kreuger’s
reputation as an industrialist of the first water. He
was Match King by right of achievement and the Match
Company remained as his most genuine and valuable
creation. The Swedish Pulp Company was also the cre-
tion of a master organizer and although the returns from
this amalgamation were greatly restricted by the state of
the world market after its formation its eventual possi-
bilities were enormous. His activities in the iron-ore
market promised big things. In cooperation with Mor-
gan’s I. T. T. he might have cornered the telephone
market had he not been caught up by his fast and loose
methods of finance.

And there were other solid enterprises in the Kreuger
“stables,” some of them known publicly as Kreugerian
interests, others held secretly. Kreuger & Toll publicly
possessed strong minority interests in two Stockholm
banks, Skandinaviska Kreditaktiebolaget and Stock-
THE LIFE AND DEATH OF IVAR KREUGER

holm's Intecknings Garanti Aktiebolag and secretly was interested in the Handelsbanken, one of the country's leading financial institutions. It was also interested in the Banque de Suède et Paris in Paris and in the N. V. Hollandsche Koopmansbank in Amsterdam. It was known to have large holdings in Deutsche Centralboden-kredit A. G. which, with its associated banks, did half the mortgage bank business in Germany. In Sweden it publicly controlled the Swedish Film Industry Company. Unknown to the public it controlled Sweden's foremost newspaper, Svenska Dagbladet. Indirectly Kreuger controlled, through his brother, two other important Swedish papers: Stockholms Tedningen and Stockholms Dagbladet.

The way in which Kreuger gained control of Svenska Dagbladet was typical of his crafty methods in buying up choice interests. In 1927 he learned that the Svenska Dagbladet people were eager to establish a foundation, similar to that established by The London Times in 1923, to allow the perpetuation of the paper and its traditions without fear of disaster due to unforeseen financial upsets. Again in the rôle of public benefactor he told them that he would help them to realize their dream. So he was allowed to purchase controlling interest in the paper on the understanding that the stock so obtained would eventually be placed in the hands of the Svenska Dagbladet Foundation. The foundation was not established according to plan before Kreuger's death
but he did fulfill his word to the extent of trading the stock to his father and sister Brita in return for what he then knew to be worthless Kreuger & Toll securities. They were pledged by him to deliver the stock into the hands of a Foundation, which they did one month after his death, receiving cash and a long-term note in exchange. It was whispered about Sweden that Kreuger controlled this Swedish counterpart of The London Times but few people took the story seriously. After all Kreuger was credited at one time or another with interests in almost everything of value in Sweden.

Bearing out what had been whispered about Stockholm, it was also discovered after the Match King’s death that he had managed to secure a ten-per-cent. interest in S.K.F.—The Swedish Ballbearing Company—which has for years been known as one of the most successful and conservatively managed concerns in all northern Europe.

Finally, in 1929, more or less secretly, he personally acquired control of The Boliden Mining Company, a tremendously valuable concern with rich gold mining properties in North Sweden. He did not tell the public about this until just before his death when Kreuger & Toll was allowed to buy this mine formally with a block of debentures.

The rest was a blank to all but Kreuger’s intimate associates and none of them individually had a collective and precise picture of the whole organization.
THE LIFE AND DEATH OF IVAR KREUGER

Kreuger & Toll’s statement for 1930, despite the flagrant inaccuracies in the accompanying balance sheet, shows the relation between the “open” interests of Kreuger and those about which he was loath to tell the public. The only interests mentioned by name in this statement were seven: Swedish Match, Swedish Pulp, Grängesberg, Ericsson, Hufvudstaden Real Estate, and the two Stockholm banks. Interests in these companies constituted two hundred and seventy-eight million kronor, slightly more than half of the total of five hundred and eighteen million kronor assigned to “Permanent Investments.” “Permanent Investments” constituted a small part of the one and one-half billion kronor in assets. It is interesting to note this relationship if only to see how small a part that “bulwark of solid industry” played in the whole Kreuger show.

The “inner concern” about which the public could only guess was a confusion of holding companies, banks, mortgage banks, investment companies and corporations many of which had no apparent reason for existence. Some of these multitudinous concerns actually existed and carried on business, others were incorporated for the purpose of executing one or two deals under cover, many of them were nothing but paper institutions, whose books were used to hide transactions or to give a false air of prosperity to the companies in which the public was directly interested.

Any concern with interests as varied and complicated
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as were Kreuger’s is entitled, under the code governing modern Big Business, to resort to the greatest secrecy in its dealings. The history of trusts is the history of sly deals, executed with consummate cunning. Phony companies have been used as blinds for large corporations for many decades and are still used without fear of public criticism both as instruments in making secret transactions and as depositories for assets. The fact that Kreuger evaded taxation in Sweden and the United States by depositing profits with “paper” companies in Liechtenstein, Luxemburg and Holland would never have damned him in the eyes of any of his associates had the profits really existed. Kreuger had the whole tradition of modern Big Business behind him when he established those very concerns which were later proved to be the instruments of his deceit.

At the beginning of his career as an international financier he used many of these dummy companies in ways wholly in keeping with the best traditions of high finance. Later he used them in making transactions which can not be justified by even the most liberal code of business ethics.

Among the most notable of the dummies were the Dutch Kreuger & Toll, the Continental Investment Corporation, Garanta, Russia, the International Finance Syndicate, the Finanz Gesellschaft fur die Industrie, Union Industrie Aktiengesellschaft, Handels Aktiengesellschaft, Aktiegesellschaft Standard, and Mercator.

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The Continental Investment Corporation, with headquarters in Liechtenstein, antedated all of the others and ranked with the Dutch Kreuger & Toll as one of the biggest frauds. The story of how this concern was used to drain American investors of tens of millions of dollars is related elsewhere.

Dutch Kreuger & Toll and Swedish Kreuger & Toll published a consolidated balance sheet and it was impossible for any outsider to have a clear idea of the former concern's individual position. Its function, as understood by Kreuger's associates, was to purchase Kreuger & Toll debentures at par from the mother concern and to resell them to the public at the rate of issue, placing the difference in a reserve fund which would not be liable to taxation in Sweden. A tax evasion scheme, pure and simple, which fitted in with international banking practise.

Actually the consolidated balance sheet rendered it possible for Kreuger to make double entries and to indicate profits and assets which never existed anywhere except on paper. In the consolidated balance sheet for 1930 certain property in Paris was listed twice as a two-hundred-million-franc asset. At the end of the same year the Dutch Kreuger & Toll accounts showed a deposit of thirty-four million florins in the International Bank & Finance Company in Danzig although Kreuger did not get around to organizing this bank until April 11, 1931. The Dutch Kreuger & Toll balance sheet, [ 90 ]
THE REAL AND THE UNREAL

arranged in arbitrary fashion by Kreuger, showed one asset of two million pounds in Italian bonds which were later discovered to be forgeries. The profit and loss accounts which were likewise drawn up arbitrarily by Kreuger without any fear of detection for three successive years, 1928, 1929 and 1930, showed huge earnings corresponding to amounts which had been debited to the International Finance Syndicate, a fictitious concern.

Dutch Kreuger & Toll was supposed to have built up a reserve fund of two hundred and eighty million florins by 1930 through its activities in retailing Kreuger & Toll debentures but the company never had any such amounts in its possession. Profits which were ascribed to the sale of bonds and to dividends on securities also failed to exist, due to the fact that Dutch Kreuger & Toll had neither sold bonds nor received dividends. The books of this Kreugerian concern balanced at four hundred and thirty-seven million florins in 1930!

The Finanz Gesellschaft with headquarters in Zurich helped to color the position of Swedish Match, International Match, and United Match by acting as their debtor. In December, 1928, it credited Kreuger & Toll with four million five hundred thousand dollars and later transferred this credit to Swedish Match without having engaged in any actual transactions which would have given rise to such in entry in its accounts. In 1923 Bror Bredberg, Kreuger agent, had formed this company and four others. The Union Industrie Aktien-
THE LIFE AND DEATH OF IVAR KREUGER

gesellschaft, with headquarters in Vaduz, Liechtenstein, was formed with the same capital which had been put up for the Finanz Gesellschaft in Zurich. One of its assets was the note of one "E. B. Lehmann" for eighteen million francs, supposed to have been received in 1923 in part payment for some Berlin property. The note bore twelve per cent. interest, which was never paid, and the "asset" had mounted to thirty-three million francs by 1931. Union Industrie also had a check for three hundred and fifty thousand francs signed by Kreuger in 1924. "Let it lay," Kreuger told Bredberg in 1927 when the latter asked for permission to cash it.

Mercator, another of the phony Bredberg companies, was used as a Kreuger blind for stock-market operations in New York which were notably unsuccessful.

The Dutch Company Garanta cooperated with the Continental Investment Corporation in fleecing International Match Corporation and acted as a hide-away for liabilities. When American auditors finally learned of the existence of this concern they were told that it was being used as a holding company for the Polish match monopoly contract "for political reasons." Kreuger made constant use of this excuse when his manipulations were questioned by bankers and it invariably worked.

At the head of Garanta was one Carl Lange, a former bank clerk who had been discharged for granting himself a loan. Kreuger played the big brother to this un-
fortun ate and told him that his difficulties in the bank were "nothing to make trouble over." Lange served his apprenticeship by making a trip through Sweden in 1922 offering brokers and bankers double commission on the sale of Kreuger securities and later he executed some supporting operations in the stock of the Skandina-

viska Kreditaktiebolaget, on Kreuger's behalf. Having been tried and found true he was placed at the head of the obscure Garanta company in Amsterdam which Kreuger had bought from Hollandsche Koopmansbank.

Lange soon discovered his duty to consist entirely of taking orders from Kreuger. Having seen no cash in the possession of the concern he hesitated to sign a statement of the concern's position, showing it to have delivered seventeen million dollars to Poland in return for a match monopoly. Kreuger was firmly persuasive. "If you don't believe it then skip up to Poland and see," he said. Lange signed that statement and all succeeding statements without question.

Kreuger made a habit of picking as his secret agents men who were in a position to appreciate his kindness. Such a man was Sven Huldt, an unemployed match jobber whom Kreuger chose as his helper in other dubious Dutch undertakings. This individual's first commission was to form the Amsterdam Match Company, with the idea of buying up scattered match factories in France and Belgium secretly. He did this and eventually the factories were sold at cut rates to other Kreuger inter-
THE LIFE AND DEATH OF IVAR KREUGER

ests, at considerable loss to the shareholders. In 1926, acting on instructions from Kreuger, he formed the Netherlandish Bank for Scandinavian Trade, one of Kreuger’s most notorious “depositories” for assets which did not exist.

Huldt, ever grateful and obedient, made out deposit receipts in 1927, 1928, 1929 and 1930 showing the Netherlandish Bank to be holding securities and other valuable paper which had never really been in its keeping. In 1927 he made out a slip showing that the bank had been holding the original of a secret match monopoly contract with Poland in 1925, for the account of the Continental Investment Company, “the leech in the side of International Match.” In 1929 and 1930 he provided receipts to show that a Spanish contract, valued at one hundred and forty-four million Swiss francs, was being held for the Continental Investment Corporation. In 1930 he made out another receipt showing the deposit in his bank of four hundred million francs in French Government bonds. Huldt used the name “Svensson” in communications with Kreuger in order to throw possible snoopers off the trail.

Victor Holm, bookkeeper and director in the Dutch Kreuger & Toll, made a good candidate for a position of trust with Kreuger due to the fact that his brother had been heavily in debt to the Match King.

Kreuger’s word was absolute law with these men and any doubts of their master’s integrity which they may
THE REAL AND THE UNREAL

have had nothing. He paid them good salaries, and they did not bother their heads about matters which he indicated were none of their concern.

When Kreuger suddenly came to the end of his rope in 1930 and found it necessary to rehash the entire accounts of Kreuger & Toll in order to make a good showing it was the existence of his other concerns, as well as the same blind obedience on the part of the Kreuger & Toll auditors, which made it possible for him to wipe out a debt of one hundred and fifty-five million kronor owing the company from him.

The preliminary balance sheet, prepared by the regular bookkeepers and auditors, showed "sundry debtors and syndicate participations" totaling three hundred and thirty million kronor. After two attempts he had reduced this to one hundred and forty-four million kronor by reposting huge items through the books of the various other concerns. In the second draft the Banque de Suède et Paris was arbitrarily debited seventeen million kronor while Kreuger's account was credited the same amount. Kreuger's account was then credited another thirty millions while a corresponding total debit was entered against the Union Industrie A. G., the Hollandsche Koopmansbank, the Société Financière Suisse et Scandinave, the Standard Trust Fund, the Finanz Gesellschaft fur die Industrie, and the Bank Amery- kanskij. This list of debtors was the creation not only of a swindler but of a master linguist.

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THE LIFE AND DEATH OF IVAR KREUGER

Finding himself still owing Kreuger & Toll ninety-two million kronor Kreuger calmly posted one hundred and three million kronor in additional assets to the "syndicate participations" account, simultaneously erasing his own debt and reducing the debt of Dutch Kreuger & Toll by ten millions. Finally he posted seven million pounds in forged Italian bonds to the credit of the Dutch concern.

The auditors of Kreuger & Toll simply took it for granted that their master had had something up his sleeve. No one else ever discovered that there had been this frantic revision of the accounts until weeks after Kreuger's death when the auditors were hauled in before the police for a hearing.

Kreuger's associates knew that numerous subsidiary concerns existed, though they had no idea of the exact extent or nature of the organization. Had Kreuger's banking connections been interested they might have demanded a clear picture of the whole organization and, having seen some of the companies which comprised it and the men who administered those companies, have had their suspicions aroused.

The investing public, which always suffers the principal losses in all such swindles as that perpetrated by Kreuger, could do no more than read of the magnificent chain of splendid industries which Kreuger had gathered about him. It was the same old story of looking at only one side of the horse.

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THE TALE OF A TRUST

The idea which lay back of Kreuger's sensational success as an international financial power was as simple and practicable as it was revolutionary and spectacular. Kreuger happened across it quite naturally in the course of his attempt to develop the business of the Swedish Match Company.

The experience of Swedish Match after the war had shown that its future must depend on its ability to eliminate the cutthroat competition which in several important markets had forced prices down to disastrously low levels. In some countries this competition might best be eliminated by friendly agreement as to the division of the market. In other countries the competition might be bought out, either by stealth or openly. But either method was expensive and the acquisition of outright monopolies by official agreement with the governments concerned was very apparently more desirable.

There was always the possibility of securing these monopolies by the old-fashioned, blunt method which international financiers had employed since the days of Egypt—by bribery—but at the same time most of the
governments of the post-war world were not able to move so arbitrarily as were those of the pre-war epoch and the constant danger of changes of government made it very uncertain whether the politicians whom one might bribe could carry through their obligations. The only alternative was some system whereby monopolies could be secured openly. After trying his hand at buying out the competition in the Scandinavian and Baltic countries and in reaching agreements for the division of markets—as was the case in Japan—Kreuger arrived at this impasse. He was more than willing to resort to bribery, and he did have to do a good bit of it anyway, but he needed some more reliable and steady scheme for the acquisition of monopolies.

The very situation of post-war Europe offered a clue to the problem's solution. The treasuries of the belligerent countries were with scarcely an exception drained of ready cash while the baby nations of Versailles origin were hopelessly devoid of funds with which to carry out urgent national projects. All of these countries were in crying need of new capital at the same time that none of them had credit facilities which were equal to the situation. New York, the new financial capital of the world, had loaned until it thought the limit of security had been reached. There was still capital to be had but there was nothing upon which to base security for that capital.

Kreuger saw how, at one stroke, he could secure those
Kreuger seated at his desk in the Match Palace, Stockholm.
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highly desirable monopolies, supply needy countries with cash, and secure his investments in a manner which would make them entirely free from the dangers of default under all ordinary circumstances. Equipped with the Kreuger & Toll holding company and the Swedish Match Company he would borrow the necessary money in the financial centers of the world and grant loans to various governments, receiving monopoly rights in their respective territories as premiums on the loans. The royalties from each monopoly would be used to service and amortize the loan in that country. Thus, in each case, he might expect to make ordinary banking profits on the loan, guarantee his loan against default, and reap sizable profits on the match business itself through Swedish Match and its subsidiary companies.

This was the apparently fool-proof scheme which Kreuger began to execute in 1925 when he made his first match loan to Poland. Had Kreuger been content to execute it honestly without exaggerating his profits, overcapitalizing his great structure and gambling away his liquid resources on the market there is every reason to believe that the plan might have worked out just as it was expected to. Despite his depredations the gigantic monopoly system which he created on the basis of that idea continued to stand as a spectacular monument to his imagination and ability after his death. There was nothing the least bit fraudulent about most of the monopolies which he secured and the money which

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THE LIFE AND DEATH OF IVAR KREUGER

he passed out in a great golden stream to the nations of the world was extremely real. In a number of cases the monopoly agreements were not executed without crossing politicians' palms with gold, but these frequent indulgences in bribery were incidental to the whole scheme, which was basically aboveboard and honest.

As Kreuger proceeded to execute his revolutionary plan the Match Empire and his own reputation as a Great grew by leaps and bounds. While the world match monopoly of which the Match King dreamed was not completed during Kreuger's lifetime, the Swedish Match Company and its subsidiaries at the time of Kreuger's death possessed the nearest thing to a world monopoly which had ever been created in an article of universal use. They possessed absolute monopolies in fifteen different countries and de facto monopolies in nine others; were dominating the market in an additional ten. They operated two hundred and fifty factories located in sixteen non-European countries and in every country of Europe except Spain, Russia and France. They sold approximately seventy-five per cent. of all the matches used by the population of the world.

Kreuger, through his various companies, had loaned a total of three hundred and eighty-four million dollars to fifteen different countries in nineteen different transactions. While the sum total of all outstanding loans at no time reached this figure it is given as an indication of the total amount of business which he handled as an international banker.
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The list of Kreuger loans by itself is sufficient to dispute the oft-heard statement that he was a pure charlatan.

<table>
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<tr>
<th>Country</th>
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<th>Amount in Dollars at Par</th>
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<th>Issue Price</th>
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<td>8½</td>
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<td>6,000,000</td>
<td>7</td>
<td>100</td>
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<td>2,000,000</td>
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<td>88</td>
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<td>75,000,000</td>
<td>5</td>
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At the time of Kreuger's death Lithuania had yet to receive the final two million dollars of her loan while Turkey had one and one-half million dollars still coming to her. The first Polish loan was retired at the time of the 1930 loan to her while the French loan of seventy-five million dollars was redeemed in April, 1930. The first third of the 1930 Polish loan was due to be paid on the first of February, 1932, while the final two-thirds were to be paid one year later. The entire loan, however, was paid up in advance of the date specified for the first payment.

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The Young Loan naturally enough had no connection with the German match monopoly but was entered into as an ordinary investment and for political reasons which are explained elsewhere.

Generally the terms of all of these loans and the duration of the monopolies which were arranged in connection with them were identical, varying in length from twenty years, as was the case with the 1925 loan to Poland, to fifty years, the period fixed in the case of Hungary.

The manner in which the monopolies were established and the loans were serviced is best described in an unofficial circular of the Swedish Match Company.

"A country establishes a fiscal match monopoly which conveys the sole right of producing, importing or selling matches, as the case may be, to the State. This monopoly is then leased to the Swedish Match Company or some affiliated company for a certain period against the annual payment of a royalty by the Match Company to the State Treasury. This royalty generally increases with the increased consumption of matches. The conditions of the transaction are fully set out in a contract between the State and the Match Company, a contract which is ratified by Parliament in the country in question and thus forms a part of the law of that country.

"It is the royalty thus agreed upon which, in addition to the direct and unconditional obligation of the foreign
government, forms the security of the Kreuger loans to the country. The amount of the loan is generally so calculated that the annual debt services (interest plus sinking fund) shall be covered by the amount of the annual royalty payable, with a margin of twenty-five, fifty or an even higher per cent. It is generally laid down that the industrial company shall make the royalty payments to a block account in a bank, the government receiving the surplus available only after the full amount required for the debt service has been transferred to the fiscal agents. It has been found that by this mechanism the problem of transferring funds abroad for the payment of debt services to foreign creditors has been facilitated, the industrial company being able to assist in supplying the foreign exchange needed.

"The great advantage of this system is that the Kreuger concern itself, through the match concessions, administers the revenues pledged as security for the loans. By introducing better machinery, by reorganizing the sales service, and by otherwise rationalizing, the concern may be able to make the concession more profitable, thus enhancing the value of the security. Considering that the annual royalty payments form the basis of the loan it may even be said that the loan in itself is nothing but an advance of future royalty payments.

"This interconnection between industrial concessions and government loans, advantageous as it is for the country in need of money, and for the investor who pro-
vides the funds, has never before been so fully developed as by the Kreuger concern. It represents a new method for international capital movements, forming a counterpart to the issues of reconstruction loans undertaken under the auspices of the League of Nations.

Kreuger and his associates were guilty of considerable rationalization in connection with their loans, largely for the sake of the investing public which always likes to feel that it is possible to make money by being humanitarian. There is at the same time considerable basis for the view that Kreugerian loans did make life much pleasanter for millions of people in the jumbled period following the war. A glance at the list of his debtors will show the names of many nations which had little or no credit elsewhere at the time they pawned their match monopolies. And many of the sums advanced to those countries were employed in productive, if not entirely necessary, enterprises.

The original six-million-dollar loan to Poland, which was negotiated in 1925, was used for relief work following devastating floods in Upper Silesia, as well as for a general bolstering of the country's credit situation.

The first loan of one million pounds granted to Greece helped to finance one of the most important national projects since the war, the repatriation of Greek refugees from Turkey and Macedonia.

Hungary employed her thirty-six million dollars in
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compensating landowners who had lost their property during the Bolshevik revolution and in putting a vast land-reform project into execution.

The first two million dollars received by Ecuador were used for the establishment of a mortgage bank, a basic step in rationalizing the country’s general economic system. The second loan to Ecuador was used in a farm-mortgage scheme.

The twenty-two millions received by Yugoslavia were used as capital for the Monopolies Administration, the profits of which were devoted to public works of great importance. In the case of Roumania the loan of thirty million dollars granted by Kreuger was part of a much larger international loan which made possible the fulfilment of “The Program for Monetary Stabilization and Economic Development,” approved by the Romanian Parliament February 7, 1929. This also involved the establishment of a “Monopolies Institute.”

Latvia employed her six-million-dollar loan for the purchase of seed-grain from abroad, for road building, land reclamation, loans to municipalities and landowners, and for railway construction. Estonia also employed the funds received from Kreuger in railway construction.

The most stupendous stroke of business executed by Kreuger was his loan of seventy-five million dollars to France. He made this loan in the face of tremendous opposition both from Frenchmen themselves and from competitors abroad, at a time when France’s credit posi-
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tion was just beginning to assume some vestige of solidarity. Kreuger gambled on the future of France and won a sensational victory when the loan was repaid at a high premium in April, 1930, not two years after it had been granted.

The French Government used the seventy-five million dollars received from Kreuger at five per cent. interest to retire the balance of the eight per cent. Morgan loan which had been contracted in 1920, thus saving three per cent. interest on approximately seventy million dollars. Kreuger's ability to loan France money at five per cent. when other bankers were asking eight per cent. made him in the world of international finance.

The negotiations preliminary to the granting of this loan were difficult and protracted. Throughout them all Kreuger exhibited tact and persuasiveness worthy of a chief of state, giving here, taking there, always pushing home his point until he finally won.

For years the Swedish Match Company had had its eyes on the French match market but had never managed to penetrate the tough armor plate of the government-owned monopoly. Whenever this monopoly was threatened by outsiders the French nationalistic press rallied around to protect it as it once had Verdun. The only thing which the Swedish Match Company had been able to accomplish in France had been to sell large supplies of finished matches, match-making machinery, and raw materials to the government monopoly at a small profit.

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When Kreuger saw that the French Government was short of ready cash in 1927 he went to Poincaré with direct offer of a seventy-five-million-dollar loan at five per cent. in return for a full lease on the French monopoly. Poincaré voiced his approval of the scheme but when the press heard of the proposition there came an uproar which resounded from the shores of Normandy to the Riviera. The Chamber of Deputies consequently refused to hear of the proposition.

Kreuger waited for the reaction to subside and his propaganda machine swung into action, "convincing" various sections of the French press and members of Parliament that the dignity of France would not suffer from his scheme. Then, the ground prepared, he presented an alternative proposition to Poincaré. He would grant the same loan in return for a monopoly in supplying the French monopoly with match-making machinery, splints and other raw materials and the right to import Swedish matches as such into France, to be sold by his own agencies.

The fickle French Chamber did a right about face and approved the accord for a period of twenty years.

The reputation gained by Kreuger in putting over the French loan was increased when it was discovered that the French attempt to stabilize its currency and its credit had succeeded. When the French took up the loan at a rate of one hundred and three and one-half plus interest, giving Kreuger a ten per cent. spread of

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profit, in April, 1930, his reputation as a daring man became the reputation of a far-sighted man. Whatever doubts may have remained in the minds of conservative business men in regard to this upstart of high finance must have melted into nothing with the conclusion of this affair.

It is remarkable that the one country which did not appear to be either pleased or impressed by this piece of business was France itself. The French press in general continued to attack Kreuger until his death, not because it definitely knew anything to be wrong with him but rather because it simply did not approve of him. Almost everything which may be said of a business concern was said of Kreuger & Toll by the Frenchmen yet it is noteworthy that most of the things said were not shown to be valid by the disclosures which were made following Kreuger’s suicide. Likewise it was in France that the bear raids on Kreuger’s shares and debentures began and it was from Paris that the rumors of “bad delivery” came in the winter of 1931-32.

It would not be surprising if this French loan also failed most completely to make any pleasant impression upon J. P. Morgan & Company, the concern which remarkably enough was later to prove Kreuger’s undoing. Bankers do not like to have their loans repaid with money from other bankers. It is the whole purpose of the banking business to keep money out at such wholly pleasing rates as eight per cent. and it is something like “dump-
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ing" for another banker to come along and cut interest rates. This is exactly what Ivar Kreuger had done and who may blame the Morgan group if they look with something approaching disfavor upon the upstart from the North?

It gave Kreuger a great thrill, on the other hand, to have given this magnificent American banking house a lesson in finance. Ten years before he made the French loan he had boasted of having an American friend named Stettinius who had arranged a credit for him with the "great American banking house of Morgan." It is perhaps beside the point to note that this credit was to be used for the secret purchase of valuable American interests which remained in the possession of Kreuger until his death. It is decidedly to the point to note that the French loan opened a wide schism between the Match King and America's most potent financial house.

This, moreover, was only one of the Kreugerian exploits which made an unfavorable impression upon the banking gentry. His loan of six million dollars to Latvia antagonized the Moguls not only of New York, but of London as well. The City of Riga, jumping-off place for investigators of socialism and habitation of those newspaper correspondents whose papers will not allow them to tread upon Soviet soil, had been unethical enough to default on a loan. The Government of Latvia had assumed the blasé attitude that Riga meant nothing to it and that Riga's obligations were most decidedly Riga's,
not those of Latvia. The bankers were aroused. London financiers formally decided over their whisky-and-sodas that Latvia was no fit place for a gentleman’s money and they asked New York bankers if they too would not, at least for technical purposes, also become gentlemen. The result was that Latvia became as completely blackballed by big-time finance as a freshman with high-water pants and a red necktie. Then along came the all-forgiving gentleman from Stockholm with those six million dollars. “Finance” never overlooked that transgression. After that Kreuger was most emphatically a lone wolf in the financial world, fair game for any one who was big and daring enough to tackle him.

It is notable that these early feelings of distrust in Kreuger did not arise from any knowledge or suspicion on the part of the other bankers in regard to his “dishonesty”; rather they came from the bitterness of rivalry which had developed from the ruthless competition between international bankers.

Kreuger, however, considered himself powerful enough to overlook the feelings of other international bankers and went ahead with his program boldly and courageously. After the French loan had been arranged he quickly and deftly opened negotiations with other governments which possessed alluring markets. The two huge loans to Yugoslavia and Hungary came as natural consequences of his dealings with their “big sister” over
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to the West, raising the total number of his match loans to five and bringing the total par value of his loans to one hundred and forty-six million dollars. The loan to Roumania, another thirty million dollars, gave him an imposing position in the French section of post-war Europe, made him loom as something of a fairy godfather to the pro-Versailles bloc.

The Match King could not but have sensed the fantastic odor of grandeur which surrounded him as he plunged ahead. It was 1928, the bull market was roaring along at an insane pace, the men who dealt in big money were heroes, and Kreuger was the most dramatic of them all. People in general forgot all about the fine points of his business, poured money into his coffers and sat back to watch him work his wonders. Bankers who had been lucky enough to join forces with him at the beginning congratulated themselves upon having found a really "good thing" and themselves became dazzled by the spectacle of his achievements.

It must have been the feeling that he had become something of a god and the desire to make the spectacle of his magnificence complete which led him to make the final grand gesture of his life—the granting of a one-hundred-and-twenty-five-million-dollar loan to Germany in 1929. It was this loan, granted in a frenzy of optimism and self-assurance, which brought him to his doom.

Those match loans which Kreuger passed out to needy governments formed the most spectacular phase of his
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business, but they were only incidental features to the whole game in which he was involved. The creation of a world trust was not to be accomplished in any such blunt and aboveboard manner as this.

Resourcefulness and craft and, when it seemed to be necessary, sheer ruthlessness formed the foundations for the Match Empire. The government monopolies which were purchased with loans simply crowned the structure which had been erected during long years of careful preparation.

Kreuger's very ability to form the Swedish Match Company in 1917 was due principally to the fact that the Jönköping group of factories which was competing with Kreuger's Förenade group was running short of phosphorus, having a supply on hand sufficient for only two or three months' further operation. The wily Kreuger, on the other hand, had managed to lay his hands on a company known as Hamilton & Hansell in Trollhätten and was assured of an indefinite supply. The Jönköping people were consequently in a very receptive frame of mind when Kreuger began to suggest a merger of the two groups into a single trust.

The Japanese, who had managed to capture most of Sweden's Far Eastern market during the war, were also persuaded to cooperate in much the same way. The Kreuger emissaries were turned down very flatly when they first approached the little yellow men with the suggestion that they sell a large interest in their match in-

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dustry to the Swedish magnate. They consequently withdrew, politely, suggesting that they would return later with a new proposition. When they returned they sang another song.

“It so happens that we control the phosphorus industry of Japan,” they said. “Now we will give you another chance to cooperate.” The Japanese hastily investigated and discovered that the Swedes were not joking. Kreuger really did control the industry upon which they all depended for their raw materials; had quietly bought it up while they had been chuckling to themselves over his discomfiture. They readily agreed to give Kreuger a share in their match industry.

Another very necessary accessory to the match manufacturing business was the complicated machinery used for making matches automatically. Consequently it did not please Kreuger’s competitors to be informed by the principal match-machine manufacturers of the Continent that “we regret our inability to fill your order” whenever they were in need of new machines or parts. The strategic Match King, striking where it would hurt most, had made working arrangements with the manufacturers unbeknown to the competition. It took them some time to discover where the trouble lay and when they did discover it, it was too late to do anything about it.

The dummy company, time-worn yet ever successful tool of trust builders, was used by Kreuger constantly
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in buying out the competition, particularly in those countries where there was deliberate and organized opposition to him. He was forced to resort to this method in Switzerland, France and Belgium where there was keen resentment against the intrusion of foreign interests and the leaders of the local match industries swore that they would not sell out to him under any circumstances. A gentleman named Sven Huldt was sent to Amsterdam to organize the independent factories of Belgium and France into an anti-Kreuger group. This having been done, the whole concern was sold out to Kreuger subsidiaries at a bargain price, causing no small loss to the original shareholders in those concerns, which had been organized "against Kreuger." The Swiss got much the same medicine, not awakening to the fact that they were having anything to do with the Match King until they had already been bought out.

When Kreuger tried to execute an underhanded deal in connection with the Turkish monopoly he got nothing but expense and trouble for his pains. In 1928 Kreuger decided that it was high time to take the Turkish market and with that in mind he bought out a Belgian who owned half of the stock in the Turkish monopoly company. It cost him three hundred thousand dollars' worth of stock to get possession of these interests and it was not until Hoffmann, a Kreuger emissary, arrived in Turkey that he discovered the Turkish Government was about to renounce the monopoly agreement. Hoffmann,

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posing as representative for "American interests in International Match," sought some compensation for the loss of the monopoly but Kreuger had to grant the Turkish Government a loan of ten million dollars before Kemal Pasha agreed to regrant the monopoly. The three hundred thousand dollars had been thrown to the winds.

It was another of the Match King's tricks to send out secret agents, posing as independents, to offer match manufacturers absurdly low prices for their factories. After these offers had been turned down Kreuger would approach the manufacturers directly, offering as much as double what his agents had offered. The "small fry," feeling that Kreuger was being enormously generous, fell for his stunt time and again.

The United States, for all of its anti-trust legislation, came within an ace of being added to the string of countries in which the Swedish Match Company had de facto monopolies, and at one time Kreuger actually seems to have controlled the match industry to a large extent. In America the method adopted was to buy up small blocks of stock here and there, generally secretly, until sizable interests had been amassed. Through International Match Corporation Kreuger had three hundred and fifty thousand shares in the Diamond Match Company, purchased for thirteen million five hundred thousand dollars. The Vulcan Match Company, subsidiary of International Match Corporation and distributor of Swedish matches in America, owned seventy per cent.
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of the stock in Federal Match Company, this having been bought through the agency of Anders Jordahl, a Norwegian business acquaintance of Kreuger. Federal Match, in turn, had an agreement to acquire the Union Match Company for two hundred and seventy-five thousand dollars. Thus the complicated chain of ownership ran from Kreuger to Swedish Match, from Swedish Match to International Match, from International Match to Vulcan, from Vulcan to Federal, and from Federal to its prospective subsidiary, Union Match. It was a financial "house that Jack built," so involved that no outsider could hope to understand it. In addition to these interests were heavy holdings in the Ohio Match, North American Match and Acme Match Companies.

Great Britain offered Kreuger one of his principal stumbling-blocks, but he nevertheless managed to get a strong toe-hold in its markets. After secretly securing control of the concern which was furnishing Bryant & May with its supplies of splint wood he joined with that concern in 1927 in forming the British Match Company, Ltd. Swedish Match received thirty per cent. of the stock in the British corporation in return for some of its holdings and the two concerns followed a policy of close cooperation. Kreuger's only malfeasance in connection with this British company seems to have been to pawn its shares in a Stockholm bank in direct violation of their contract.

There can be little criticism of Kreuger's methods of
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buying out the opposition because they were the stock methods of Big Business, varied only slightly to suit the particular business which Kreuger had in hand, and there was nothing strictly dishonorable about them. There is more than ample reason to believe on the other hand that his unscrupulousness went beyond the limits of business righteousness when he came to deal with governmental officials in several countries.

Kreuger told Donald Durant of Lee, Higginson & Co. that the International Match Corporation had made several secret loans including one of $28,979,577 to Italy and one of $27,830,600 to Spain. It was also indicated by the Match King that he had made a secret loan of $25,000,000 to Poland, after, and in connection with, the public loan of $6,000,000 in 1925. After his death Italian treasury bills to a value of £28,668,500 were found in his safe together with a receipt for 1,180,-850 shares in the Fabbriche Riunite di Fiammiferi. The Italian Government denied the authenticity of both the bills and the receipt, and handwriting experts promptly testified that they had been forged. The circumstances attending this forgery are dealt with in greatest detail in a subsequent chapter.

A copy of a contract between Kreuger and Primo de Rivera, calling for the establishment of a match monopoly company in Spain and for the concession of full monopoly rights to an International Match subsidiary for a twenty-five-year period beginning in 1937, was
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also found. Kreuger, according to this contract, was due to pay the Spanish Government 180,000,000 pesetas and there was an accompanying receipt, signed by Primo de Rivera, acknowledging the receipt of 124,306,684:30 pesetas.

In this case it was by no means certain that the Match King was guilty of forgery. Primo de Rivera was dead and unable to testify whether or not he had really received that money from Kreuger, the Republican Government was unable to prove that there had not been some sort of monopoly arrangement, and it was known for a certainty that Kreuger had had considerable interests in that sunny southern country. Kreuger had been negotiating with the Spaniards off and on for several years and a citizen of Madrid had been arrested for making off with bribe money received from him, apparently destined for the high places.

Another first-rate shock came with the discovery of the so-called "Garanta contract" with Poland, purporting to have been concluded between Kreuger and the Polish Finance Minister, Marjam Glowacki, in 1925, shortly after the public monopoly contract for the manufacture of matches had been concluded. This contract was supposed to supplement the first straight monopoly contract and to give International Match Corporation, through its Dutch subsidiary Garanta, the sole right of selling matches on the Polish market. Garanta was supposedly assured a high income from
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this business, the Polish Government mortgaging its income from the liquor and tobacco monopolies in guarantee.

Although this contract was later decried as "counterfeit," it too was very evidently open to question. Glowacki, in common with Primo de Rivera, was in his grave, and there was no possibility on earth of knowing whether or not he really had put his hand to such an agreement. Those who were connected with the Match Company at the time were convinced that the contract was duly signed by both Kreuger and Glowacki and there was reason to believe that money had actually passed—millions of dollars of it. Their explanation was that the gentleman who undertook to put the contract into execution failed to secure its approval by the Polish Diet and that it consequently became unworkable. This contract provided that the price of matches should be increased to a high figure, Kreuger and the Polish interests splitting the profits.

No matter whether this contract was half-false or altogether bogus it is evident that Kreuger found his equals in the crafty Poles. It would take a great deal of explanation to show, for instance, why he made a loan of $32,400,000 to Poland in 1930, in return for the extension of his monopoly for twenty years to 1965, when he had secured the original twenty-year contract with a loan of only $6,000,000. The right to sell matches, as well as to manufacture them, was included
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in the second contract but the proportion was still striking.

The only three men who knew the details of the Spanish and Polish transactions are dead and even though they were not they probably could or would not speak.
A CLUMP of scenic mountains, a picturesque little town known as Vaduz, 9,759 people mostly peasants, and 747 corporations. This is Liechtenstein, delight of German tourists, despair of geography pupils and Mecca for the Magnates of High Finance.

This Student-Prince-like little land has a government of its own and that government is one of the most obliging, from the point of view of Big Business men, in the whole wide world. Here there are no auditors and one pays taxes according to one's ability to agree with the finance minister. It is nice to live in Paris, London or New York, but it is nice to be established in Liechtenstein. Thus the 747 corporations.

Ivar Kreuger was no man to miss the attractions of this pleasant little hill country and he chose it as the setting for one of the most remarkable plays in his whole remarkable career. Incidentally he introduced its glories to the American public.

Kreuger was rather sarcastically referred to as an "American" by his fellow Swedes, and he by no means took the appellation as an affront. From the turn of
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the century when he had peddled lots in Chicago he had been closely linked to the land across the ocean and he turned to it in quest of money just as he had turned to it in quest of something to do when he had first started out to conquer the world.

"You Swedes are blockheads," he once told a friend. "You haggle about giving me money. But when I get off the boat in New York I find men on the pier begging me to take money off their hands."

His experience with the International Match Corporation seemed to bear out the statement that Americans literally forced money on to him. Between the date of its organization in 1923 and its bankruptcy in 1932 this American concern received $148,500,000 as the net return from the sale of securities to American investors. Of this amount $144,000,000 were transferred to Kreuger and to Kreuger concerns in Europe and most of it disappeared into the Kreuger maw.

The International Match swindle showed Kreuger at his craftiest: the perfect confidence man. Its execution brought into play all of those tricks of which the Match King was capable, the use of secret subsidiaries, the paying of dividends out of capital, the use of forged documents as assets, and smooth evasion of inquisitive auditors by confronting them with a mass of interlocking transactions which would have defied the United States income tax authorities. Evasiveness, bluff and haughty bullying kept the American suckers at bay as Kreuger,
Entrance to the new Match Palace in Stockholm.
for a period of nine years, continued to play with their money as his fickle fancy dictated.

The beginnings of the swindle took place in 1922 when the much traveled Kreuger found himself back in his old haunt, New York City. There he met Donald Durant and Frederic W. Allen, partners in the old and highly reputable banking house of Lee, Higginson & Co. These gentlemen had already heard of the mighty Swede and found him all that they had expected, a brilliant business head, full of compelling ideas and a gentleman to boot. They ate lunch together and discussed the beginnings of the Kreuger organization—how Kreuger had begun with a pair of little match factories belonging to his family and blown them up into one of the world's greatest trusts. They also discussed the possibility of bringing American capital into the growing young monster.

When the Match King returned to Europe he met, as previously noted, the partners of Higginson & Company, British affiliate of Lee, Higginson & Co., and they agreed after looking over his Swedish properties on the spot to introduce Swedish Match shares to the British market.

Then Kreuger bethought himself again of the American market. And before he took a cent from America he prepared the ground in such a way that the Americans would be completely at his mercy, once they had become interested in his business.

The first step was the organization of a secret subsid-
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iary—magic word—which should act as clearing-house for the forthcoming American organization in its foreign business. And this is where Liechtenstein enters the play.

In the summer of 1923 Kreuger went to Switzerland accompanied by his Swiss-American secretary, Ernst August Hoffmann, a former New York bank employee whom Kreuger had hired through a want ad. Together they organized the Continental Investment Corporation with a capital of sixty million Swiss francs, this handsome capital actually consisting of only one million francs in cash, nine million in checks, and fifty millions in the form of a guarantee from the Swedish Match Company, executed by Kreuger personally. Hoffmann was honored with being made the sole director of this magnificent concern. Then the pair of founders boarded a fast train carrying a little hand-bag in which nestled the entire capital: cash, checks and guarantee.

Later in the same year it was decided that Switzerland was no fit place for this remarkable concern and it was decided to sound out the possibilities of transferring it to Vaduz. The Liechtenstein Government, ever obliging, readily agreed to fix the taxes at sixty thousand Swiss francs for each of the first two years and thirty thousand for the succeeding years. So Continental formally transferred its place of residence eastward to Vaduz.

With the setting well prepared Kreuger again betook himself to New York and once more went into con-
ference with the partners of Lee, Higginson & Co. As a result they joined in organizing the International Match Corporation with a twenty-eight-million-dollar capital. The first annual report of this concern, issued at the end of 1925, said, "The International Match Corporation was formed with a view to consolidating different foreign interests previously owned by the Swedish Match Company into a company in which American investors could become interested as shareholders, thereby giving the concern a broader basis for an extensive program of expansion."

From the beginning it was understood that International Match was to act simply as an agency for bringing American capital into the Match Trust as a whole and that it was not to have any activity distinct from that of Kreuger & Toll and the Swedish Match. Kreuger indicated to Durant that it was his purpose to have the profits from the Match Concessions "about equally divided between International Match and Swedish Match," but Durant later admitted in court that there had never been any contract to this effect.

Kreuger assumed a dictatorial manner from the start. He made it apparent that he was to have extraordinary powers as president of the International Match. He also insisted that International Match could be operated more profitably if its interests were to be united entirely with those of Swedish Match and Kreuger & Toll, and when it was suggested that International Match ought
to have something definite to show for its investments he repeated that he would "see to it that there would be an equitable distribution of profits and assets." Undoubtedly the most fatal concession made to Kreuger was the acceptance of his suggestion that it would be best to transfer only such funds to the United States as were necessary for payment of quarterly dividends in order to avoid paying taxes on the surplus profits. At a special meeting of the board of directors, October 29, 1924, Kreuger was granted the extraordinary powers which removed him from all danger of too careful supervision.

The avowed purposes of Continental Investment Corporation were several. It was to act as a go-between for International Match and the Swedish companies, allowing the transfer of funds from America to Kreuger without forcing any direct interchange of money between the United States and Sweden. Secondly it was to form a depository for International Match’s assets and surplus profits, preventing their taxation in the United States and Sweden. Finally it was to make possible the consummation of secret undertakings incidental to the buying up of concessions and match factories.

Actually Continental, which only existed as a set of books, did accomplish these purposes to a great extent but it fulfilled another function which the Americans do not seem to have had in mind. Due to its very nature as a dummy, and Kreuger’s complete domination of all that went on in connection with it, it was impossible for
the Americans to have any definite idea of where their money was going. It also deprived them of any direct physical possession of assets, an unhappy predicament for any concern which has collected tens of millions of dollars from the public.

Continental Investment began to function as a leech in the side of International Match from the beginning. When the American concern in November, 1923, made a $15,000,000 issue of 20-year 6½%-gold debentures at 94½ a total of $12,244,792 was transferred to Continental. The remaining proceeds from the bond issue went to affiliated companies and to pay interest on the debentures falling due April 1, 1924. In December, 1924, a block of 449,010 shares of participating preference stock was sold to the public at 35, and the proceeds were used to retire the previous debenture issue at 105, an operation which cost $15,715,350.

In July, 1925, when an additional issue of 450,000 shares netted $19,574,665 a total of $17,000,000 was transferred to Garanta, another set of books, similar to Continental Investment, which Kreuger had taken over in Holland. This was one of the most secret of all the secret inner circle of Kreuger concerns.

The prospectus for this issue stated that the proceeds were to be used for financing a match monopoly in Poland, and Kreuger explained the transfer to Garanta by stating that this company had been formed for political reasons to take over the Polish monopoly.
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In the summer of 1926 a third block of 450,000 shares was placed on the market at 50, netting $21,824,366 which was "to be used for transactions in Greece, Portugal, Algiers, Norway and Manila." As a matter of fact $3,300,000 went to Swedish Match, $16,203,000 was turned over to Continental, and $1,080,000 was used for dividends on preference stock.

Late in 1927 International Match sold $50,000,000 worth of 20-year sinking 5% convertible debentures at 98½, receiving $47,750,000 as the net proceeds. With this money it acquired $50,000,000 face value worth of French Government 40-year 5% gold bonds at a cost of $46,750,000. The French bonds were redeemed in April, 1930, at a price of 103½ plus interest, resulting in a net profit of $5,000,000 for International Match. The entire proceeds were divided between the purchase, at 93% plus interest, of $30,000,000 face value worth of German bonds, which required $28,290,000, and a transfer of $23,733,152 to Continental.

Finally in January, 1931, International Match sold $50,000,000 face value worth of ten-year debentures at 96, receiving an actual return of $46,125,000. Again there was an elaborate prospectus stating that this sum was to be used for "investments in Portugal, Norway, Denmark, Poland and Columbia, as well as for the purchase of a match factory in Turkey and of Turkish and German bonds." The auditing firm of Klein, Hinds & Finke discovered upon investigating the Inter-
national Match accounts that $12,073,876 was used to pay the balances owed by Kreuger & Toll and Swedish Match on their shares of the $125,000,000 German loan, while $19,050,000 was used to make up the balance on International Match’s own share of the loan. The actual accounts show only the latter expenditure and a transfer of $27,000,000 to Continental.

Having persuaded the Americans to keep their “surplus earnings” abroad in order to escape paying income taxes to Uncle Sam it was childishly simple for Kreuger to drain International Match. The only actual returns which shareholders received consisted of the quarterly dividends which in the early years were paid out of capital issues. In later years International Match’s quarterly statements of earnings were so arranged as to eliminate the necessity of transferring earnings of subsidiaries to the United States in excess of the quarterly dividend requirements. The quarterly net income shown by these statements varied from $2,365,365 on January 1, 1930, to $2,402,764 on September 30, 1931, while the quarterly dividend requirement during this period was a constant $2,350,000.

In the International Match bankruptcy hearing it was brought out that this concern which had raised nearly $150,000,000 by public issues, received most of its profits in the form of interest charges on loans to subsidiaries, notably Garanta and Continental Investment Corporation. Nearly half of its dividend requirements
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were covered by interest on $17,000,000 "owed to it by Garanta." The latter concern was charged 24% interest on this amount.

Although Kreuger insisted that the interests of International Match, Swedish Match and Kreuger & Toll be considered as an entirety he did allow International Match directors to believe that their company individually owned several important assets. In a confidential memorandum to New York bankers in the latter part of 1931 he disclosed, as noted in the foregoing chapter, that International Match, in addition to the $17,538,750 loan to Poland, had extended a loan of $28,979,577 to Italy, had loaned $27,830,600 to Spain, and had invested $9,500,000 in the Diamond Match Company.

Fritz Atterberg, Vice-President of International Match, stated before the bankruptcy hearing that he had also been led to believe that the company owned two companies in Norway, one company in Denmark and a Polish company which controlled a concession in Poland. He also declared he believed Continental Investment Corporation, the subsidiary, to own two manufacturing and selling companies in Finland, a factory in Esthonia, half a factory in Latvia, controlling interest in the largest match company in Czechoslovakia and Austria, and other companies in Spain and Italy. In contradiction to the private memorandum which Donald Durant quoted at the bankruptcy hearing Atterberg said that International Match had paid $13,500,000 for 350,000 shares of Diamond Match stock.

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To make the picture even more disconcerting it was disclosed that Kreuger had borrowed $4,000,000 against the Diamond Match stock.

The above expressions of opinion as to what International Match owned are quoted only to show how little idea any one of those concerned with the company, with the exception of Atterberg, had of its real character. It was generally agreed by all of them that Kreuger had never given a full account of what International Match possessed in the way of real property.

The truth of the matter was that International Match Corporation really did own monopolies in Poland and several other countries and some seventeen match factories scattered around the world, much as Atterberg had believed. But the assets which did exist were completely entangled with those of Swedish Match, International Match owning concessions where Swedish Match owned factories and vice versa, and it was completely impossible to separate the interests. The fifty million dollars' worth of German bonds which International Match had bought were found to have been literally stolen by Kreuger and placed as collateral for a loan with Skandinaviska Kreditaktiebolaget in Stockholm.

The Polish, Italian and Spanish Governments declared that the loans reported to have been made to them were fictitious and the claims of International Match to $74,739,583 against Continental and of $15,716,167 against Garanta were consequently worthless to a large extent.
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During Kreuger's life some attempts were made to investigate the foreign interests of International Match but they invariably came to nothing. The auditors of International Match who attempted to learn something about the position of Continental were deceived by Kreuger's practise of "depositing" what purported to be that company's assets with other bogus institutions, notably the Netherlandish Bank for Scandinavian Trade. This latter institution, which was nothing more than a set of books, was at one time a depository for "a certificate covering 270,000 shares in the Italian Fabbriche Riunite di Fiammiferi," "400,000,000 francs' worth of French rentes," "a contract between Poland and the International Match Company," and "a monopoly contract between Spain and the Continental Investment Corporation." This latter contract was given a value of 144,000,000 Swiss francs on the Continental's balance sheet for 1929 and 1930. Kreuger men, "planted" in these various bogus concerns, filled out false documents showing these assets to be deposited with them.

The failure of auditors to discover the real character of Continental Investment Corporation and of Garanta was due to the policy of Americans in allowing Kreuger free sway in handling their funds rather than to any lack of thoroughness on the part of the auditors. When A. D. Berning, a representative of Ernst & Ernst, attempted to go into matters with some degree of thoroughness he found himself confronted by a mass of
certificates of deposit and other documents tending to prove the existence of various assets of International Match. To have demanded additional proof would have been to challenge Kreuger’s veracity, a thing which he as an auditor could scarcely do, particularly when Kreuger enjoyed such implicit confidence among his American associates.

In 1926 Berning discovered a reference to Garanta, the bogus Dutch company which was supposed to owe International Match a sum of seventeen million dollars. He requested some assurance that this firm was able to meet its obligations to International Match and in reply received a typical Kreuger telegram, showing Garanta’s income to have been forty-six million Dutch gulden in 1925 and its debt to International Match to be forty-five millions.

In 1927 Berning discussed the “Spanish contract” with Kreuger and the latter showed him what purported to be such a contract, signed by Primo de Rivera. Again in 1929 the American auditor was shown a certificate of deposit, indicating that the Netherlandish Bank was holding four hundred million francs’ worth of French rentes for the account of Continental. He inquired as carefully as possible into the character of this bank but was duped by the personal assurance of Kreuger that it existed “in order to keep certain transactions secret from Swedish and foreign bankers.”

Finally in 1931 Berning asked Kreuger to explain a
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reference in the annual report of Continental to "certain securities" which it planned to purchase during the year. Kreuger in reply showed him several million pounds' worth of Italian treasury bills which he had been thoughtful enough to have printed two months before. It was quite impossible for the auditor to ask Mussolini whether or not he had received a loan from Kreuger and Kreuger knew it.

The climax of the International Match swindle came in 1931 when Kreuger appropriated for his own use the German bonds, with a face value of fifty million dollars, which the American concern had secured in return for its part of the one-hundred-and-twenty-five-million-dollar loan to Germany. Here again the actual bonds had been deposited with the Deutsches Union Bank in Berlin, a Kreuger institution, instead of being delivered to the International Match Corporation itself. When Kreuger needed funds desperately he withdrew these bonds from the German bank, as was his right under the powers granted him by the International Match directors in 1924, and placed them as collateral for a loan with the Skandinaviska Kreditaktiebolaget.

When the American directors of International Match gave Kreuger dictatorial power in managing the investments of that concern they were prompted by good faith and by what appeared at that time to be good logic. Here was an extraordinary man with enormous prestige, possessed of a really "good thing"—a growing
A ROMANCE AND A TRAGEDY

monopoly in an article of universal use. There was every indication that he was honest and there was no indication whatsoever that he was dishonest. His previous success had been ascribed to his personal business genius and to the efficiency of the Swedes whom he had grouped about him in the Swedish Match Company. The Americans were naturally eager to participate in the profits of the Kreuger enterprises and at the same time realized that they knew nothing whatsoever about the match business. The natural thing was to allow Kreuger to “run the show.”

It is not difficult to see, in retrospect, how easily Kreuger’s swindles might have been prevented or, at least, how they might have been uncovered before they reached such gigantic proportions. At the same time it is remarkably easy to understand the position of those who failed to unmask him.

Kreuger’s International Match swindle was made possible by the existence of those dummy companies in Liechtenstein and Holland. A “Liechtenstein company” may appear ridiculous per se to the average individual but other international bankers, with far more repute than Kreuger ever had, still maintain holding companies in that little land of free and easy corporation laws. The existence of these holding companies, in itself, did not warrant any suspicion on the part of Wall Street. Again it may be charged that American bankers compromised themselves by accepting Kreuger’s suggestion that, in

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order to avoid paying Federal taxes, surplus profits should not be returned to International Match Company in the United States. On the other hand, it has long been the custom for concerns doing an international business to avoid excessive taxation by maintaining subsidiaries in countries where taxes are fixed by negotiation with the authorities.

What might have prevented Kreuger's major misdealings would have been a careful investigation of the characters of the men whom Kreuger employed as auditors of his secret concerns or a demand for "broken-down" balance sheets for all the concerns mentioned as Kreuger subsidiaries. An investigation of the Kreuger auditors would have shown them to be men completely dominated by Kreuger. The preparation of broken-down balance sheets for Garanta, Continental Investment Corporation and others of the same ilk would have taxed even the bookkeeping dexterity of Kreuger and would undoubtedly have aroused the suspicions of his most ardent admirers. The answer to these suggestions was aptly made by one of those Americans most intimately associated with Kreuger.

"If we had thought that we needed to watch Kreuger we would never have had anything to do with him."

As a matter of fact this same person once suggested to Kreuger that American auditors might very properly make regular examinations of the Kreuger & Toll accounts. "The Swedes," Kreuger is quoted as having re-
plied, "would never stand for the indignity of having foreign auditors examine the books of Sweden's greatest banking firm." That closed the discussion.

The perfect faith of Kreuger's American associates in his integrity and business ability is indicated by the fact that Lee, Higginson & Co., members of the firm, and their families had invested $7,854,027 in Kreuger securities at the time of his death. The firm itself held $4,095,461 worth and it did not sell any of them even after it learned late in February, 1932, that there were discrepancies in the balance sheet of L. M. Ericsson which Kreuger had presented to International Telephone & Telegraph the previous summer.

The "blame" for the International Match catastrophe must be laid chiefly at the door of the supremely skilful confidence man who perpetrated it and to the looseness of international banking practice which cloaked his mysterious operations—including that ridiculous comedy in Liechtenstein—with an atmosphere of seriousness.
VIII

BELIEVING AMERICA

It is tradition in the financial world that the Frenchman hoards his money, the Englishman buys a home or consols, and the American small investor jumps at anything which looks like a good gamble, fondly hoping to make quick fortune and live in leisure for the rest of his days. Americans have been notoriously easy marks since the public first began to invest in Big Business and it was estimated by no less person than Andrew Mellon that their annual losses in bad securities, before the crisis of 1929, reached $1,700,000,000.*

Kreuger not only re-proved the assertion that the American small investor is a “sucker” but went further than that by showing that American bankers were almost equally gullible when treated with the proper medicine. The fact that Americans invested between two hundred and fifty and three hundred million dollars in Kreuger enterprises and lost most of that amount was of almost secondary importance to the revelations of complacent “good faith” which the investigations occasioned by those losses revealed.

* Encyclopedia Britannica.
BELIEVING AMERICA

How this good faith developed was shown in the case of Percy A. Rockefeller, one of Wall Street’s shrewdest operators, who was heavily victimized by Kreuger. The two men first came together in 1923 when Kreuger negotiated for the purchase of the World Match Company of Walkerville, Ontario, which Rockefeller owned. Upon the formation of the International Match Corporation Rockefeller was given twenty thousand shares of its participating preference stock in return for the Canadian plant and this canny gentleman was still holding nineteen thousand two hundred of those shares when International Match went into bankruptcy. He was also holding seventeen thousand shares of Kreuger & Toll, according to testimony given by his associate, Samuel Pryor, at the bankruptcy hearing.

Rockefeller was definitely impressed by Kreuger and his organization when in 1925 he accompanied Frederic W. Allen of Lee, Higginson & Co. to Sweden for a tour of inspection of the Match King’s properties. While there they attended a “Match dinner” at the Grand Hotel where they met some of Sweden’s more prominent business men, all of whom, they discovered, had nothing but the best to say in regard to the “big chief.” After dinner they stood on a balcony overlooking the sparkling Strömmen, chattering with Kreuger about things in general. Kreuger impressed them with his keen general intelligence and when the conversation finally turned to the automobile industry he astounded them by reeling
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off the production figures of the leading American concerns, discussing the mechanical qualities of the various cars with the insight of an automotive engineer, and citing the earnings of various concerns for the preceding years. Here was a gentleman who combined the technical knowledge of the specialist with the broad ideas of a great world banker.

Rockefeller was quoted as saying, upon his return to America, that “he was never more impressed than with that organization. It seemed almost too good to be true.”

Samuel Pryor, who together with members of his family invested one hundred thousand dollars in Kreuger securities, made a trip to Stockholm in 1930. “I never heard a man more beautifully spoken of,” he said later. The same ability to charm and convince, which won the faith of these seasoned business heads, made it possible to do almost as he liked with the American public and its representatives.

The International Match swindle which has already been discussed in detail cost Americans a good share of one hundred and forty-eight million dollars which they invested in that concern. This, however, was not by any means a pure “sucker game” and due to the genuine and highly promising nature of the Swedish Match Company there was a great deal of justification for the huge investments, even in spite of the air of secrecy which surrounded the disposition of those investments by the Match King.

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American losses in participating debentures were less excusable due to the fact that these securities were sold to the public by bankers who had not investigated the position of Kreuger & Toll thoroughly. As has been remarked elsewhere Kreuger had succeeded in preventing an impartial audit of Kreuger & Toll's accounts partly by the explanation that "Swedes would resent having the books of their country's biggest banking concern examined by outsiders" and finally by refusing point-blank to give any information to an auditor whom Lee, Higginson & Co. finally sent to call upon him. The equivalent of this high-handed procedure in ordinary business would be for a small-town bank president to send the state banking examiner packing on his way.

It is furthermore worthy of emphasis that New York, because of the very carelessness of its ways, was made the center for the unloading of participating debentures, while the more cautious London market was being tempted with the more conservative Swedish Match Company securities. New York regarded participating debentures as "gilt-edged stuff," while in conservative London they were regarded as highly speculative securities. The people who bought Swedish Match securities still had something when the Kreuger debacle was over; the participating debenture holders had only a faint claim to the sparse spoils of a total wreck.

Most astounding and inexcusable of the American losses in the whole Kreuger mess were those suffered by

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holders of the Gold Bonds or secured debentures, securities which by all rules of the game should have been as good as gold despite anything which could happen to the Kreugerian structure. The fifty-million-dollar Gold Bond issue which was made in March, 1929, was by far the most conservative issue of securities ever made by Kreuger and it might have been liquidated almost in full had there been an exercise of what, to the average individual, would appear to be nothing more than moderate caution. The issue rate was ninety-eight and the interest rate five per cent., indicating rock-bottom soundness.

The eighty-four-page indenture which regulated the issuance of these bonds specified that they should be covered by specially pledged security to such an amount that the par value, as well as the yearly yield of the collateral, should exceed the par value of the corresponding bonds and the interest upon them by twenty per cent. It went on to make the highly important reservation that the deposited securities should be "interchangeable"—the only restriction being that they should fall into the following categories:

"Bonds or notes issued or guaranteed by sovereign states, provinces, municipalities or other governmental subdivisions duly empowered to issue or guarantee bonds or notes but in no case where the population is less that 300,000.

"Bonds or notes issued or guaranteed by mortgage-
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banking institutions (in which the company may but need not have an interest) and secured by mortgages on agricultural or city property or entitled by special law to priority on such property” and

"Shares in railway or other companies on which dividends at a minimum rate or otherwise are guaranteed by sovereign states."

Lee, Higginson & Co. headed the offering syndicate, followed by such highly reputable concerns as the Guaranty Company, the National City Company, Brown Brothers & Company, Dillon, Read & Company, and the Union Trust Company of Pittsburgh. The air of conservatism surrounding the whole procedure was thickened by the designation of attorneys for the issue: Ropes, Gray, Boyden and Perkins of Boston, and Carter, Ledyard, and Milburn of New York. The Lee, Higginson Trust Company was made trustee for the issue while Kreuger’s old banking associate, Skandinaviska Kreditaktiebolaget in Stockholm, was made depository for the security.

Dr. Max Winkler, a liberal economist, had the following pertinent remarks to make in regard to the “interchangeability” clause in the contract.*

“Issues of sovereign countries or bonds of cities with more than 300,000 inhabitants: In other words, Russia, Mexico, China, Peru, and Bolivia would qualify, as would


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also Moscow and Leningrad. Inasmuch as the indenture does not specify that the currency in which the bonds are scheduled to be serviced must be stabilized, it appears that paper mark obligations of Germany would also be regarded as eligible; so that it would have been permissible to remove the $60,000,000 par value of bonds and deposit, in their stead, $60,000,000 par value of German Government Forced Loan of 1922, which can be bought for $5 a million. That is to say the collateral could have been withdrawn and other bonds deposited at an expense of only about $300. . . ."

And in regard to the third provision: "Railway shares dividends upon which must be guaranteed by a foreign government. The various Mexican railway issues and some hopelessly defaulted Latin American railway shares would qualify under this provision, which says only that dividends must be guaranteed. Apparently nothing is said about their having been paid."

The criticism that the terms of the indenture were extraordinarily broad was somewhat nullified by the stipulation made by the stock exchange's governing committee, when it approved introduction of the bonds, that Donald Durant must "notify the stock exchange if deposited collateral is changed or removed." This would seem to remove any dangers of having totally worthless securities deposited in place of the original security for the loan. But actual experience proved only too definitely that this interchangeability clause was hopelessly
BELIEVING AMERICA

lax. Whether or not the Stock Exchange was notified Kreuger did replace the original security for the loan by other securities which, if not completely worthless, were not very far from it. A comparison of the original security with that which was found to be on deposit at the time of the Match King’s suicide quickly showed interested investors that the sly Swede had managed to sneak off with just about everything that was readily convertible into cash.

<table>
<thead>
<tr>
<th>Collateral</th>
<th>Originally deposited</th>
<th>On hand at Kreuger’s Death</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungarian Land Reform 5½ Mort. Bonds 1979</td>
<td>$12,000,000</td>
<td>$23,848,754</td>
</tr>
<tr>
<td>Yugoslavia Monopolies Loan 6½’s 1958</td>
<td>$7,000,000</td>
<td>$22,000,000</td>
</tr>
<tr>
<td>Latvia 6’s</td>
<td>$6,000,000</td>
<td>$6,000,000</td>
</tr>
<tr>
<td>Poland 7’s 1945</td>
<td>$5,100,000</td>
<td></td>
</tr>
<tr>
<td>Ecuador 8’s 1953</td>
<td>$1,986,900</td>
<td>$1,879,290</td>
</tr>
<tr>
<td>Ecuador Mortgage Bank Guaranteed 7’s 1949</td>
<td>$1,000,000</td>
<td>$922,529</td>
</tr>
<tr>
<td>Greece 8½’s 1954</td>
<td>£979,902</td>
<td>£380,690</td>
</tr>
<tr>
<td>Roumania 4’s 1968</td>
<td>$380,690</td>
<td>£74,750,000</td>
</tr>
<tr>
<td>Roumania 7’s 1959</td>
<td>$2,000,000</td>
<td></td>
</tr>
<tr>
<td>Roumania 7½ Monopoly Institute</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France 3’s and 4’s</td>
<td>Fr. 344,000,000</td>
<td></td>
</tr>
<tr>
<td>Belgian Nat. R.R. Pfd</td>
<td>$80,000,000</td>
<td></td>
</tr>
<tr>
<td>Prussian Mortgage Bank’s 8’s</td>
<td>Rm. 12,000,000</td>
<td></td>
</tr>
<tr>
<td>German 5½’s</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>Fr. 150,000</td>
</tr>
</tbody>
</table>

| | | Sw. Kr. 55,000 |
| | | |
| Par Value in Dollars | $60,268,657 | $59,000,000 |
| Debentures Outstanding | $50,000,000 | $47,596,500 |

Kreuger had kept to the letter of the agreement by maintaining the par value of the collateral at one hundred and twenty per cent. of the outstanding bonds but that in itself was almost insignificant when stock was taken of the collateral which remained. Profiting

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by the loose interchangeability clause he had removed practically all of the good securities: the Polish sevens, the French bonds, the Belgian railway bonds, and the Prussian Mortgage Bonds, filling in the gap with increased amounts of Hungarian and Yugoslav bonds. Hungary was meanwhile enjoying a moratorium on all foreign payments and there was no market either for its securities or for the Yugoslav bonds. The remaining collateral, in other words, was not worthless but it was far from being worth as much as the original collateral would have been. And if it had been sold immediately in settlement of the Gold Debenture holders' claims they would not have received twenty-five cents on the dollar.

This was by far the most serious of all the things which Kreuger put over on the Americans for the reason that he did it openly, without resort to those slick tricks which made possible the International Match swindle.

Kreuger can scarcely be blamed for having regarded Wall Street with an attitude approaching disdain. In strict privacy he referred to American financiers as “unsteady” and “ignorant,” and he solemnly predicted as early as the spring of 1929 that “the tide of financial control will soon turn from America back to England.” American bankers did not know their business, he often repeated, and they were bound, sooner or later, to lose out to the more experienced financiers of tradition-steeped London.
Kreuger in front of his home at Villagatan 13, Stockholm.
BELIEVING AMERICA

Swindler though he was, the Match King openly criticized American financial practise and decried the wild-eyed methods of Wall Street. "It is risky to introduce securities on Wall Street," he said on one occasion in 1929, "because once the New York operators start working on a paper its quotations lose all relationship to its real value." He insisted that he wished to stabilize the value of his securities at a fixed figure so that they might be as steady as money and he blamed Wall Street for shoving the quotations on his debentures to 863 per cent. of par, a figure which he frankly admitted was far in excess of their real value. He was also quoted as saying, toward the end of his career when the clouds were gathering on the horizon, that he had Wall Street to thank for his troubles. "First they threw money at me and made me take it," he was quoted as saying. "Then when they had driven me into undertaking more than I could manage alone they let me down."

Kreuger, of course, was rationalizing—making an attempt to put the blame for his approaching doom on his victims, rather than where it belonged, on his own dizzy tactics which after they were disclosed made the American bulls of 1928 and 1929 look like pikers.

Back in 1926 when he analyzed the securities market in an article for the jubilee issue of Affärsvärlden he had had better things to say about the United States as a money center. In this article he analyzed the whole American money-raising structure and enlightened his
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fellow Swedes in regard to the difficulties to be encountered in selling securities there. This was a manner of text-book on the American market and it is worth reviewing if only because it shows how well Kreuger knew his conditions on the other side of the Atlantic.

"Although London, due to its splendid organization, without doubt will maintain its position over a period of years as an exchange center of great importance it can not be denied that the conditions which grew out of the war are designed to move the center of gravity for the international securities market from London to New York," he wrote. "Already the United States has achieved a powerful position in this market due to its heavy receipts of interest from abroad. The Capital structure of the country is very great; it is being increased by prohibition, decreased immigration and a lowered birth-rate. A growing surplus of available capital may therefore be counted on.

"The United States, to a greater degree than for example Germany, found it necessary to invest its capital in solid enterprises within the country and for this reason it was compelled to borrow large sums in Europe. Now there is going on an opposite process which in the near future will give the United States the position which France occupied before the war: that of a creditor state whose capital to a large extent will become available for investments abroad.

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"The American securities market is still young. It had a quick development during the war when several million Americans for the first time had securities in their hands, Liberty Bonds and so forth, of which about twenty-five billion dollars' worth were placed. In contrast to Germany where the giant war loans were almost entirely dissipated by inflation and to France where this happened to a lesser degree, the Americans have been allowed to retain their investments of this sort. Through a rapid amortization of these securities, which has been going on for several years, the public is acquiring purchasing power for new investments.

"Foreign securities first began to be absorbed by the American market after the war. The large loans to the Allies went principally in the form of direct loans from the American Government; never came out upon the public market. After the war a number of mistakes were at first made in connection with such investments abroad. The leading American banks and export firms formed foreign subsidiaries which have now to a large extent been abandoned with heavy losses. There followed speculation in weak European currencies, especially in German marks, upon which there was a total loss. But more recently the confidence in investments in Europe has again begun to rise. This change may be dated from the Dawes Loan issue. The Dawes Loan is the first European investment in which a large section of the American public has made some profit. Thereby

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interest was awakened and the appetite grows. This must involve elimination of the difference in yield which the American has always expected in European and American investments."

Kreuger went on to criticize the organization of the American securities market, lambasting those very precautionary measures against the introduction of European paper which he was to prove so ineffectual by his own activities.

"The securities market in New York differs drastically from that in London. If the London market distinguishes itself, first of all, by a remarkable elasticity this quality is totally lacking in the New York Stock Exchange. It is shackled by a large number of restrictions of a purely technical nature aimed at making difficult the introduction of new securities. It is notable that there is no purely European enterprise whose shares are quoted on the New York Stock Exchange."

After reviewing the qualities of such financial houses as J. P. Morgan & Company—which he praised to the skies, unaware that it was to prove his undoing—First National Bank, Kuhn, Loeb & Co. and National City Bank he described the system of "telephone salesmanship" which was so popular in the palmy pre-crisis period.

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BELIEVING AMERICA

"The greater part of the new issues, except when it is a question of high-grade government loans and similar securities, are sold through agents by personal calls upon the customer or by telephone."

Kreuger always criticized the lack of a well-organized mortgage bank system in the United States such as those which had been developed to such a remarkable extent in Sweden, Germany and other European countries.

"Individual homes are generally not covered by mortgage loans," he wrote. "Other buildings seek their loans from private capitalists and insurance companies, through brokers. Large business buildings, such as skyscrapers, generally arrange their mortgage loans by placing special bond issues on the market, secured by first mortgages on the buildings. But even such bonds can not be placed on the market except at a very considerable discount. The thing which prevents the development in America of a well-organized market in building mortgages and real estate is the intricate system of laws which generally makes it difficult, sometimes impossible, to establish the right of ownership to a piece of property. It is significant that these remarkable conditions have necessitated the creation of Title Insurance Companies whose function is to investigate titles to properties and insure against the risk that they are not clear.

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"Since the public's investments in real estate bonds have been limited by these conditions it follows that the investments must direct themselves to other types of securities. The changes in tax provisions which are now going on and will continue in the future will certainly tend to increase the demand for European securities. During the war taxes on large incomes had been pushed boundlessly high, forcing all wealthy persons to invest in tax-free securities. According to the American law all bonds issued by the government, states and cities are tax-free. Right after the war it was as profitable for a person with a very high income to receive three per cent. interest on government securities as to receive fifteen per cent. on an industrial loan. Due to these absurd tax conditions that section of the American public which under normal conditions could be expected to take the greatest interest in European securities was altogether prohibited from placing its money in them. During a more recent period the income taxes have been decreased on successive occasions and further decreases may be counted upon. This has made it possible for the greatest capitalists, recipients of the greatest incomes, to become freer in their dispositions and to buy securities which formerly could not be included in their holdings.

"The securities market in America is technically particularly difficult to exploit. The American laws are particularly complicated and there are, furthermore,
different laws in different states. A business contract such as could be drawn up in a few pages in Sweden often fills a whole volume in America. All of these regulations make it necessary for one to count on the risk that an issue, due to one legal hinder or another, can not be put into execution. On the other hand there is not time to investigate all details. This may take months and an issue must be made at an opportune moment and must come as 'news' to the market. As a consequence one often notices in prospectuses for issues the provision that the securities are offered 'when, as and if issued.' By means of this provision an issuing house may refuse to go through with an issue which has already been sold to the public. To make an issue valid in such a manner would be unthinkable in England.

Then Kreuger made a remark which was altogether prophetic in regard to the method employed by himself in fooling the American public.

"Furthermore," he wrote, "one attempts in the prospectus of a new issue to throw responsibility for the legal formalities on certain law firms which should have such prominent names that they win the confidence of the public. In like manner one generally gives in the prospectus the name of a prominent auditing firm which thereby assumes responsibility for the fact that everything is in order as far as the bookkeeping technique is concerned."
Then more in regard to the difficulties of the American market:

"In certain of the states, as in Wisconsin, Illinois and Michigan there are certain regulations known as 'Blue-sky laws,' designed to protect investments, which prohibit the sale of securities which have not been approved by the state authorities. Inasmuch as one can not avoid exploitation of these states in connection with an issue on the American market it is customary for one to stipulate that the issue will be offered there on condition that a license is secured from the authorities: a very lengthy procedure which may require months.

"This and much more may be cited to show what tedious preparation must be made before an issue is ready to be put out on the American market.

"But despite all of this the American market is becoming the greatest in the world and the one to which concerns of international scope must turn for future issues. As already indicated I believe that America's capital resources will be increased and will provide an increased surplus for investment in loans. Since at the same time Europe's need of capital must soon be satisfied I believe that these factors will tend to effect a period of low interests. Increasing habitude and confidence in respect to European securities will to a greater and greater extent decrease the demand for high returns which Americans hitherto have always made on European securities."

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Here was the Kreuger of 1926, already drawing large supplies of cash from America through the International Match Corporation and laying his plans for the gigantic money-raising campaign which he launched in 1927. His remarks show that he knew the technical side of his business extremely well and that he certainly was not blind to the deficiencies of the American system. What he did not see, very evidently, was that American confidence in European enterprises would again be shattered as it had been just after the war, resulting in a general rush away from investments in foreign concerns. At that time he had also not had sufficient experience with American financiers to feel, as he did in the spring of 1929, that their lack of capability and carelessness would prevent any permanent establishment of the money center in New York. It is certainly not flattering to those with whom he did business that he, a swindler and a potential forger, should have called his associates to task for loose business methods.
MISINFORMATION

Kreuger made a fine art of misinforming the public. Like the army general who maintains a press corps to tell the world of his victories, so Kreuger maintained a skilful group of expert propagandists to broadcast news of his successes. Unlike most propagandists of wartime these men really believed in what they wrote and themselves lost fortunes in the Kreuger debacle.

The Kreuger press organization had its headquarters in Stockholm with branch offices in Berlin and Paris, and a salaried representative in London. Through these offices news regarding Kreuger’s activities was sent to approximately nine hundred papers in thirty-five different countries. Paid agents distributed news to newspapers in several of these countries and a number of European editors were on the pay-roll.

There were many criticisms of the Kreuger & Toll organization and from the beginning of his activities as an international financier observers pointed out the danger of complete disruption in case of Kreuger’s withdrawal. There were other points of attack: the concern was too centralized, it had grown too rapidly,
MISINFORMATION

control was studiously kept in Sweden despite the heavy investments of Americans and other foreigners in the project, the concern was highly speculative, the Kreuger concern was too highly dependent on the money market, too much secrecy surrounded its activities.

These criticisms, all of which were later shown to have had only too much reason behind them, were overcome whenever they appeared by the effective work of the propagandists. The latter had clear instructions regarding the manner in which they were to refute every possible argument of the "bears" and of that section of the European press which obstinately insisted that Kreuger's financial empire was not so sound as it purported to be.

In order to understand how critics were held at bay it may be worth while to glance at a "private memorandum" sent to Kreugerian press attachés for their guidance in feeding the friendly newspapers of the world. All of the arguments against Kreuger & Toll were taken up one by one and refuted brilliantly:

"The Future Prosperity of the Concern is Dependent upon Mr. Kreuger's Personal Work.

"It is often said that the Kreuger concern is a 'one man show.' It is pointed out that Mr. Kreuger is such an outstanding personality with such a perfect grasp of technique and finance that hardly any one else would have been able to build up such a large business under
so difficult circumstances and that for that very reason the prosperity of the concern is fundamentally dependent upon the continuation of his personal activity. It is quite clear that it would be practically impossible to replace a man like Mr. Kreuger by a leader of the same exceptional ability. The question then arises whether it will be possible for other men to carry on the work which Mr. Kreuger has begun. Has the concern been organized so as to enable the different companies to pursue their activities without the inspiration and active leadership of Mr. Kreuger?

"The Swedish Match Company controls and is interested in manufacturing and sales companies in forty-three different countries, but these companies are all managed by men, chiefly Swedes, working on the spot, who have been trained in the concern, who know thoroughly the technical and financial sides of the business, and who are supposed and able to deal independently with all local problems without referring to the head office which is only consulted when important questions of principle arise. In those countries in which match-monopoly concessions have been obtained and where the company administers a state monopoly the contracts with the respective governments form the basis of activity. The guiding principles for operating the concession have thus been settled for a considerable period and the functions of the representative of the Swedish Match Company are more or less of a supervisory or
MISINFORMATION

controlling nature. As far as the large Swedish export trade of matches is concerned, a great number of people have been trained in this industry which is native to Sweden. It must not be forgotten that Sweden had a large and old-established match industry long before Mr. Kreuger entered into and affected the consolidation of that industry and there is no reason why Sweden should not remain the leading nation in this trade also in the future. In fact Mr. Kreuger has not for some years occupied himself with the routine business of the match concern. There are still prospects of acquiring new concessions, but the main work consists in the steady development and rationalization of existing productive units. It should thus be clearly understood that the Swedish Match Company with its subsidiaries and various interests abroad now presents a picture of a firmly organized and fully consolidated enterprise. Also the acquisition of future government concessions can and will be independently negotiated and concluded by men who have previously successfully performed such tasks as fully authorized representatives of the concern.

"The Kreuger & Toll Company. A glance at the Balance Sheet of this Company will show that slightly less than 30% of its assets consist of foreign government bonds, 40% represent investments in commercial, industrial and banking undertakings, and finally about 9% real estate property and mortgage institutes. More than 80% of the assets represent permanent investments
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which do not require more than a good business management. Ordinary investment trusts often hold shares in several hundred different companies and changes in the investments are constantly taking place. In Kreuger & Toll a few undertakings have been chosen chiefly with a view to future appreciation, and as a matter of fact the total number of the important industrial, commercial and banking undertakings forming part of the company's investments is not larger than 23. Most of these are large and long established Swedish concerns in which Kreuger & Toll is usually represented on the respective boards by one of its directors, thereby being kept fully informed about their management and prospects, but Kreuger & Toll can not be said to have assumed direct responsibility for their current business.

"The large Iron Ore Company, Grängesberg, the new Swedish Pulp Company, the real estate companies and the banks have all independent managements consisting of highly efficient people devoting their full time to the development of their respective companies. Kreuger & Toll is, of course, consulted in all matters of prime importance but they do not assume any responsibility for the routine business. Neither is Mr. Kreuger by any means the only man who has full knowledge of the general position of the concern as a whole as is sometimes erroneously stated."

Following Kreuger's death there was a mad scramble
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on the part of other Kreuger & Toll directors to show that the contrary was true—that Kreuger was the only man with any idea whatsoever of the concern as a whole.

"Kreuger & Toll is also actively interested in trading operations and a substantial part of its income is obtained from such operations. In this line of the business Mr. Kreuger's personal work is predominantly important and the active part which Kreuger & Toll plays in this field would probably not be continued to the same extent if Mr. Kreuger did not personally guide the work.

"It should, however, be strongly emphasized in this connection that it has been the policy of Kreuger & Toll to keep the dividend in each year within the limits of regularly recurring profits, while all temporary profits from trading operations have been accumulated in the Profit and Loss accounts.

"It is the whole tendency of Mr. Kreuger's policy to construct something durable, to invest in assets of permanent character and for that reason the concern which he has built up is so strongly founded on real values that its main profits are no longer dependent upon the activity of one single exceptional man. As regards Sweden these values include the principle and practically inexhaustible natural resources and the solid cornerstones of the prosperity of the country: iron ore, forest and forest products and water power, which thus form
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a firm and dependable anchorage of the Kreuger & Toll investments.

"The Personnel of the Concern.

"The efficiency, training and ability of independent judgment of the personnel of the Kreuger concern, especially as regards the men holding leading posts in Sweden and abroad, can not be too strongly emphasized in this connection. Mr. Kreuger has fully realized the impossibility of devoting personal attention to details of his vast concern and the importance of obtaining men of sound judgment and high qualifications as his lieutenants and helpers. With his exceptional flair for human ability and character he has succeeded in surrounding himself with men of unusual qualifications and experience, each in their respective departments. To these assistants, once tried and found good, he gives a wide margin of independent responsibility whether it is a department director in the head office or a manager of a distant concession or branch office abroad. In matters of real importance they consult their chief, but in general they are supposed to act independently. The full confidence granted them increases their sense of responsibility and loyalty, while their knowledge both of their lines of activity and of the general principles guiding the work of the concern as a whole make them executives of a kind seldom found within any other large international concern.

"With regard to what has been set forth above the
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often asked question: 'What would happen if Mr. Kreuger for some reason was unable to continue the management of his large concern?' may be shortly answered. There is no risk whatsoever of even a partial disorganization of the activity as a whole. The absence of the powerful guiding spirit would undoubtedly cause a discontinuation or a slackening of the present speed of expansion. The solidly built organization would, however, not be shaken. A continuation of the present activity on the profitable and safe lines laid down by Mr. Kreuger is fully guaranteed by the ability and knowledge and experience of his assistants.

It is unquestionably true that the men prominent in industrial concerns connected with Kreuger & Toll were skilled executives. To say, however, that he had surrounded himself with capable men in Kreuger & Toll was simply part of Kreuger's confidence game—his desire to make every one concerned with him believe that there were others who knew the whole story.

"Kreuger Concern Too Centralized.

"To any one who has really studied the organization this statement must appear erroneous. There are in fact probably few concerns which are so decentralized as the Kreuger concern where each company in which it is interested is managed more or less independently by people who have been trained in their particular work
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and who are expected to deal with all local or sectional problems on their own responsibility. The head office has become a clearing-house for information and for consultation in the case of important decisions and, of course, remains the final authority on main principles of business policy. But the experience of late years has been that in spite of the growth of the concern the directors are much less asked to deal with particular problems and are much more free to devote themselves to general policy. It must be remembered that it has always been Mr. Kreuger's policy to acquire control of large established companies which do not involve a burden of detail management on the part of the central administration.

"The Kreuger Concern Grows Too Rapidly.

"It is often said that the concern grows too rapidly. Mr. Kreuger himself once assured a journalist that 'we never grow for the sake of growing.' In looking at the development in retrospect it is easy to find a distinct tendency toward natural growth of the business. The Kreuger & Toll Company started as a contracting firm for house construction and similar work and this line of business still remains as an important part of the company's activities. City real estate and house property is connected with mortgage institutes and Kreuger & Toll gradually became interested in a large number of mortgage banks and has extensive real estate holdings in Sweden and abroad. It has, however, invested only in

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city property, both as regards actual ownership and lending.

“Mr. Kreuger partly through his family interest in the match industry effected a combination between the many small Swedish match companies. More than ninety per cent. of the production of matches in Sweden is exported and this made it necessary for him to take an interest in the situation of the world market. When after the War many countries increased their tariffs the position of the Swedish match industry became critical, but the Swedish Match Company was able to establish relations with national undertakings, producing matches behind the tariff walls and to establish its own factories in such countries. In several countries agreements had to be made with governments and it was found possible and advantageous to both parties to combine the acquisition of industrial concessions with the granting of government loans. These operations brought Mr. Kreuger into international finance on lines which were new not only to Sweden but to the financial markets in general, though they no doubt responded to the special needs of the post-war era.

“Partly in order to counterbalance the investments made in connection with international financing the Kreuger & Toll Company acquired large investments in good and established industrial companies, mainly Swedish, foremost among which are iron ore, cellulose and telephone companies. As regards the last mentioned
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interest, the well-known L. M. Ericsson Telephone Company, it lends itself to the possibility of arranging in foreign countries a combination of industrial concessions and government financing on similar lines to the concessions previously obtained by the Swedish Match Company.

"A firm of the international standing of Kreuger & Toll is constantly approached as regards all kinds of business propositions but the total amount involved in short term trading operations represents only about ten per cent. of the company’s assets.

"Control of the Kreuger Concern Kept in Sweden.

"It is often pointed out that although the shares in Kreuger & Toll Company and Swedish Match Company have been sold on practically all large markets the control is kept in Sweden by allotting more voting power to ‘A’ shares which are held in Sweden, than to ‘B’ shares which are held abroad. It is not usually understood that an arrangement of this kind is necessary in order to comply with Swedish legislation which prescribes that companies owning real estate shall not be subject to predominant foreign influence. But quite apart from these legal necessities it is probable that more expert knowledge, not only about the match business, but also about the investments of Kreuger & Toll, which to a large extent are in Swedish industrial concerns, will be found in Sweden itself. From a purely business point of view it is probable that in many cases government
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financing will be more readily accepted by the respective states if the firm they have to deal with is controlled by citizens of a small country which was neutral in the last war and which has no marked political interest other than the preservation of peace and order and does not belong to any political group of countries.

"Kreuger Policy Too Audacious.

"It is sometimes said that the Kreuger concern has taken undue risks in granting loans to countries in spite of uncertain political conditions. When this criticism is made the following considerations are overlooked:

"The loans to foreign governments represent less than thirty per cent. of the total assets, not only in Kreuger & Toll but also in the Swedish Match Company. In both these concerns the total of the loans is less than the total of the reserve funds. There are few if any companies in the world which have succeeded so well in spreading the risks over different kinds of investments as those belonging to the Kreuger concern. The predominance of commercial, industrial and banking investments obviously tends to reduce the risks which are thought to be involved in government financing.

"The loans granted by Kreuger & Toll appear to be particularly well secured. As has often been pointed out the Kreuger concern has adopted a kind of interconnection between industrial concessions and government financing. When the sole right of manufacturing, importing and selling matches within a country is ob-
tained, the government of that country receives in exchange a royalty on which the loan granted to the government is usually secured, in addition to the fact that the loan itself is a direct obligation on the part of the government.

"It has always been a difficult problem to establish effective contact between foreign financing houses which have issued loans for a government and the government itself. When formal measures of control are introduced the situation may easily become hateful to the people of the borrowing country. Under the system adopted by the Kreuger concern the security, the concession, is in the hands of the lender himself. There will thus never be the question of control from the outside. Furthermore, those who in the respective countries are responsible for the management of the industrial concessions maintain contact with the government as a part of their daily routine. Through their activity and their contact with leading circles they are generally more able to form an opinion on the local position and to negotiate in a friendlier manner with the government than a foreign comptroller, who acts as the representative of a foreign financial and political power.

"It is very difficult to estimate what the effect of a war would be on great international undertakings. The Kreuger concern has, however, in a certain way a privileged position by the very fact that it possesses in the various countries real assets, factories, houses,
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etc., which, war or no war, must be utilized for supplying the needs of the population. The owners of real values appear to have gone more unscathed through the last war than the holders of government bonds provided with no tangible security. It would seem as if the Kreuger concern administered from a country which has no reason to carry on an egoistic nationalistic policy would be in a particularly favorable position if after a war it should have to enter into negotiations with the respective governments in order to reestablish regular connections.

"The Kreuger Concern Highly Speculative.

"Some people seem to think that the Kreuger concern is speculative and engages too much in new lines of business. Curiously enough remarks of an opposite character are also sometimes made regarding the concern: that it has been rather hesitant to give its support to new technical endeavors, as, for instance, to the development of new inventions, but has concentrated on old and well-established industries. As a matter of fact the Kreuger concern has both in its investments and its government financing proceeded on lines which are probably safer than those followed by other investment firms and financing houses.

"The public is sometimes misled by the fact that Kreuger & Toll distributes a dividend of thirty per cent., such a high rate being taken as a sign of speculation. It should be noted, however, that the average value
at which shares and debentures have been issued is about four times the nominal value and the dividend thus represents about seven and one-half per cent. of the paid-in capital while the total net profits in the consolidated balance sheet represent about eleven per cent. of the company's own resources. The profits obtained are thus to be regarded as very satisfactory but they give no indication of speculative ventures. . . .

"To-day it is sometimes said that the Kreuger concern has invested too large sums in Germany. It has important investments in German mortgage banks, it has participated in the issue of the Young Loan, and it has itself granted a loan of one hundred and twenty-five million dollars to the German Government. It is obviously the opinion of the Kreuger concern that whatever may happen to reparations, Germany will be able to repay the loans due to private individuals and firms.

"During the present acute trade depression most people see only the difficulties of the moment and are apt to forget the more reassuring features of the economic development. . . .

"The Kreuger Concern Too Much Dependent upon the Money Market.

"It has been observed that the company may from time to time be forced to raise capital on unfavorable conditions in order to obtain funds for its expansion. Naturally every financing firm will have to reckon with
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changes in the money market and will be more or less exposed to the waves of distrust or super-optimism which still characterize the investing public. The dependence upon the money market will, however, tend to become less in future years. The loans which have been granted to a number of governments are in practically every case annuity loans and therefore for every year the sinking fund will represent a large proportion of the annuity. The company will in that way automatically obtain funds which may be utilized for new investments.

"It should also be remembered that in the beginning of 1931 during the worst period of the world crisis the Kreuger concern put its ability of raising capital to a supreme test by carrying through successfully issues of new bonds and shares for a total amount of about one hundred million dollars which were absorbed by the Swedish and foreign markets without difficulty." (An outright lie.)

"Criticism Regarding Insufficient Reports on Kreuger Activity.

"A great deal of misunderstanding existing regarding the Kreuger concern depends upon an incomplete knowledge of its methods of work. That is not astonishing in view of the fact that the Kreuger concern has grown on lines other than those usually followed and has developed into an enterprise without counterpart in the history of finance. People are always apt to regard their
own traditions and methods as the last word and are naturally disinclined to look with favor on anything new and original. But progress in the financial world as in the technical can only be achieved by new endeavors. The Kreuger concern can in all fairness demand to be judged after a close study of the facts as revealed by its annual reports and other published statements. It must also be admitted that the annual reports provide very clear and comprehensive data about the position of the different companies. The holdings of shares in the various Swedish companies are shown and the annual reports of these companies follow the best traditions in publishing detailed and clear information. As investments in Swedish companies and government bonds represent about three-fourths of the total assets it will be seen that the charge of secrecy as leveled against the Kreuger & Toll Company is anything but well founded.

"Comparisons between the Kreuger Concern and Other Similar Groups.

"One often hears or reads comparisons between the Kreuger concern and other similar large groups formed by well-known financiers in various countries, many of which have collapsed and disintegrated with the disappearance of their chief organizers and leaders. Expressions of apprehension are often voiced to the effect that if Mr. Kreuger were to leave the management of his concern it would undergo a similar fate. Even a superficial comparative study of the Kreuger com-
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bine with the others mentioned shows the shortsightedness of such remarks. While the Kreuger concern is a combine based on solid foundations arisen through organic growth and firmly welded together with all imaginable safeguards, the others were groups of heterogeneous interests without cohesion of interior organic affinity, many of them of doubtful stability. In many cases they were acquired while in a state of decay.

“The principles of acquisition of the Kreuger concern have been diametrically opposite: only large established and solid companies have been acquired with a view to obtain sound and indestructible industrial values requiring a minimum amount of personal attention and management on the part of the leader.”

This then was the manner of information which led the public to place blind faith in Kreuger and his concern. These outright lies were driven into the mind of the investor: the Kreuger concern was run in open-faced fashion, its statements gave a clear picture of its position, Kreuger was not a speculator, he had surrounded himself with capable and intelligent men, some of whom had a complete picture of the whole structure, the Kreuger structure had grown gradually and naturally. “Conservatism” was the keynote of the Kreuger song and it soothed the troubled ears of the world.

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THE SAME disregard for all ethical considerations which made Kreuger dishonest in his business dealings allowed him to indulge in the private life of a libertine.

Just about the best which may be said of his seamy private conduct is that it was no better and no worse than that practised by many another wealthy bachelor in the by-no-means prudish cosmopolitan world in which the Match King lived. Just as Kreuger's conduct in business must be judged by the standards of Big Business, rather than by the strict moral standards of the local bank cashier, so his private morals can properly be judged only by the ethics, or lack of ethics, of the wealthy cosmopolitan sphere rather than by the strict moral standards of the small town. The public, always as ready to shatter its idols as it is to erect them, is naturally inclined to judge Kreuger by the standards of the ordinary individual, rather than by the standards of that fantastic world, so incomprehensibly loose in its ways, in which the man actually lived.

It may also be said to the credit of the Match King that he was simultaneously delicate enough to be sly
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about his immoralities and honest enough not to pose as a model of personal propriety. He simply kept his private affairs strictly to himself, as is the right of every citizen, and let the world do its guessing. And the fickle public, which had hailed Kreuger as a financial genius without knowing anything about the fundamentals of his business, by the same sign hailed him as a moralist. It was a well-earned shock for the world to learn that the Match King had not only been a Wallingford but a good bit of a Casanova to boot.

Very little was known about Kreuger’s private life while he lived and that little was largely based on hypothesis. Kreuger’s private agents and some of his more honorable business associates knew that he lived “the life of a wealthy bachelor,” that he had his lady friends, and they considered it natural rather than unnatural that he should have his little sprees. They admired him for his “discretion” in concealing his escapades and smiled to themselves at the thought that even the Great Kreuger was human enough to be naughty.

The public knew absolutely nothing about the private habits of the man. In Stockholm it was generally known that he had had several affairs, that he sometimes indulged in the company of common women, and it was thought rather probable that he maintained mistresses. At the same time he was known to devote much of his time to business and when the lights showed from his apartment at Villagatan 13 until early morning his

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neighbors took it for granted that he was either reading or working. The outside world, on the other hand, conceived the idea that he was a being apart, an utter stranger to the weaknesses which drive ordinary men into wasteful indulgence. His explanation that he was "too busy" to marry carried the implication that he was in love with his business, that his bachelorhood was a sort of sacrifice to High Finance. It was a fascinating illusion, this; the picture of a mighty man sacrificing himself to the establishment of a financial empire, forgetting the petty things of life, a veritable "monk" of business.

While Kreuger continued to be a Big Man his very power defied the attempts of busybodies to pry into his private affairs, but once it was shown that he had been a criminal, and a miserable bankrupt in the bargain, it did not take long for the sensation mongers to unveil his private life. What had once been a man's own private business became the common property of every muckraker.

It was the one woman to whom the fickle Kreuger had been comparatively faithful who first broke the ice by revealing the intimate details of her life as Kreuger's mistress. The half-million kronor which the Match King had bequeathed her in his will were not worth five cents and she excused her revelations with the very practical explanation that she needed the money for the support of herself and her daughter.
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There were many other clues to the manner in which the mysterious magnate had spent those evenings when the neighbors on Villagatan had believed him to be buried in contemplation. No sooner had it been announced that Kreuger was a bankrupt than aroused young women, resident in all corners of Europe, began to bombard executors of the Kreuger estate with letters, demanding to know why they had not received their regular "allowances" from the Match King. Then the desk in Kreuger's private study gave up a little treasure in gold hand-bags, diamond rings and brooches, and other feminine trinkets, some of which were valued at several thousand dollars. A drawer in the penthouse on Park Avenue was full of photographs from studios specializing in theatrical work inscribed with such pleasant epitaphs as "To darling Ivar," "With all love" and so forth. It was evident that the Match King had been collecting such photographs for many years. Only a sense of propriety on the part of the authorities and the fact that the women with whom Kreuger had been involved were still alive kept the whole story of his escapades from being aired. As it was many a gentle heart must have fluttered with concern at the thought that everything might be told.

It is not astounding that Kreuger was a libertine for he had all of the qualities necessary to being one. He was possessed of a distinctly sensual nature, a love for the exotic, an utter disregard for all moral restrictions,
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and he had the wealth and position which made it possible to indulge his senses without restriction or danger of public censure. That same dynamic energy which impelled him to do things on a magnificent scale in his business life drove him to do extraordinary things when he turned his attention from the arduous task of money-making. The drab atmosphere of the little city of Kalmar was by no means conducive to levity and he must have felt an all too strong desire to take advantage of the liberty which came of escaping from those surroundings. The difficult years which he spent abroad during his young manhood were certainly not designed to breed any delicacy of taste. Considering his life as a whole it would have been extraordinary had he been a strictly moral individual and it was little wonder that he was otherwise.

As a boy Kreuger was "quite a fellow with the girls" and he had some success as a gallant, his first affair of significance having been a romance with a woman much older than himself, a friend of his mother. When he went to Stockholm to attend the Technical High School he had that affair with a Norwegian girl, who appears to have won his heart completely. The accounts of that affair vary: some say that the girl turned him down because he was neither rich nor handsome; a more romantic version of the story has it that the prospective father-in-law told Kreuger to go out and show his ability to support a wife before going on with the affair.
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The latter story continues to the effect that Kreuger, having made his fortune, wrote to the girl’s father claiming her hand, only to receive a telegram in reply stating that his sweetheart was dead.

It was not until Kreuger returned to Stockholm from America that his romances began to give him much cause for contemplation. Like many another young Stockholm bachelor he played about town, picking up romantic affairs where he could find them and taking none of them more seriously than he would a good game of poker. It was the fashion then and it still is, to some extent, for prosperous young men to “sow their wild oats” good and properly before settling down into the sober existence of the Swedish middle-class life. Sweden, it is not inappropriate to note in this respect, still leads the more civilized nations of the world in its rate of illegitimacy, and Stockholm for a good number of years has maintained the astoundingly high ratio of one illegitimate child for every two legitimate children. This condition of things is not due entirely to the system of “trial marriages” which had been in vogue in Sweden for centuries before Judge Ben Lindsay first saw the light of day. Swedes themselves have never appeared to show any very deep concern over this social condition, taking it with the same stoicisn with which they take their long winter nights, bright summer nights, wild strawberries with cream, and pickled herring. However many good things may be said of the sobriety and

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decency of the Swedish bourgeoisie, it is not possible to
overlook this feature of the surroundings in which the
young Kreuger found himself.

One of Kreuger’s first affairs got him into consider-
able trouble, but he managed to scramble out of it suc-
cessfully and thereafter made it a practise to be more
cautious in his romances.

Shortly before the war he happened to meet Inge-
borg Hassler, a handsome young woman of twenty
summers who caught his fancy immediately. He lured
her with his opulence, treated her and her family hand-
somely, and finally made her his regular companion de
voyage, a position which she occupied rather steadily
until about three years before the Match King’s death.
“Inga,” as her friends call her, was scarcely the type of
woman whom one might have expected the growing
young magnate to choose as his steady consort. She was
far more interested in nice clothes, good food and having
a good time than she was in discussing serious matters such
as those which occupied the mind of Kreuger himself. He
appears to have liked her almost as much for her inabil-
ity to understand the details of his business as he did for
her physical attraction which at that time, according to
all accounts, was immoderately great.

An intermezzo in this romance was furnished by her
marriage to a Danish engineer named Eberth, but she
was soon back in Stockholm keeping company with her
friend and protector. Kreuger, who by this time had
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FRU INGEBORG EBERTH.
Kreuger’s mistress—or one of them.
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a public reputation to shield, barely escaped being named as correspondent in the divorce proceedings. After that the strange pair clung together, Inga with adoration and devotion, Kreuger apparently with the desire to have some one person to whom he could turn when he was fed up with the rest of the world. Just before his final departure for America he spent several hours in her apartment, smoking one cigarette after another, making disconsolate remarks about "tremendous business difficulties," and attempting to find some consolation in her ingenuous and adoring smile. Inga was on the far side of forty, not so fresh as she had been when she first gave herself to him, but she formed a haven in time of trouble. There was a strange yet somehow natural liaison between the unscrupulous and hard-hearted giant of crooked Big Business and this smiling handsome woman who gave herself to him so whole-heartedly and instinctively tried to relieve him from the strain of another life which was utterly foreign to her.

It was worthy of Kreuger, benefactor of nations, that he left this woman whose life he had so completely subjected to his own without a penny to her name when he died. There was bitter retribution in the fact that bare necessity drove her to tell everything that she knew about Kreuger, giving the world its first definite proof that Kreuger had been leading a double private life.

Inga was evidently the most permanent female fixture in Kreuger’s life but she was only one of the dozens of

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women who helped him to forget the cares of business. He knew and was on intimate terms with all manner of women: actresses, women of the gutter, Broadway musical-comedy stars, other men’s wives, brilliant and accomplished mistresses, pretty stenographers and opera divas. Again he enjoyed the company of many good and fine women whose relations with him were those of friends, and he spent the final evening of his life with a young Swedish woman from Helsingfors, whose reputation as a lady would not have been marred by association with a dozen Kreugers. His gentlemanly charm and intelligence gave him as much attraction for women of the better type as did his money and reputation for women of the lower caste.

Kreuger arranged his harem with the same “genius for organization” with which he arranged his financial empire. A château on the outskirts of Paris was inhabited by a former Stockholm actress whom he had “financed”; his Irish mistress in Paris was a woman of good family distinguished for her beauty, her charm and her connections. In New York he found relaxation in the charming company of a demure and strikingly attractive woman of poise and breeding. At various times other women were maintained in Berlin, Brussels and London—willing slaves to the wishes of the indefatigable Mogul from the Far North. He supported them handsomely and the first word of complaint came after his death when their allowances were suddenly cut
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off and the debentures which he had given them had sunk to almost nothing on the stock exchanges. These women shared the blow of Kreuger’s death with the others who had been interested in him only as a “good security.”

His hide-out in Stockholm was established under extraordinary circumstances. A German woman, at whose home he had stayed as a young man, was in financial difficulties following the death of her husband and had been reduced to scrubbing floors. Kreuger heard about her troubles, immediately sent for her, and explained that he was looking for a capable person to supervise a new apartment which he was opening, “for my friend, Mr. Jordahl from America, who often visits Stockholm.” The good woman helped her benefactor to find a nice apartment at Eriksbergsgatan 44 and fitted it out with what she considered to be handsome furniture. Kreuger, however, was dissatisfied and made her exchange it for more elegant pieces. Finally the place was ready and the housekeeper settled down to await Mr. Jordahl. But “Mr. Jordahl” turned out to be a regular collection of women, accompanied by the Match King. As was the case with Kreuger’s helpers in business his benefactions had their price. The housekeeper was disgusted but didn’t care to go back to scrubbing floors.

Kreuger liked elegant women but he also indulged in the company of women at whom his more luxurious mistresses would have turned up their dainty noses. Even during his lifetime there persisted in Stockholm the story
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of how he passed out one thousand kronor Swedish bank-notes to casual women whom he encountered, not only in Stockholm but in Berlin, Paris and Amsterdam as well. Women of the demi-monde boasted to their sorority sisters of having been invited to his places for dinner, invariably adding that they had been treated like ladies and presented with thousand-kronor notes at the conclusion of the evening.

One of Kreuger’s greatest fads was champagne, and he could drink bottles of it without appearing to be the worse for wear. When he was in strange cities where he was unlikely to be recognized he enjoyed touring the night clubs in the manner of an American college boy freshly arrived in Paris, buying bottle after bottle of the sparkling wine for the “hostesses” and amusing them with naughty stories in French, German or English—depending upon where he happened to be. It was seldom that any one recognized him as the prominent gentleman who discussed affairs of state and dealt in millions during the daytime. On one notable occasion in 1923 he made the Broadway amusement places every night for three straight weeks, overcoming the ennui bred of daily dealings with Wall Street bankers.

The Match King’s discretion showed itself in the manner in which he chose his company for these adventures. Often he went out alone, at other times he was accompanied by his more intimate business agents, almost invariably he avoided letting his more respectable
business friends have any idea of how and where he spent his time after hours. When, as was often the case, he traveled with important Swedish and American business men he made it a practise to part company with them before dinner-time in the evening, excusing himself when necessary with the explanation that he had some business to which he must attend. They invariably took it for granted that he was going to meet other business associates, never dreaming that he was bored with their company and was going out to have a good time in his own way. Likewise his own family and relatives in Stockholm took his rule not to accept any dinner invitations in the solemn belief that he was taken up completely by his business. One banker associate did stumble on a clue to the real Kreuger by happening across the drawer full of actresses' photographs in the New York penthouse but thought little of it because Kreuger was a bachelor.

It is almost paradoxical that Kreuger should have indulged in such an exotic private life and at the same time should have been so moderate in other ways. Generally the same nature which leads a man into gross dissipation will lead him into other weaknesses of a more detectable sort: the display of wealth, if he has it, and the indulgence of other more orthodox appetites. It was one of Kreuger's most unusual characteristics that he combined the modesty and the tastes of a perfect gentleman with those of a debauchee.
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While Kreuger's apartments in Stockholm, Paris and New York were large and comfortable they failed by far to come up to the usual standard of Fifth Avenue millionaires' homes. His two country places in the neighborhood of Stockholm were likewise modest affairs, by no means as imposing as the Long Island and Hudson River mansions of his New York acquaintances. In ordinary circumstances he ate and smoked with moderation and limited his drinking to champagne, a highly intelligible weakness. His other gustatory delights were Russian caviar and sweet things, in both of which he indulged almost to excess. When he had gone out to dinner one evening he forgot himself and gobbled up an entire bowl of chocolates which stood on the table, before the soup was served. His favorite luncheon consisted of sweet buns and coffee, preferably eaten while he was working. He detested cigars and smoked cigarettes nervously, lighting one, puffing it a few times, and then lighting a new one. His chief sources of delight in the way of personal possessions were those two handsome Rolls-Royces and the trio of motor-boats, one of which was capable of doing sixty miles per hour and cost him twenty-five thousand dollars. This treasured plaything was later knocked down for a price of less than two thousand dollars in a post-mortem auction. Considering the fact that Kreuger at one time controlled more than a billion dollars and was personally worth tens of millions of dollars it can scarcely be said that he show-
ered himself with luxury. The remark of an American associate that “Kreuger lived like a cheap bank clerk in comparison with other multi-millionaires” was not very far wrong.

It will always be something of a mystery how the Match King got time for everything which he did. That Kreuger read copiously was no mere myth, a fact to which any one who personally knew the man could testify without hesitation. It is also a fact that he spent many long nights dwelling on his business plans; that the lights at Villagatan 13 really did mean “work” on many occasions. When he was in Stockholm he was at the Match Company early and late, holding conferences, barking orders over the telephone to his agents in foreign countries, and handling details which in any other business would have been relegated to subordinates. On his trips abroad he was in constant contact with his headquarters in Stockholm, with his official representatives in other countries and with the numberless “secret agents” who constantly worked under his direction. In his later years he was a “marked man,” known to businessmen and hotel clerks alike in every corner of Europe and in the financial centers of America. That he managed to elude the public gaze long enough to carry on activities of the kind of which he was later found guilty was little short of a marvel.

Kreuger was not the first great man to have mistresses and to indulge in dubious romances, but he was one of
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the few truly prominent men to carry on major and secret immoralities in private life without having them known or suspected by the world at large until after death. Had Kreuger not been a failure in his business career it is probable that those "private immoralities" would have gone with him to the grave, unsung by paramours and unsuspected by the idol-worshiping public. Kreuger stood convicted of having been a rake in the same court in which he was found to have been a bankrupt.
XI

A SERMON TO THE WORLD

The Match King made an unusually pleasant figure in the business world if only for the reason that he was as articulate as most business men are inarticulate. Big Business itself will probably say that Kreuger was garrulous and that his outspokenness on many occasions was the sign of a "business quack," but a study of his pronouncements shows that his mind was capable of sound reasoning and that his pen was as capable as it was facile.

The annual reports of Kreuger & Toll and of the Swedish Match Company were the masterpieces of a born essayist, cleverly devised to enlighten the world not only as to his own personal aims as a business man but also in regard to what was ailing the world itself. His consummate forensic ability was shown in subtle innuendo, the careful weaving of established fact with personal opinions, and in the easy manner in which he discussed involved topics of world importance in terms intelligible to a college freshman.

Kreuger's outstanding literary product was the Kreuger & Toll annual report for 1930 in which he reviewed the causes of the crisis, pointed the way out of
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it and finally led up to a project which would have saved him, at least temporarily, from the dangers of a showdown: namely the establishment of some system whereby the value of foreign government securities could be regulated and maintained at a relatively stable level. It is notable, in this connection, that J. P. Morgan & Company, the concern which forced the Kreuger showdown, was itself a leader in such a movement several months after Kreuger’s death.

This masterpiece of logic and reason was the more magnificent considering the fact that it was produced by the brain of a man who at the time was not only a swindler but the world’s most ambitious forger, the author of more than twenty-eight million pounds sterling of bogus bonds, as well as of the most fictitious balance sheets which had ever seen the light of day.

The Directors’ Report for the Year 1930 reads as follows:

"The Board of Directors of Aktiebolaget Kreuger & Toll herewith submit their Annual Report for the year 1930, the Company’s twentieth year of business.

"The economic crisis which made itself felt strongly during 1929 has during 1930 become still more severe and has extended its influence to practically the whole world. At the end of the year no clear signs of improvement in the general economic conditions were as yet apparent. This is not surprising, considering the slow
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progress made toward removing the main causes of the crisis.

"While undoubtedly the causes of the present world crisis are numerous, it seems as if two of them are of dominating importance. One of these causes arises from the fact that through the manner in which the exchange values of different currencies were stabilized after the war a lack of equilibrium in the international balance of payments has been created. This has meant that the stability of the international credit structure has been seriously damaged. It is, for instance, evident that the relative power of competition of Great Britain in the domestic and foreign trade to-day is much less than it was before the war. This fact has resulted in a constantly growing excess of imports over exports, whereby Great Britain's normally very large surplus in balance of payments has nearly disappeared. Considering that Great Britain, in the question of foreign assets, is by far the wealthiest of all countries, having practically as large an amount of foreign holdings as all other creditor countries combined, these conditions must be considered as entirely abnormal. As a consequence, Great Britain with its highly efficient machinery for international financing has had to restrict its foreign lending, and other creditor countries have been unwilling or unable to fill the place of Great Britain in this respect. The result has been lack of purchasing power and general depression in many of the economically weaker countries, so that economic
conditions in other countries as well have been unfavorably influenced. A rapid restoration of Great Britain's financial power would without a doubt be to the advantage of the world in general, as any surplus funds in the hands of British financiers would most certainly be lent to foreign countries in need of purchasing power. As in the case of Great Britain, Italy has also been handicapped in the competition through the exchange value of the lira having been stabilized at too high a level."

Here Kreuger added insult to injury. In Fascist Italy men were sent to Lipari for saying that Mussolini had stabilized the lira at an excessively high rate "just to make the lira higher than the franc." Kreuger, however, had already told the Italians pointblank that he could not loan them money because of the conditions of the money market and then had proceeded to forge those treasury bills, indicating that he really had given them an enormous loan. One other little slap at them, and at Morgan who had helped to stabilize the lira at "quota novanta" and to keep it there, was nothing to the Match King.

"Though Germany created for herself an entirely new currency it may be said that, owing to the unsettled economic conditions at the time, the purchasing power of this currency was stabilized in such a way as to give to the German mark too high an exchange value. On the other hand the United States has undoubtedly got its
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power of competition greatly strengthened not only through the way in which stabilization of exchanges has taken place but also through the intense development of mass production. As a result of these and some other factors, such as the change of the United States from a debtor to a creditor country, the balance of payments of the United States has, since the war, been increasingly positive. In the last few years France, through reducing the exchange value of the franc, has created for herself a position similar to that of the United States. The increasing economic power of the United States and of France could have formed a basis for a considerable amount of international financing, but in so far as such a development did not take place to a sufficient extent it has led to a constant flow of gold to these countries, particularly during the last two years, with all the depressing and disorganizing effects of such a movement. It seems, however, as if ever-widening circles in the United States and France were beginning to realize that these countries may, to their own advantage, assist in the establishment of an international equilibrium by effecting such changes in their financial machinery as to make it capable of dealing with the surpluses in their balances of payments and also by adopting a policy of credit expansion in case of need, thereby avoiding the importation of gold. In some cases legal or customary restrictions based on experiences of a period which knew little of the problems with which we are faced to-day make
it impossible for the competent authorities to take the appropriate measures; it seems obviously desirable that such antiquated restrictions should be removed, if necessary by a change in national legislation.

"As a second dominating cause of the crisis must be considered the inadequacy of the present monetary policy to cope with the difficulties which present themselves during a period of rapid increase in savings and in production. Savings are without a doubt necessary for economic development, but they will exercise their beneficial effect only if provisions are made for directing those savings into proper channels. In every country the average individual has a certain desire to save, i.e., to produce more than he consumes, and the instinct of saving seems to grow stronger the more a country develops economically, but when the savings increase rapidly it may easily happen that the machinery for employing the savings usefully in production proves insufficient. Instead of the savings being employed for the provision of new articles of consumption corresponding to the needs of a population with an increasing standard of living and also for capital investments, these savings may still be utilized simply for increasing the volume of existing commodities, the demand for which is but slowly expanding. The danger of such a state developing is naturally particularly great during a period of rapid technical progress like the present one. In practically any line of production, whether industrial
Kreuger arrives in Paris on his way to America in the winter of 1931.
or agricultural, the progress that has been made is so great that with the same number of people employed the production, even without any large capital investments, will show a steady increase. Only in exceptional cases and under certain conditions does the consumption per individual of any special article increase at the same rate as the production. The consequence is that for every year each special line of business is able to give employment to a smaller part of the total population and, unless an economic policy is carried on which stimulates new enterprises and capital investment, practically all lines of production will suffer from an increasing production surpassing the possibilities of disposing of the output which thus leads to a certain amount of unemployment and capital devastation. As a striking example of the modern tendencies of rationalization it may be mentioned that according to official statistics the total physical output of Swedish industries increased by thirty-two per cent. from 1920 to 1927, while during the same period the number of workers employed in those industries fell by two per cent. It is not always realized that a limitation in the demand for industrial workers will react most strongly on the position of agriculture. The higher birth-rate of the agricultural populations ought to make it a normal feature of modern economic development that there should be a constant stream of workers from agriculture to industry. If that stream is impeded by a reduced demand for new hands in in-
industry, an abnormally large proportion of the population will be employed in agriculture with the consequent increase in agricultural output and this increase, given the inelastic demand for agricultural products, particularly in a period with a more stationary population, may easily lead to real over-production. No factor is of more importance for the industry’s capacity of receiving agricultural workers than the ease with which industrial companies can obtain new funds by increasing their share capital. It seems only reasonable to conclude that, at least for a country which is a sufficiently large producer of agricultural products to exercise a strong influence on the price level of such products, sound conditions on the stock-market are essential for the prosperity of agricultural producers. The lending to foreign countries has a still greater bearing on the agricultural situation in the creditor countries as such lending, through stimulating exports, not only facilitates the flow of the surplus of agricultural workers to industry but also influences more directly the world price level of agricultural products.

"In no country has the natural saving capacity and therefore the dangers of over-production been increasing to the same extent as in the United States, and this has been the case particularly since the war. In addition to individual and voluntary savings there are factors working to create each year considerable sums of forced savings. The constant progress of all the different
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branches of insurance and the immense funds amassed by the insurance companies constitute for a nation forced savings of which the individuals are more or less unconscious. Another large item of forced savings is represented by the yearly amortization of the federal debt of the United States, averaging for the past five years not less than nine hundred million dollars a year. On the other hand, it must be remembered that the United States to-day is industrially perhaps more fully equipped than any other country in the world and capital investments in the older branches of industry will, therefore, in the future, probably show a declining curve. Another change of far-reaching importance is the reduced birth-rate and, still more, the reduced immigration which diminishes the need for capital investments in older industries and therefore makes it still more imperative to create favorable conditions for the establishment and expansion of new industries as well as for foreign lending.

"It is natural that the problems of production in excess of immediate marketing possibilities did not make themselves felt during the years immediately after the war owing to the great amount of reconstruction work which had to be done during this period. Another factor of importance working in the same direction has been the rapid advance of the automobile industry which has provided new possibilities for capital investments not only in the industry itself but also in the auxiliary
branches, such as the oil and steel industries, and above all through the enormous amounts spent on the improvement of highways. It is estimated that present capital investments of this nature in the United States exceed fifty billion dollars. Finally the tremendous growth of the system of instalment payments in recent years has, as long as the system was expanding, had the effect of appreciably increasing the consumption of numerous articles. It seems as if these factors have all ceased to exercise their stimulating influence at practically the same time. A period of adjustment of the economic life in the United States ought, therefore, to have been a natural development during the year 1929, but that this adjustment has taken the form of the present violent crisis is undoubtedly due mainly to the financial policy carried on during the period preceding the outbreak of the crisis.

"Some difference of opinion exists regarding the effectiveness of any monetary steps in combating a general economic crisis. It can not be doubted, however, that a policy of low rates of interest and low capital return constitutes an effective remedy against a crisis like the present one, provided it can be applied to all different branches of credit and investments. This is rarely the case, and during the last years, in spite of very low rates for short-term money, the interest rates for long-term investments, particularly in the case of foreign investments, have remained abnormally high. These conditions indicate serious defects in the financial machinery which
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can not be explained solely by pointing to unfavorable political events, which, in many cases, are more the consequence than the cause of the present financial disturbances. As a matter of fact, the economic structure of the world has gradually changed since the time when present banking traditions were established so that these traditions no longer correspond to modern conditions. The disappearance of the great merchant houses and private bankers, who had a wide latitude in the choice of their investments and who were dominating factors in the economic life of the country and the substitution for them of industrial corporations, large deposit banks and insurance companies, all of which are more or less restricted in the use of their funds to clearly specified investments, have tended to divide credits and investments into different classes which have very little connection with each other and to make the whole economic structure more rigid than previously. The consequence is that to-day, at any rate in some of the creditor countries, the central banks are not in a position, except very slowly, to influence the yield rate of the two most important branches of investment, i.e., common shares and foreign bonds. There are ample reasons why the central banks should have no direct influence on the stock-market quotations, but similar reasons do not seem to exist in regard to foreign bonds. The regulating of the foreign bond market, which is virtually the same as the regulating of the movements of gold, ought to be one of the chief tasks of the central bank in any creditor coun-
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try, and there seem to exist no valid reasons why foreign bonds should not be made, in some form or another, the basis of credit with the central banks. In those countries where banks or insurance companies either through regulations or through traditions are prevented from acquiring foreign bonds, a more liberal policy in this respect should undoubtedly be of great value. It is unfortunate to exclude from the ownership of foreign bonds such institutions as are best able to judge their merits and it is unreasonable to expect that the public, after the experiences of the last few years, should quickly regain confidence in this class of securities unless some leadership is exercised by competent institutions. No problem is at present of greater importance to the whole world than that of restoring normal conditions to the foreign bond market. A revival of this market should, for the creditor countries, immediately have a beneficial effect on the export business, but by far the most important result would be the removal of one of the chief factors which is now constantly depressing the price level for commodities. For this purpose the help of government and central banks is essential but, apart from any steps which may be taken from official sides, there is a great field for private enterprises to improve and supplement the present machinery for international financing. It has for a number of years been one of the foremost points in the program of Aktiebolaget Kreuger & Toll to contribute in a small way to this work through one of its branches of business. . . .”

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Kreuger’s bluff was called by a series of three unhappy circumstances, none of which alone could have caused his undoing. If it had not been for what happened between October 26, 1929, and the end of June, 1931, Kreuger might have died in honor at a ripe old age.

The first event which helped to cause his ruin was his decision in the fall of 1929 to grant Germany a loan of one hundred and twenty-five million dollars. The second was the sudden bursting of the Wall Street bubble in November of that year. The final circumstance in the triumvirate was his attempt to deal with Morgan & Company.

Kreuger had sentimental as well as material motives for dealing with Germany. His self-esteem had been tickled by the momentous success of his seventy-five-million-dollar loan to France in 1927 and he longed to try his hand at another man-sized job. The financial position of France in 1927 was quite as precarious as was that of Germany in 1929. He had won in his first great gamble and there was good reason to believe that he might win again. Kreuger had speculated in Ger-
many during the period of inflation and had won tremendous profits, running into tens of millions of dollars. He had faith in Germany’s ability to set her house in order, and knowing the Germans he believed that there existed the will necessary to accomplishment. Such a loan as that to Germany was completely in line with Kreuger’s whole policy of encouraging international stabilization. Without money Germany might immediately be plunged into a hopeless mess; with the money which he could advance her she would be given a fresh chance to consolidate her position. Finally such a loan would add another great monopoly to the system which had already been created in connection with the Swedish Match Company.

Kreuger first consulted his American banking connections and received from them a tentative promise of assistance. Then on October twenty-sixth he signed an agreement with the German Government whereby he pledged himself to lend the Reich one hundred and twenty-five million dollars, fifty millions to be paid August 30, 1930, and the remaining seventy-five millions to be paid May 29, 1931. The only condition he put was that Germany must ratify the Young Plan before the end of the following May. International Match was to pay fifty millions of the loan while Swedish Match and Kreuger & Toll were to share responsibility for the remaining seventy-five millions.

France thoughtfully redeemed her seventy-five-
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million-dollar loan in April, 1930, supplying the necessary funds for the payment of the first instalment to Germany. It was manna from Heaven.

Kreuger fell in love with his reputation as a "benefactor of nations," and it was in the desire to increase this reputation, as well as to make his German investment more secure, that he threw himself into the task of assisting the Reich in her other difficulties at the end of 1929 and the beginning of 1930. He gave "good will" in the same measure in which he had given of money and definitely established a place for himself as an unselfish angel of mercy. His first step was to assist the Reich in obtaining a short-term credit of one hundred and twenty-five million dollars from American bankers and although he himself did not subscribe any of that sum it was largely thanks to his promptings that the bankers agreed to swing the deal. His next opportunity to act as Germany's "Big Brother" came early in 1930 when the French and the Germans were discussing reparations at the Hague.

Curtius and Tardieu asked Kreuger to come to the Hague and when he arrived they asked him to agree not to make a capital issue to finance his German loan until after the Young Loan had been floated. This Kreuger agreed to do although it emphatically called for sacrifice on his part.

At the same time there were other hindrances in the way of full agreement between the Germans and the
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French. As usual the representatives of the two countries were finding it difficult to understand each other’s view-points and there was a danger of another fiasco, such as that created by Snowden’s previous refusal to compromise on the payments owing to Great Britain. Kreuger lent his services as mediator and, due in no small part to his calm and soothing presence, an agreement was reached.

Even this was not all that was asked of the great benefactor from the Far North. Flotation of the Young Loan was not meeting with any too much enthusiasm in the money marts and there was a strong possibility that it would not be fully subscribed without additional assistance. Kreuger was asked if he could help and again his answer was in the affirmative. He would take care of one hundred and ten million kronors’ worth of the bonds. Kreuger & Toll itself took over fifty-six millions’ worth while fifty-four millions were sold on the Swedish market.

Paul Renaud mounted to the rostrum of the French Senate and publicly lauded Kreuger for the part he had played in making the Hague negotiations successful. Kreuger was plainly “tickled pink” by this big diplomatic stunt and told his intimates about it without attempting to conceal his satisfaction.

It was toward the end of the year that Kreuger must have seen the first shadow on the wall. The bear market which had been raging almost without interruption since
the autumn of 1929 had forced down the value of his foreign bond holdings. Collateral which he and his associates had placed with banks for loans with which to support Kreuger & Toll securities had had to be increased. His speculations had gone awry. It was increasingly evident that another debenture issue would not be even partly absorbed by the market. For once he was short of ready money.

Meanwhile the bears who had been working on his stocks had had good talking points. In September, 1930, the Hitler elections agitated Germany, gave rise to a fear that Germany might renounce all debts both public and private. There followed Germany’s ill-timed attempt to form a customs union with Austria, and France’s withdrawal of credits from Austria with the consequent failure of the Osterreichische Creditanstalt in May, 1931. While all of these events were occurring the price of foreign bonds was tumbling and Kreuger’s capacity to borrow was being increasingly restricted.

Even as late as Kreuger’s death Germany was still servicing her debt to Kreuger, but the world of finance was not looking ahead to any such development as Kreuger approached the date of the seventy-five-million-dollar second payment to Germany. Wall Street refused to consider any direct support of the German venture. International Match Corporation, which had been turning over all of its funds to Kreuger for investment, did manage to float a fifty-million-dollar gold debenture
issue in January, 1931, providing the twenty million dollars remaining on her tranché as well as about thirteen million toward the Swedish companies' share. The Swedish Match Company also made a new issue of nine hundred thousand shares in January but the market failed to absorb them, forcing Kreuger to spend money in support of the issue.

On March sixteenth, Ake G. Wickman, assistant director of the Börtzell Printing Company in Stockholm, received a summons to Kreuger's apartment.

"I have a little job to be done but it must be kept strictly secret," Kreuger told Wickman. "The job must be done here because it would be impossible to keep it secret in a political center. Here, look at this." Kreuger rummaged around on his littered desk and finally produced a sheaf of telegrams and letters purporting to hail from Italy. One letter bore what looked like Mussolini's extraordinary signature. Kreuger then proceeded to explain that he wished to have lithographed forty-two Italian treasury bills, each with a face value of £500,000, as well as five other certificates of indebtedness from the Italian monopoly administration each with a face value of £1,533,700. He gave Wickman an envelope with the Italian coat of arms on the back of it, and told him to reproduce it at the top of the certificates. Kreuger wrote the texts of the documents, referring to some papers which lay beside him. They were written in English, only the name of the monopoly and the title of
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the director, “Direttore Giovanni Boselli,” being written in Italian. That was one language which Kreuger did not know.

When Kreuger later received the blank bills he told Wickman that they would be sent to Italy for the signatures of the proper authorities as soon as political conditions admitted. “This is really one of the most satisfactory achievements of my career,” the Match King told the printer. “I feel that I have helped to create agreement among the powers.”

Then Kreuger sat down and laboriously forged the signatures of Giovanni Boselli and Finance Minister Mosconi to the forty-two treasury bills, the name of Boselli alone to the other bills. And he did an extremely bad job of it, writing Boselli’s name in about five different ways, with both one s and two s’s. He did not know enough about Italian statesmen to realize that they all signed their names in extraordinary fashion and he consequently made the altogether natural mistake of making the M in Mosconi look like an M instead of like an N, as did Mosconi himself. It was the most audaciously unlawful thing of which Kreuger had ever been guilty.

Having done this, Kreuger prepared his banking associates for the shock of seeing £28,668,500 worth of paper of which they had never before heard by letting them know that he done some business with Mussolini. It was a most delicate matter, he explained, because it had something to do with the arrangement of a naval
treaty between France and Italy. Only Mosconi, Mussolini, Boselli and himself knew of the deal, he told one Swedish banker. Donald Durant, American director of Kreuger & Toll, was cautioned against letting any one know of the agreement.

Some nine million pounds of these bonds were used in dressing up the consolidated balance sheet of Kreuger & Toll for 1930. A total of fourteen millions were later to be assigned to the Continental Investment Corporation to give it something in the way of real assets to show for the tremendous sums which it had taken from the American International Match Corporation.

Kreuger next turned to the Swedish Riksbank, an institution with which he had always been on somewhat distant terms due to his sworn policy of doing everything in secrecy. In April, 1931, just before the payment to Germany fell due, he asked the Riksbank for a loan of twenty million dollars against the German bonds which he had already secured upon making the first payment. The Riksbank told him what it should have told him: that its business was to assist orthodox Swedish banking institutions and not to deal with private individuals. Then Kreuger turned to the Skandinaviska Kreditaktiebolaget, a bank in which Kreuger & Toll held one-ninth of the stock. After some discussion this bank let him have thirty million dollars and it, in turn, was given rediscout facilities for twenty million dollars by the Riksbank. Thus Kreuger managed to relieve the tre-
mendous strain presented by the final payment on the German loan, but in so doing he strained his credit to the breaking-point.

The next hurdle in his path was the payment of dividends on his debentures, due on July first. With his eyes ever westward in times of need he sailed for New York and went into conference with representatives of the International Telephone & Telegraph Company, a Morgan controlled concern. While the text of his agreement with that group was never made public the general idea of it was that I.T.T. and the Ericsson Telephone Company, the giant Swedish concern which had come into Kreuger’s power in 1930, were to effect a change of stock, I.T.T. receiving six hundred thousand shares of Ericsson stock while Kreuger was to receive four hundred thousand shares of I.T.T. What actually happened was that Kreuger placed six hundred thousand shares of Ericsson to I.T.T.’s account in Skandinaviska Kreditaktiebolaget and received a payment of eleven million dollars from I.T.T. in cash.

Kreuger received this cash at the end of June and hurriedly cabled to Stockholm to cover payment of the dividends falling due on the first of July.

There was a delicate feature to the Ericsson agreement. The six hundred thousand shares of Ericsson which Kreuger placed at I.T.T.’s disposal included four hundred and ten thousand “A” or voting shares, constituting the controlling interest in Ericsson. According to Swedish
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law no concern owning real estate in Sweden is allowed to be in foreign hands. Of course, the stock was simply deposited to I.T.T.'s account in a Swedish bank, but actually the control of Ericsson passed into the hands of Morgan, at least temporarily, with that cash payment. But it was not the first time that that particular law had been ignored and Kreuger probably considered this a very minor sin, particularly after his wholesale forgeries the previous March.

During that visit to America Kreuger went to call at the White House, as was his custom, and had a long chat with President Hoover. The Match King told friends on his return to Europe that the subject of this conversation had been the moratorium for Germany which began on June 20, 1931. It was later charged in the halls of Congress that Kreuger asked Hoover to except the German Government's obligations to private individuals from his proposal. However that may be, announcement of the moratorium caused debenture quotations to rise from three hundred and fifty-three to four hundred and fifty-eight kronor.

In August the need for ready money drove Kreuger to his old backers, Lee, Higginson & Co., and they managed to secure four million dollars from National City, Bankers Trust, Union Trust Company of Pittsburgh, and Continental Illinois Bank and Trust Company of Chicago. The loan was for a period of six months but Kreuger said that he could manage its repayment in a few weeks.

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In October back went Kreuger to the Riksbank in Stockholm with a request for a forty-million-kronor loan against some German bonds. When this was refused he attempted to pawn the stock in the Boliden Gold Mine for eighty-six million kronor. The mention of Boliden caused the directors to prick up their ears. Fabulous stories had been told about this mine in northern Sweden and the government had found that they were not altogether fanciful. So Kreuger was offered, and accepted, a loan of forty million kronor against the Boliden stock.

Kreuger, however, did not have possession of this Boliden stock. It lay in the vaults of the Skandinaviska Kreditaktiebolaget where Kreuger had placed it in return for the loan which had made purchase of the mine possible. Neither did he have legal possession of the German bonds which he had offered to place as collateral for a loan from the Riksbank. But he had made it possible to get his hands on them. The fifty million dollars' worth of German loans which International Match Corporation had bought had never been actually delivered to that company. Instead they had been placed in a Kreuger bank in Berlin, Deutsche Union Bank, from which they had been transferred to Kreuger's personal account in the Danske Landmansbank in Copenhagen. This bank in turn was instructed to hold them for the account of Skandinaviska Kreditaktiebolaget. So Kreuger used these bonds to get his Boliden stock out of pawn and with the Boliden stock secured his loan from the Riksbank.

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Directors of the International Match Corporation did not know that they had been mishandled by Kreuger until they found these bonds in Stockholm. Kreuger attempted, early in 1932, to cover the disappearance of the bonds from the International Match Corporation's account by transferring the equivalent in Italian forged treasury bills to the account of International's strange subsidiary, Continental Investment Corporation.

At the end of August, 1931, Kreuger was startled to hear that the most conservative operators in the London City were saying that Swedish Match stock would sink to one hundred by the end of the year. The announcement which he penned and had telegraphed to all the trading centers of the world was brimming with optimism.

"On account of the recent decline in the market quotations of Kreuger & Toll participating debentures and other securities of companies in the same group I wish to state that there are no developments within the companies themselves which justify the decline.

"In my opinion the fall ought to be attributed to the present monetary conditions in different European countries and to the general market situation. It must be borne in mind that the securities of Kreuger & Toll and the Swedish Match Company are more international in their circulation than any other securities and it is therefore natural that they, in first line, are sold when money
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stringency in one particular market makes it desirable to obtain funds from abroad.

"This general situation has been taken advantage of by an internationally organized bear syndicate which does not seem to hesitate to spread unfounded rumors regarding the concern.

"I wish therefore to give the following information regarding the result of Kreuger & Toll's activity during the first half-year of 1931.

"The total net profit of a recurring nature for the first half-year amounts to approximately $14,000,000 compared to $15,200,000 for the first half-year 1930. The income of recurring nature is not evenly divided on the two half-years but is somewhat larger for the first half-year than for the second. We anticipate"—note the "We"—"that for the whole year the total profit of recurring nature will be about $24,000,000 compared to approximately $25,100,000 for the year 1930. The trading profit for the first half-year 1931 amounts to approximately $5,700,000 but it is doubtful if we will make any trading profits at all for the second half of the year.

"On all government bonds interest and amortization have been paid promptly and in no single case has there been any default, delay, or difficulty with the transfer. Regarding the special rumors which have been circulating regarding the concern's losses on South American Government bonds it may be mentioned that the total
investments in this type of securities by Kreuger & Toll, Swedish Match Company, and International Match Corporation are less than $7,500,000 and that up to the present time every cent of interest and amortization has been punctually paid even by countries which are defaulting on interest on other debts. Regarding the question of liquidity we will as at September first have reduced our debts with fully $20,000,000 compared to the amount outstanding at the beginning of 1931. The remaining debts outside the secured debenture issue are represented practically entirely by debts representing purchase money for assets taken over from Swedish banks and other parties and can be regarded as long-term credits. A considerable part of this amount can not be called earlier than four years from now. The foreign short-term credits of Kreuger & Toll at September first will be approximately one million dollars."

There was a note of complacent insolence in this statement and it will always be a question why it was not protested by the bankers. The fact that Kreuger had borrowed thirty million dollars from Skandinaviska in April did not jibe with the statement that he had reduced his debts twenty million dollars since the first of the year. However, he was careful to specify "Kreuger & Toll's foreign short-term credits" in the final sentence, thus preventing the American bankers who had just loaned International Match four million dollars and the Swedes themselves from protesting.
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This totally bogus statement served to hoist the quotations on Kreuger & Toll debentures from the month low of 238 to 353 kronor, while Match stock also took a conspicuous spurt. But it did not definitely check the efforts of the "internationally organized bear syndicate" to which he referred. In September his debentures, which in 1929 had hit a high of 863 kronor, dropped to 207, in October to 138, in November went up again to 210 on the basis of a preliminary profit statement, and in December hit an all-time low of 115½.

Then on January twenty-eighth he made the final attempt to stave off ruin by issuing his celebrated "Boliden" Statement. In it he presented to the world the picture of a great gold mine in northern Sweden which, by implication, was to pour a steady stream of yellow metal into the coffers of his company. He had already pawned the stock in this company to the Swedish Riksbank but neither the Riksbank nor any one else protested this statement. The ground for this statement had been prepared in several countries by the unprecedented action of the Swedish Government representatives in spreading news of the new Swedish Klondike. In Paris it was no less person than Count J. J. A. Ehrensvärd, the Swedish Minister, who had the newspaper boys in for whisky and soda two weeks before the statement was issued and gave them the glorious news. A great deal of official correspondence went on in regard to this meeting—after Kreuger was dead. Considering the fact that every one knew Kreuger had been
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borrowing money right and left in both New York and Stockholm and that the Swedish authorities knew all about the Boliden deal, it is remarkable that this document, like that of the previous August, did not arouse a violent protest.

"The net earnings of the company for the past year before interest on funded debt amounted to approximately $23,500,000," it stated. "After deducting interest on the Secured Debentures there remains approximately $21,000,000, compared with $32,789,279 for the year 1930, before providing for interest on the Participating Debentures and dividends. This corresponds to approximately $10.95 for every participating debenture of 100 kronor and 40:86 kronor for every share, as against $15.20 and 56:72 kronor respectively for the year 1930.

"Of the gross income of the company in 1931 approximately ninety per cent. was of a recurring nature. There has been excluded from the earnings reported above a small amount of income in foreign currencies the transfer of which could not be effected by the company during 1931.

"Interest on the Participating Debentures is dependent upon the dividend paid on common shares and is payable the first of July, 1932, in dollars at par of exchange. In accordance with the usual custom the recommendation of the Board of Directors in regard to dividends will be
made when the annual report for the company is published” . . . Jockeying, jockeying against time. . . .
The interim Match dividend had been “postponed in order not to threaten the liquidity of the concern” at the end of 1931.

“All marketable securities owned and foreign government and other bonds are carried in the balance sheet at prices equivalent to market value as of December 31, 1931. This has involved a write-down of securities which has been provided for partly out of undivided profits and partly out of reserves which latter after this process stand at about eighty million dollars.

“The company’s holdings of foreign government bonds are now carried on the books at approximately fifty million dollars. The net assets of the company as of December 31, 1931, correspond to about eighty dollars per Participating Debenture of one hundred kronor or share and on account of the appreciation which has taken place in securities owned by the company since this date the present value is somewhat larger.”

Here begins the story of the Gold Mine, an incidental detail bound to flabbergast “the international bear syndicate.”

“The Chairman simultaneously announces that the company which for a number of years has had the option of acquiring some important mining properties in the
northern part of Sweden has exercised its right under this option. The most important of the mines involved in this option is the Boliden gold mine which was discovered in 1924 but the real importance of which as a gold-producing unit has not been fully recognized until very lately.

"The district of Sweden in which Boliden is located has of old shown indications of valuable minerals but the fact that the mineral-bearing rock is covered by a heavy layer of soil has made it practically impossible to carry on any successful prospecting in this part of the country until some years ago when an invention for electrical prospecting was financed by a powerful Swedish group which arranged a methodical prospecting of the above mentioned district of Sweden. This work has led to the discovery of a number of mines containing valuable metals such as gold, silver, copper, zinc, etc., the most important of these mines being the Boliden gold mine which has given its name to the company owning the other mines.

"The Boliden mine is, as a single gold deposit, one of the largest and richest in the world. The ore contains an average of twenty grams of gold and sixty grams of silver a ton and has a copper content of two per cent. while the South African ores average nine grams of gold per ton and the Hollinger mines of Canada and the Homestake mines of South Dakota, ten grams.

"Part of the ore body contains large quantities of ar-
THE RISE AND FALL OF KREUGER AS SEEN BY THE ARTISTS OF A SWEDISH WEEKLY VECK JOURNALEN.

The figures of Kreuger represent the comparative market values of Kreuger securities. The piles of coins represent the sum of the assets shown by the reports of his central concerns while the matches represent the capital of those concerns. The figures given are in millions of Swedish Kronor.
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senic so that the Boliden mine contains by far the largest known deposit of arsenic ore in the world. This fact presented some serious technical problems which, however, now are fully solved. When the Boliden mine was first opened the ore was shipped for treatment in existing smelters. On account of the high contents of arsenic of the ore only a few plants in the world had the technical equipment for treating the ore, among which one in Freiburg, Germany, and another being the American Smelting and Refining Company's plant at Tacoma, Washington. To start with the ore from the Boliden mine was transported in motor-trucks to the coast and from there shipped to Germany or the Pacific coast. The not inconsiderable profit derived from the sale of this ore has been used to develop the mine. In 1927, however, it was decided to erect a plant at Rönnskär on the Baltic coast about thirty English miles from Boliden with which the plant is connected through a standard gage railway since 1929. The first part of this plant was completed in 1930 and has since been continually running, during which time it has been fully proved that the technical problems of treating the ore have been successfully solved. The present capacity of the plants at Boliden and Rönnskär is about three hundred thousand tons ore a year. A further extension to six hundred thousand tons is expected to be completed this year. When the plant is running in full the monthly production of gold is estimated to be about one ton with a value of $667,000.
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"Before exercising the option the company has consulted prominent American, English and Swedish mining engineers who unanimously declare that the Boliden ore deposits are of great extension and may be considered as very valuable. There are further indications that a number of the ore deposits which are owned by the Boliden Mining Company but which have not yet been fully investigated are of considerable value. There is a reasonable chance that further mines may be found to such an extent as to make Sweden a factor in the gold production of the world. Through control of methods used in the prospecting Boliden Mining Company has a decided advantage on possible competitors in this part of Sweden.

"The option of Kreuger & Toll Company to acquire an interest in Boliden Mining Company expires in January, 1932, and the board of directors of Kreuger & Toll considered it to be greatly to the advantage of the company to exercise the option. At the same time it seemed hardly justified for the company under present conditions to make a cash outlay of the importance which the exercising of the option would involve. The company has however been successful in making arrangements whereby an approximately 80% interest in the shares of Boliden Mining Company will be acquired against delivery of 4,041,667 Kreuger & Toll Company Participating Debentures of 20 kronor face value each, with the right reserved by Kreuger & Toll Company to reacquire [220]"
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these debentures at any time before December 31, 1934, and substitute therefore cash in the same amount at which the company to-day holds the option.” The English is Mr. Kreuger’s.

The first part of the statement was utterly false but the gold mine story was substantially correct as far as the productivity of the mine itself was concerned. There was, however, a much more complicated history to the ownership of the mine than that revealed by Kreuger. Actually the mine had been in his personal control since 1929 when he had bought the majority stock in the company from Skandinaviska Kreditaktiebolaget. Then, as noted above, his need for cash had forced him to borrow money on the stock from Skandinaviska and later from the Riksbank. Now he was trading the stock to Kreuger & Toll in return for some four million debentures which he planned to sell for money with which to redeem the same stock from the Riksbank. It was a case of putting the horse before the wagon, an old story with Kreuger.

There was another, even more fantastic story, behind the Boliden statement. Long before it was made, Parisian, London and New York stock-brokers had noted the appearance of participating debentures bearing numbers which had never been registered. There was a cry of “bad delivery”—there were unauthorized debentures being sold, it was said. And actually there were. Before Kreuger made the “Boliden” statement, indicating

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that four million new debentures were issued, those same debentures had been issued and used by Kreuger and his associates as collateral for loans. One Parisian banker who had advanced a loan of twenty million francs against thirty million francs of debentures, with the stipulation that those debentures were to be "held firm" and not sold, had broken his contract and let the debentures out on the market. When the Paris banker was prosecuted for abuse of trust the French press took the matter up and made a great hullabaloo about it, questioning the nature of the securities which had been placed "firm" in this manner. But the French press had been causing Kreuger trouble for years and its insinuations on that occasion did not attract much attention in the outside world. "Very likely," people thought, "this is just part of that bear movement which Kreuger mentioned."
Kreuger made one bad miscalculation when he agreed to float a one-hundred-and-twenty-five-million-dollar loan to Germany without having assured himself of the necessary financial support for the venture. He made another one when he thought that the economic storm which began in 1929 would soon blow itself out. He made a fatal one when he made a deal with the International Telephone & Telegraph Company calling for an exchange of stock between it and L. M. Ericsson Company.

I.T.T. was a Morgan concern and Morgan & Company had certain very definite rules in regard to business procedure. One of its rules was to investigate a business venture thoroughly before associating itself with it. Following the agreement signed with Kreuger in June, 1931, the I.T.T. as a matter of routine decided to investigate L. M. Ericsson.

The British-American firm of auditors, Price, Waterhouse & Co., Nemesis of many a get-rich-quick financier, was chosen for the job. Its representatives came to Stockholm late in the winter of 1931-32 and began to do
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a really thorough job of looking into the Ericsson accounts, one of the first such jobs of auditing that had ever been directed toward the books of a Kreuger concern. By the first of February they had discovered a number of things which looked suspicious but the one in point was that approximately twenty-seven million kronor listed as "cash" actually consisted of credits against other Kreuger companies or of depreciated foreign bonds listed at par value.

This state of affairs was reported to Sosthenes Behn, chairman of International Telephone & Telegraph, who in turn asked Kreuger for a clear-cut explanation of the discrepancies. Kreuger in turn readily admitted that he had substituted bonds for cash but indicated that the misunderstanding had arisen through an error in the translation of the contract. He declared that he had taken the cash only as a temporary loan and that he intended to replace it within a very short time. Behn sent a representative named Edwin Chinlund to Stockholm to check up on things and asked for more details from Price, Waterhouse & Co. Meanwhile Behn quizzed the Match King for more than a week without getting anything out of him other than a mass of figures, carefully concocted in the mind of the failing giant who saw himself cornered for the first time. Finally Behn told Kreuger that the I.T.T.-Ericsson deal would have to be rescinded and that the eleven-million-dollar advance, made the previous June, would have to be returned. It
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was a thoroughly crushed Kreuger, completely stunned by the first failure of his whole career, who went back to his penthouse at 791 Park Avenue.

In that crestfallen moment the Match King may have remembered that old loan to France, the seventy-five-million-dollar loan at five per cent. which France had used to amortize a loan of seventy million dollars at eight per cent. from Morgan. He also may have remembered that loan to Latvia which had allowed the little Baltic country to laugh at the boycott which London and New York bankers had placed on her. He may have remembered, when Behn said "no" to him, that Morgan & Company had very little reason to be lenient with him.

It did not take long for news to get around town that Kreuger had made a slip. Gordon Rentschler, president of the National City Bank, who was close to Behn, was the first informed. He in turn telephoned to George Murnane, partner in Lee, Higginson & Co. Murnane in turn informed Donald Durant, the partner in Lee, Higginson & Co. who had acted as principal contact man with Kreuger and who was a director of both Kreuger & Toll and International Match Corporation.

Sunday, February twenty-first, these gentlemen went to Kreuger's penthouse to hear his side of the story.

"We understand that Behn has called off the Ericsson deal," one of the bankers said. "We have come to hear your version of the matter." Kreuger hunched his shoulder nervously, twitched his lips, looked astounded,
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then talking falteringly about “an error in translation” fell into a chair a nervous wreck. The almighty Match King, the man who had moved commandingly through the financial world without even showing a sign of weakness or hesitation, was simply a broken criminal, “caught with the goods.” Murnane and Durant did not recognize the fact but took it for granted that the strain of the economic crisis had caused a temporary breakdown. They called a physician and left Kreuger in his charge. Later the physician reported that his patient was suffering from “brain fag” and needed a long vacation from financial worries. Durant seriously suggested a vacation to Kreuger and dispatched a cable to Krister Littorin, Kreuger director in Stockholm, indicating that Kreuger was in need of absolute quiet.

But Kreuger had no time for a rest cure. Durant and Murnane came to trouble him after the four-million-dollar loan which he had received the previous August, and which came due shortly after the date of Kreuger’s breakdown. Kreuger explained that a payment of four million seven hundred thousand dollars due from Spain had not arrived and that he would probably have to go to Spain personally to negotiate the transfer. He asked an extension of the loan. The four banks which had advanced the money were consulted and three of them, including that headed by Gordon Rentschler, who knew all about the Ericsson deal, agreed to renew. The Union Trust Company of Pittsburgh, a Mellon bank, agreed
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only on the condition that Kreuger "showed cash" and
gave collateral for the loan. Kreuger scraped together
two hundred thousand dollars and handed over that,
together with collateral consisting of three hundred and
fifty thousand shares in the Diamond Match Company,
for which International Match Corporation had paid
thirteen million five hundred thousand dollars as col-
lateral.

At the same time that he was trying to pull himself
out of the hole into which he had got with the New York-
ers he continued those hard-hitting market operations
in support of his stock which had been a characteristic
of his "sober" career. Through Anders Jordahl, his
Norwegian-American friend, he opened accounts with
Eastman, Dillon and Orvis Brothers, New York brokers,
and played both the long and short ends of his stock in
an effort to recoup. At the time of his departure for
Europe he was holding a block of one hundred and forty-
six thousand American certificates, representing twenty-
nine thousand two hundred debentures, as well as some
twenty-five thousand dollars' worth of railroad and
utility shares on which he was making a side speculation.

Kreuger worked like fury to save his hide during those
grueling last days. While still a "sick man" he sent an-
other plea for help to the Riksbank back in his native
Stockholm. A representative named Gumprecht was
sent scurrying around New York shopping for cash. Sit-
ting in his shirt-sleeves, his face pale and his shirt open at
the neck, he telephoned to his representatives in all parts of Europe, combing the money markets for cash. Hilda Åberg, his young Swedish housekeeper, tried vainly to get him to go to bed. Between telephone calls he muttered to himself in Swedish. "Jag minns inte längre," "Jag blir galen"—"I can’t remember any more," "I’m going crazy."

There was another huge credit due to be paid by Swedish Match. I.T.T. was demanding its eleven million dollars. Interest on Kreuger & Toll bonds fell due on March first. It was no time for repose.

On February twenty-third he sent a plea to the Riksbank through Krister Littorin for two million dollars to pay on the Swedish Match debt. "If this money is not forthcoming Swedish Match will have to suspend payments—go into bankruptcy," the Riksbank was informed. The Riksbank held a hurried conference with the Swedish Premier and representatives of two large banks, finally agreeing to let Kreuger have the two million dollars as well as about one million two hundred thousand dollars for interest on the debentures. This act of assistance coupled with a secret gift to Premier Carl Gustav Ekman’s party, later cost the statesman his job.

The Swedish Government was thoroughly startled to find Kreuger still begging for money. When he had borrowed eight million dollars via three Swedish banks the previous February and thirty millions the following
May it had been understood that the money would be repaid before the end of 1931. And here he was in February, 1932, with his back to the wall, threatened with bankruptcy, with none of those previous loans repaid. Furthermore Herr Littorin had shown an astoundingly sketchy knowledge of Swedish Match and Kreuger & Toll. So the Riksbank sent another cable to add to Kreuger's mounting worries instructing him to meet Professor Martin Fehr, a governor of the Riksbank, and several others in Berlin on March thirteenth, prepared to give a full account of his situation.

Back in Stockholm the Kreuger personnel was having a sympathetic brain-storm.

Lee, Higginson & Co. was definitely worried by this time and decided to investigate the position of International Match. Accordingly A. D. Berning, representing the auditing firm of Ernst & Ernst, dispatched a number of embarrassing cables to Stockholm asking for the preliminary balance sheet of Continental Investment Corporation, the subsidiary of International Match Corporation which owed that concern some seventy-five million dollars. After talking with Kreuger by phone the bookkeepers listed seven million pounds of false Italian bonds among the assets of Continental and cabled the principal items of the sketchy balance sheet to Kreuger who in turn handed them on to Berning. The following day Kreuger called his secretary by phone and told her to send a telegram to America, informing Inter-
national Match that it had traded its holdings of fifty million dollars' worth of German six per cent. bonds to Continental Investment Corporation in return for the equivalent in Italian bonds. Thus Kreuger formally deprived International Match of those same German bonds which he had pawned with Skandinaviska Kreditbolaget months before. In fact, of course, International Match never had physical possession of those bonds for which it had paid forty-seven million dollars.

The Kreuger & Toll bookkeepers, who had never had much idea of what was going on and had always made entries on instructions from Kreuger, were dumfounded by his conflicting instructions. On February twenty-ninth they talked with him on the phone again, hoping to get some definite idea of how to prepare the balance sheets for Kreuger & Toll and the Match Company. It was a broken man who answered their questions. "Ja" and "Jasä"—Swedish equivalents for "Yes" and "So"—constituted the reply to most of their worried demands. Finally they succeeded in getting out of him the information that fourteen million pounds in Italian bills, and not seven millions, were to be assigned to Continental Investment Corporation. It was very evident that Kreuger was not the rapid-fire calculating machine of old. They modestly suggested that they had better meet Kreuger in Paris when he arrived there in order to work out statements for Kreuger & Toll and Swedish Match, in preparation for his meeting with the Riksbank representatives.
"Yes, it's probably better that you do," Kreuger answered. He knew by then that the show was over, that the spell of those flashy statements, with which he had beguiled the bankers for years, was broken.

Kreuger's final visit to America, the country which had given him a start in life, the country which he had bled of three hundred million dollars in return for a very small fraction of that sum, had in a few short weeks provided him with a series of deadly setbacks—the first setbacks he had experienced in his fifty-two years of life. It was retribution, stark and tragic.

When he arrived in America at the end of 1931 he was recognized by the public—though not by the Swedish Riksbank and higher finance in general—as one of those few giants of finance who had not been seriously affected by the world economic crisis which began in 1929. When he departed for Paris aboard the Ile de France on March fifth he was being watched like a naughty schoolboy. His American creditors "gave him permission" to leave New York.

If people in general were not fully aware of the fact that Kreuger was a gross embezzler, it was due partly to the long-standing Kreuger myth, a myth of such preposterous proportions that one or two "suspicious circumstances" could not blast it. It was also due to the Match King's consummate ability as a financial polygamist—his ability to keep the Swedes from knowing what the Americans knew and the Americans from
knowing what the Swedes knew. Otherwise it would appear incredible that any American bankers still “believed in Kreuger” when he, whose Kreuger & Toll Company was supposed to have made twenty-three million, five hundred thousand dollars and whose International Match Corporation was supposed to have made twenty million dollars, had been unable to redeem a loan of a paltry four million dollars. And there was always the discrepancy in the Ericsson books which was damning on the very face of it.

International Telephone & Telegraph Company had asked for its eleven million dollars back and Kreuger had made a futile attempt to return that sum. But I.T.T. had the Ericsson stock and it did not interfere with his departure for Europe.

Lee, Higginson & Co. had its own delegation aboard the ship which carried Kreuger to Europe. Donald Durant and H. P. Hallowell, two of its partners, were on their way to Europe “for conferences with Continental bankers” and they happened to spend much of the time aboard ship with Kreuger. Durant later reported in court that during the last few days of the voyage Kreuger seemed to have revived in spirit, indicating that he had not been in high spirits during the first days at sea. It was a relieved pair of bankers who saw Kreuger come down to the dining-room for breakfast every morning.

Kreuger looked much more haggard upon arriving
in Cherbourg than he had upon his departure for America. His shoulder was jerking with unusual rapidity, his habitual contraction of the lips was accentuated and his eyes wandered. But he tried with all of the strength which he had left to appear in high spirits.

Paris was a nightmare. And he had another nightmare awaiting him in Berlin.

Those famous Italian treasury bills which he had printed in Stockholm the previous March and to which he had forged the signatures of Italian officials gave him his final jolt—the one which snapped the thread.

At two o’clock on Friday afternoon he received the faithful from his Stockholm office. Before this they had always been his orderlies, doing his bidding. This time they began to quiz him, just as Sosthenes Behn and the Lee, Higginson & Co. men had quizzed him in New York.

"Has the interest been paid on the Italian bonds?" asked a man named Hennig. "Yes," said Kreuger. "How has the money been paid?" "Through various channels." "Why haven’t the bonds been stamped, as they should be when payments are made?" Kreuger had no definite answer for that question.

"Are the bonds real?" This subordinate who had been bowing and scraping before Kreuger for years was asking Kreuger whether he, the Match King, the friend of presidents, the benefactor of nations, was a forger. Kreuger took the query like a schoolboy. "Yes," he
said, lying. During the course of the conversation Kreuger made frequent exits from the room in an attempt to clear his head. And that same head which once had furnished ready answers for eight solid hours at a conference table in Berlin could not cope with the questions of Kreuger's own disciples.

At four o'clock that same afternoon Kreuger met a banker associate.

"Why," asked the banker, "don't you raise some money on those Italian bonds about which you were telling me a year ago?"

"I agreed to keep the loan secret and not to raise money on the bills," answered the Match King.

Then the banker friend caught Kreuger in a trap from which there was absolutely no escape.

"I happen to know that the Italian Government is unusually well off at this time. Why don't you go back to the Italian Government itself and let them repurchase the bills?"

Kreuger stammered, looked at the floor and hesitated. After all this was something of which he had never thought, that those who knew of the Italian bills—those gigantic forgeries which he had been driven to make a year before—might suggest their resale to the Italian Government. He concocted a lame excuse.

"I would have to go to Italy myself to see about it."

"All right, why not go directly after the Berlin meeting?"

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"I want to go home first."
"All right, then go to Rome from Stockholm."
"Yes, I might very well do that."

After that interview Kreuger knew that there was no possible way of concealing the fact that he was a forger. Even if he managed to outwit the American and French bankers in a conference the next day he would have to tell the Riksbank about the Italian treasury bills. And the Riksbank would most decidedly force him to resell those forged bills to a government which had never heard of their existence.

After that interview with the banker friend Kreuger went out and bought a revolver.
XIV

THE END OF THE ROPE

Kreuger reached Paris at eleven o’clock on the morning of March 11, 1932. Soon afterward he arrived in a taxi at 5 Avenue de Victor Emmanuel III and went to the apartment which he maintained on the third floor at that address. Jeanette Barault, his Parisian housekeeper for four years, noticed that her master looked worn and tired.

Soon afterward Kreuger left the apartment to have lunch with Krister Littorin, returning at two o’clock for the interview with four disciples from Stockholm. At four-thirty he left the apartment again. The concierge immediately noticed that something was wrong. Ordinarily Kreuger paused to pass the time of day, dropped a ten-franc note into his hand and patted the children’s heads. This time he said nothing, his eyes wavered and he seemed to be in a daze. He failed to hail a taxi, as had been his custom, and walked off toward the Seine. The meeting with the Swedish banker who asked pointed questions about the Italian treasury bills followed.

Shortly before five-thirty in the afternoon he walked [236]
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into an arms store near his apartment and asked to be shown a revolver. "What type does Monsieur desire, an automatic or a revolver?" "It makes no difference." He was shown a Browning of 6.35 mm. caliber. "Too small," said Kreuger. The dealer produced another of 7.65 mm. caliber. "Plus gros, plus gros!" said Kreuger. He finally chose a 9 mm. army type Browning.

"Does Monsieur desire cartridges?"

"Yes, four boxes." No one will ever know why he bought four boxes. Perhaps it was just to mislead the dealer.

At ten o'clock the following morning Littorin called to ask if Kreuger was ready to go to the luncheon conference at the Hotel du Rhin on Place Vendôme where he was scheduled to discuss matters with Durant, Hallo- well, a French banker and his Swedish associates. "I'm not ready so you'd better run along ahead," he told Littorin. "I'll see you later." His secretary, Fröken Bökman, called a few minutes later and was also sent away.

At ten-forty-five the faithful Jeanette left the apartment to make the day's purchases.

When Jeanette returned shortly after noon the concierge told her that there had been several telephone calls. As she entered the apartment the phone rang again. It was one of the nervous bankers demanding to know whether her master had left the apartment.

Jeanette tiptoed to the door of Kreuger's room, drew
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aside the curtains, and saw him lying on the bed, fully
clothed. She tiptoed away. "He is resting," she told
the banker. "Please call again in half an hour."

Half an hour later the nervous bankers decided that
something was wrong and delegated Littorin and Fröken
Bökman to go to Kreuger's apartment to look into mat-
ters. Together they entered his room and saw something
which Jeanette had not seen . . . a revolver lying near
Kreuger's outstretched hand. They hurried to the bed-
side. Kreuger's vest was unbuttoned revealing a splotch
of blood on his shirt-front, over the heart. The Match
King was dead!

On a near-by bureau were three letters, one to Littorin,
one to a friend named Schéele in London, and the third
to Kreuger's oldest sister in Stockholm. The one ad-
dressed to Littorin was in English.

"Dear Krister," it read. "I have made such a mess
of things that I believe this to be the most satisfactory
solution for everybody concerned." It went on to ask
Littorin to see that the other two letters were delivered
and that two letters which he was expecting from the
Norwegian friend Jordahl, be returned to the latter in
America. "Good-by now and thanks. I.K." ended the
letter.

Littorin wasted no time in informing the bankers as-
sembled at the Hotel du Rhin of the incident, cautioning
them at the same time not to let any news of it leak
out. Donald Durant hurriedly sent a code message to
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New York informing his associates that "Kreuger had died suddenly." He also told them to allow the Paris police to give out first news of the suicide. Kreuger's family in Stockholm was also informed. Finally the Paris police were given the news and promised to keep it secret until after the New York Stock Exchange had closed.

Secret or no secret the news leaked out long before it was given officially. During the late hours of the morning the New York Exchange was flooded with Kreuger debentures, the total turnover being one hundred and sixty-five thousand American certificates, corresponding to thirty-three thousand debentures. The news did not get to Stockholm before closing-time but by three-thirty it was being circulated as a rumor. At first it was denied but there was a tremendous turnover of debentures after the bourse had officially closed.

Before closing time 15,649 debentures had been dumped on the bourse in Stockholm. After hours approximately 5,000 debentures were sold. Whether Kreuger had notified some one to "sell everything" or not before he shot himself that Saturday morning is just another one of those "Kreuger mysteries" which will probably never be solved.

Finally at seven o'clock in the evening the papers got their story confirmed. There had been a rumor of Kreuger's suicide two weeks before and Stockholmers who stood in the cold rain that night, reading news sheets [ 239 ]
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which the morning papers hastily distributed, did not believe their eyes. Even when they knew it was true they could hardly believe that Ivar Kreuger, prophet of Sweden's new golden age—the Charles XII of Big Business—had taken his own life.

The first reaction of the world was astonishment, mingled with pity. Presidents and premiers offered their unofficial consolations. The more conservative newspapers of the world joined in expressing wholesome admiration for the man, lauding his achievements and deploping his passing in obituary notices which would have done justice to a saint.

*The London Times*, the most cautious newspaper in the world, had this to say about the man:

"... The man who was driven on Saturday to this last act was no common adventurer caught up and cornered at last by the self-defeating ingenuity of his devices. He may have made mistakes. Some of his operations have been criticized from time to time as overconfident. But it is clear that he was the victim, not so much of faults in the huge system which he had built up within a brief twenty years, as of a world-condition simultaneously affecting and afflicting every industrialist and every financier in greater or less degree. The simpler truth would seem to be, not that M. Kreuger has taken the way of suicide out of irretrievable ruin, moral and financial, but that the unimaginable strain

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of conducting from week to week an immense international business, beset and hampered by every difficulty that the helpless unwisdom and disorganization of these times have put in its way, exhausted his courage, broke down his nervous resistance, and left him with no more power to fight or even to live."

And later in the same leader:

"A man of ambition but of no vanity, M. Kreuger seems to have had no weakness of the kind that brings weaker timber to wreck. . . . He remained modest and clear-headed, and though he dealt in the course of business—a sufficient tribute to its scale—with nearly a score of Governments he had no aspiration for any personal rôle. . . . At the moment of failure it is a matter of credit to him and of reassurance to the public mind that its causes are reasonably well known and that the blame is not chiefly his. Least of all does personal suspicion light upon him in his last day."

Here was the "Old Thunderer" not only devoting its first leader to the passing of a private individual, an honor generally reserved only for heads of state, but going out of its way to dispel any suspicion which Kreuger's suicide might have aroused in regard to his personal integrity.

The Times was not alone. "He was a very Puritan of
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finance, a man who spent little on himself,” wrote the New Statesman.

“There is no reason to believe that his concerns were rotten or built upon unsafe foundations,” wrote A. Emil Davies in the Week-End Review.

“Candidus” wrote in the Investors’ Chronicle and Money Market Review: “There is nothing on record to suggest that Ivar Kreuger ever did a mean or sharp deal in his life. There is plenty of record that he did much good, that he brought employment to many hundreds of thousands and benefited trade in nearly every country of the civilized world, that he was actuated by the highest motives of financial service and was indifferent to personal gain. He was not the type of financier who bought properties at extravagant prices for the purpose of unloading on to a credulous or ignorant public.”

The Evening Standard nibbled at the truth when it wrote that “In ninety-nine out of a hundred cases of this kind there is generally something to fear.” But it went on to laud him as an abstemious and modest individual. “The faith in human nature of every one who knew him would be profoundly shaken were any unsuspected motive for his death to be revealed,” it stated with conviction.

Up in Stockholm they seemed to have more of an idea of what had been going on. Long before Kreuger’s death the government had already prepared a special law, allowing the establishment of a moratorium for

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the special benefit of any individual concern which might be in difficulties. It was made to order for Kreuger & Toll and it went into effect before the market opened on Monday morning. Simultaneously the government began to seek for itself the information which it had asked Kreuger to give it. A special commission of prominent Swedish business men and financial experts was appointed to sift the situation of the Kreuger concerns and Price, Waterhouse & Co. was again called to the colors. Before the week was out it was evident that something was decidedly rotten.

There was no sudden crash of the Kreuger myth. The Swedish newspapers were requested to refrain from excessive discussion of the company’s affairs until the commission had obtained a clear position of the situation. But there were foreign newspapermen and there was no censorship in Sweden. Within a few days of Kreuger’s death it had got out that Kreuger owed Skandinaviska Kreditaktiebolaget one hundred and twenty million kronor. Almost simultaneously news of the scheduled Berlin meeting leaked out. Lithuania and Turkey, it was learned, still had money coming to them on their match loans.

On the evening of March twenty-fifth it was formally announced by the commision that Kreuger & Toll was bankrupt. On the twenty-ninth there was printed a story in America announcing that Kreuger had made false statements . . . that the January statement had
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been completely bogus. It was not until a week later, April sixth, that the commission made public a report from Price, Waterhouse & Co., announcing that the 1930 balance sheet of Kreuger & Toll was false. Unofficial estimates placed the loss at two billion kronor—far in excess of Sweden's national debt. Within a few days the public was informed of the Ericsson—I.T.T. deal, of Kreuger's manipulations with the $50,000,000 in German bonds owned by International Match Corporation. Then came the most startling news of all—that Kreuger had forged Italian treasury bills to an amount of £28,668,500. The final bit of news came out almost exactly one month after Kreuger's suicide.

At the same time the police were learning strange things in their search of the Kreuger apartment. There were documents and letters so compromising that they have never been made public and probably never will be. Several diplomats made hurried calls on the commission, demanding to know what had been found. Then the drawer in Kreuger's private desk gave up those compromising clues to his private immoralitys.

The work of unraveling the Kreuger affairs was incredibly difficult. No one man had anything approaching a clear picture of the organization and it was necessary to quiz dozens of Kreuger's helpers before things began to clear. First one or two, then a dozen, and finally scores of secret subsidiaries were uncovered, their accounts all involved with those of one another and those

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of the better-known concerns: Swedish Kreuger & Toll, Swedish Match, International Match, and Dutch Kreuger & Toll. Finally the latter concern was discovered to be little more than a bubble. Even had the accounts been honest it would have been a Herculean task.

Then came the creditors, and the Grand Hotel in Stockholm overnight became a Babel.* There came the representatives of Lee, Higginson & Co. wishing to know for what manner of man they had sold hundreds of millions of dollars in securities, some ten millions of which the concern and those associated with it had bought for themselves. There came again Mr. Chinlund from I.T.T. eager to know what was to be done about the eleven million dollars which that concern had advanced Kreuger on the Ericsson deal. Finally there arrived an attorney for International Match Corporation anxious to know which assets—if any—belonged to that concern and where they were. He soon discovered that the fifty million dollars in German bonds were resting in Skandinaviska Kreditaktiebolaget and that Continental

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Investment Corporation, International Match's subsidiary, was holding fourteen million pounds of the forged Italian treasury bills.

The discovery that the Italian bills were false involved a bit of drama with no less person than Mussolini in the cast.

Early in the investigation the authenticity of the paper was questioned because of Kreuger's evasiveness in explaining the manner in which the loan had been made and the way in which the interest had been collected. One look at the bonds themselves indicated that the signatures were gross forgeries and handwriting experts reported that Kreuger himself had done the job. So a gentleman named Hellner was sent to Rome to see Mussolini about the business.

Hellner arrived in Rome on April fifteenth and immediately went into conference with Il Duce. He explained that there had been found among Kreuger's personal correspondence a number of letters indicating that he had been negotiating with the Italians for a match monopoly on two different occasions, once in 1927 and again in the fall of 1930. He also admitted that there was no indication that the agreement had ever been consummated.

Hellner thereupon told Mussolini that Kreuger's private safe had been found to contain two groups of Italian securities, one consisting of forty-two bills for £500,000 apiece, signed by the head of the Italian monopoly ad-
AMMINISTRAZIONE AUTONOMA
DEI MONOPOLI DI STATO

6%       6%
SIX PERCENT

Treasury Bill due 15 August 1933
£ 500,000:—
Five hundred thousand Pounds Sterling

Interest payable 15 February and 15 August every year first time 15 August 1931 against stamping of this certificate. Principal and interest payable at Barclays Bank Ltd London

Rome 15 August 1930

L. Boselli
General Director

Guaranteed as to principal and interest by the Kingdom of Italy

Minister of Finance

AMMINISTRAZIONE AUTONOMA
DEI MONOPOLI DI STATO

We promise to pay against this bill at Barclays Bank Ltd London
£ 153,570:—
on 15 November 1931

From M. A. 1920

L. Boselli
IL DIRETTORE GENERALE

A half-million-pound forgery. Note the names of Mosconi Facsimile of one of the forged Italian bills. Note Boselli's and Boselli's signature.
ministration and Finance Minister Mosconi, the other consisting of five notes, each with a face value of £1,533,700, signed by Giovanni Boselli, the monopoly director. There had also been found a receipt for 1,180,850 shares in the Fabbriche Riunite di Fiammiferi, signed by Boselli.

Mussolini asked to see one of the bills and immediately denied that the signature of Mosconi was genuine. Mosconi wrote the original M in his name like an N, Mussolini pointed out, and never wrote the initial A before the name.

Mosconi and Boselli confirmed Il Duce's statement that the signatures were false and that no agreement had been reached although, they explained, there had been a meeting with Kreuger in the home of one Count Constantini in Florence, October 18, 1930. They produced the letter sent to Kreuger by Boselli breaking off the negotiations.

"Dear Sir: I have received your letter of the 12th instant. I note that you prefer to wait on account of the present economic situation. With regard to this, and also with regard to the tendentious and lying prattle which has been caused, I am compelled to inform you that we do not wish to continue negotiations. They are hereby concluded."

The implication of that letter was that Kreuger himself had first halted the negotiations when he found
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that he was not going to have enough money for the second payment on the German loan, let alone any new big Italian loan, and that the Fascists had taken offense, abruptly canceling the negotiations for good and all. J. P. Morgan, author of a one-hundred-million-dollar loan to Italy, must have read with interest the revelation that the Italians, like his old customers the French, were talking business with the Big Swede.

It was not long before it became apparent that the Americans and the Swedes had points of difference. I.T.T. and the commission seemed able to talk to each other but Lee, Higginson & Co.'s representatives found it difficult to make the Swedes see their point of view.

As previously noted, Lee, Higginson Trust Company had been trustee for the fifty-million-dollar issue of Gold Debentures floated by Kreuger & Toll in America in 1929. The collateral for these debentures, consisting of fifty-nine million dollars' worth of foreign bonds, had been deposited to Lee, Higginson Trust Company's account with the Skandinaviska Kreditaktiebolaget in Stockholm. Taking advantage of a provision which allowed him to substitute other collateral for that originally put up, Kreuger had taken many of the most negotiable securities from Skandinaviska's vault and had replaced them with inferior Hungarian and Yugoslavian bonds. Lee, Higginson Trust Company as trustee for the Gold Debentures demanded that what collateral remained be put at its disposal.

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The Swedish Commission informed Lee, Higginson Trust Company that it did not wish to have this collateral knocked down at auction as it would have been Lee, Higginson Trust Company’s right to do under the terms of its contract as trustee. The Swedes preferred to hold the collateral for an upturn of the bond market, hoping by so doing to satisfy a larger part of the Gold Debenture holders’ claims than could be satisfied through an immediate sale. “If these securities are sold immediately at a low price,” they argued, “the Gold Debenture holders will be able to make additional claims against Kreuger & Toll as ordinary creditors.”

Lee, Higginson Trust Company had full legal right to the collateral and they asked the United States State Department to bring pressure to bear on the Swedes to give it up. The United States Government did make inquiries at the Swedish foreign office, but the Swedes, convinced that they were doing the right thing, nevertheless passed a special bankruptcy law, making it illegal for Lee, Higginson Trust Company to recover the collateral for a period of one year without the consent of the receivers.

The Swedes and Lee, Higginson & Co. had another point of difference. Swedish Match was found to have about eighteen million pounds outstanding in short-term credits from Swiss, French, Dutch and American bankers. When the creditor banks were asked to grant a three-months stand-still to the Match Company to
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allow an attempt at reconstruction the American banks, headed by Lee, Higginson & Co., were found to be adam- mant. They had advanced only four million dollars of the credits to Swedish Match—a mere five per cent. of the total—but they apparently felt that there was little point to their making concessions when the Swedes had made none to them. So the Swedes, deciding to do by law what they had been unable to do by persua- sion, granted a special moratorium to the Match Com- pany.

Meanwhile the United States was the scene of a battle for the right to represent the investing public. Lee, Higginson & Co., feeling that it had both the right and the duty to continue in representing the investors in Kreuger securities, formed protective committees for International Match and Kreuger & Toll security hold- ers. A group of private individuals who considered that Lee, Higginson & Co. had failed in its duty toward the public by helping Kreuger to sell his securities in the United States picked a committee headed by former Secretary of State Bainbridge Colby and Samuel Unter- meyer. Recrimination flew back and forth as the two parties struggled for control.

The hearing in bankruptcy of the International Match Corporation was a scene of much confusion and toil. When officials of the corporation and representatives of Lee, Higginson & Co. were called in it was discovered that few of them had any comprehensive idea of the com- pany’s holdings. It was semi-formally announced that

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the company owned nothing other than match monopolies in Guatemala and Turkey and possibly a few factories abroad. Then, to the relief of all parties concerned, it was discovered that Kreuger really had given the company title to some seventeen match factories and that it owned match monopoly concessions in a number of European countries, including Poland.

Finally the Lee, Higginson Trust Company went out of business and soon afterward the old and honorable banking firm of Lee, Higginson & Co., which since its foundation in 1848 had sold nearly a billion dollars’ worth of securities to the American public, announced that it would reorganize and carry on business of a more restricted nature. The humbling of this mighty concern which had stood as a pillar of solidarity in the American business world was a sad anti-climax to one of the most terrific swindles with which Americans had ever had to do.

In Sweden there were even greater sensations. Toward the end of July every newspaperman in Stockholm knew that Kreuger had made contributions to Swedish political parties and to the Popular party, of which Premier Carl Gustav Ekman was the head, in particular. Insinuations that the Premier had been influenced in approving credits to Kreuger by Kreuger’s gifts to his party finally forced Ekman into what he announced was a clear statement of his relations with the Match King. In September, 1931, when he did not suspect that Kreuger was in difficulties, he admitted, he
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had received fifty thousand kronor—a mere ten thousand dollars—as a campaign contribution from Kreuger. He also declared that he had not received any other gifts from Kreuger, and he particularly denied having received any money in February, shortly before the final credit was granted to the Match Company by the Riksbank.

Alexis Aminoff, Kreuger’s former “Man Friday” in New York, thereupon addressed a letter to the authorities stating that he had purchased a banker’s check for fifty thousand kronor at the Chase National Bank “about the end of January” and that Kreuger had placed this check in an envelope addressed to Premier Ekman. This check, he stated, was payable to “bearer” at the Handelsbank in Stockholm.

Acting on this tip the authorities investigated at Handelsbank and discovered that Ekman had cashed such a check on February thirteenth, ten days before the credit of two million dollars had been approved by him. They approached Ekman on the subject and he emphatically denied ever having received the money. When they produced the canceled check he repeated the denial, indicating that his endorsement had been forged.

The following morning Ekman got into touch with them and returned the fifty thousand kronor to them. He admitted having lied the previous day “because I gave my word to Kreuger to keep the matter a secret.” But it was too late. The following morning, Saturday
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August sixth, there was a special Cabinet meeting and Ekman's resignation was accepted. Ekman was charged, not with having been bribed, but with having told a lie. The money, to be sure, had all gone to the Popular party's exchequer and there was no indication whatsoever that Ekman himself had been influenced unduly by it.

Ekman being the Premier, the incident caused no little stir. But he was not the only Swedish politician to have received gifts on behalf of his party from Kreuger. Admiral Arvid Lindman, former Premier and head of the Conservative party, admitted having received twenty-five thousand kronor from Kreuger. Kreuger was shown to have loaned money to the Swedish (non-Commin-tern) Communist party. The Social-Democrats, apparently, were the only ones who had not received support from Sweden's big-hearted Magnate. These revelations of Kreuger's political polygamy and the downfall of the Swedish Premier put a finishing touch to the disillusionment of a world which had always considered Sweden and the Swedes incapable of dishonesty and deceit. Kreuger had lost his very life, the investing public had lost its money, and Sweden had lost something far more valuable—her spotless reputation. Sweden, after all, lost most.
KREUGER died several months ago and the shock which came with his downfall has only too quickly been forgotten in the rush of other events in the financial world. In America Samuel Insull's billion-dollar company has been forced into the hands of receivers; other men who laid equal claim to positions of importance in the high places of the financial world have fallen to the earth again. The stock tickers spell the doom of many another one-time multi-millionaire and of countless people who hooked their carts to the stars of Big Business. One big failure, more or less, does not mean much: just another fish in an ocean.

There is, however, good reason for not forgetting the Big Swede and his fantastic doings. If the Match Swindle is not to be just another yarn, the world must take due notice of it, must prepare to cope with others who will inevitably arise to upset the financial structure with their unscrupulous dealings. Laws are to be made, public opinion is to be formed against the possibility that other Kreugers may appear on the horizon of the financial sphere.
FINIS

This is by no means a brief against Big Business, but it seems quite proper, after reviewing the sins of Ivar Kreuger in such a protracted manner, to form a number of conclusions on the basis of them. Any one who has read through the preceding chapters may very readily form for himself the following recommendations, designed to prevent the recurrence of such utterly disgraceful episodes as that of which Kreuger was the author.

1. It is high time that Big Business evolved a less elastic code of ethics for the guidance of its high priests. If securities are to be sold to the public—a prime requisite of Big Business—they should be sold upon the basis of totally authentic information, clearly and concisely presented to the public in such a manner that every one may decide for himself whether he is investing in a sound project, a questionable project, or a pure gamble. If balance sheets are to be published at all, in no matter what language, they should necessarily present clear-cut pictures of the financial conditions of the companies which they concern, rather than highly abstruse complications of figures, designed only to impress the people who use them as the bases for investments.

2. The auditing profession must be given powers much greater than those at present entrusted to it, especially in such countries as Sweden, and must be made to share an increased amount of responsibility for the
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correctness of the accounts which it supervises.

In the case of large concerns auditors should be given the power as well as the duty to investigate the affairs, not only of the principal companies, but of the subsidiary companies—no matter how numerous. British auditors, even before the Kreuger debacle, framed a request that auditors in all cases be allowed to investigate these subsidiaries—a resolution which was startling to those trusting individuals who had been laboring under the impression that auditors, previously, had been able to investigate the whole structures of those concerns upon whose accounts they were regularly reporting to the public.

3. There is definitely some need of defining the status of “subsidiary concerns.” It appears to be contrary to all of the rules of justice that such dummies are maintained by prominent and dignified bankers in such highly comical spots as Liechtenstein and Luxemburg for the sole purpose of eluding the tax authorities of their native lands. It would appear, to the average law-abiding individual, that such concerns might quite logically be maintained for the purpose of effecting secret deals—and all the more power to them—but to the man who regularly pays his income taxes at no little personal sacrifice to himself and his family it does not appear just that these concerns are used as instruments for “gypping” governments out of hundreds of millions of dollars.

It must be noted in all fairness to Big Business that
such dummies are often resorted to in sheer necessity by international bankers in order to avoid double taxation. To this extent the governments themselves are to blame for the practise. And it must remain for the governments to rectify their tax laws in such a way that multiple taxation will be eliminated. Were the principal governments of the world to make some equitable convention to cover the taxation of international enterprises there would no longer remain any legitimate excuse for these stealthy concerns. As long as such concerns do exist there will remain the possibility of such stupendous swindles as that perpetrated by Kreuger by means of them.

4. Several purely technical provisions should be incorporated into the laws of the United States of America to prevent any such switching of security for bond issues as that which cheated Americans out of millions of dollars in connection with the Kreuger & Toll Gold Debenture issue of 1929.

5. Finally the pressure of public opinion, if not of law, should be brought to bear upon business men to prevent them from lending even the most tacit approval to such schemes as that presented by Kreuger in connection with the monopoly contracts which he purported to have made with Poland, Italy and Spain. American banking associates of Kreuger at least tacitly approved of his supposed deals with those governments, questionable though they were. The Polish contract was supposed to
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multiply the price of matches in Poland, the Italian and Spanish contracts were supposed to be secret agreements between Kreuger, acting on the behalf of Americans, and the two dictators Mussolini and Primo di Rivera, whereby he was to give those gentlemen large sums of money. The secrecy surrounding those contracts implied that they were not aboveboard, but the bankers apparently considered that it was only part of their right as Big Business men to carry through the deals.

6. As long as there is a stock-market there will be nothing to prevent industrialists from giving artificial values to their own securities by “supporting operations.” At the same time this practise should most decidedly be prevented from exceeding certain bounds, if only for the reason that “supporting operations” raise the prices of securities to artificial levels and compel the public to pay more for them than they are worth.

At the present time the instinct to lambaste Big Business is only too strong, but these suggestions can not but be made on the strength of what is known of Kreuger’s downfall. Both the United States and Sweden have witnessed a most disgruntling spectacle which it is their compelling duty to act upon. Big Business itself, it would appear, should be the very first to take definite steps toward the prevention of such episodes in the future, if only to prevent its being discountenanced in the eyes of those very people who support it with faith and money.

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The final chapters of the Kreuger story will not be written for many months, perhaps years, but the general outline of the story is already at hand. It is the story of a truly Big Business man who fell victim to two things: his own loose methods of finance and to a world crisis beyond his own power to control. Other crises will come and there will be other gigantic failures but it may be fondly hoped that they will not be of the Kreugerian ilk. Were another Match Swindle to occur the cynics could justifiably point with smug satisfaction to that old Latin saying, *Populus vult decipi; decipiatur*—The people wish to be deceived; let them be deceived—can not apply to-day. People have changed since the days of Imperial Rome and the only Neros who may deceive them are the Neros of their own making.

The only satisfaction to be drawn from the Kreuger saga is that it may influence the people to rid themselves of Neros.
1. The Match Empire at the time of Kreuger's death, showing interests of Swedish Match, International Match and British Match Corporations.
II

THE GARANTA CONTRACT

It was this contract upon which the existence of the mysterious Dutch concern, "N. V. Maatschappij Garanta" was based. It purported to be a secret agreement reached between Kreuger and Dr. Marjam Glowacki, Polish Finance Minister, in July 2, 1925, whereby International Match Corporation, in return for a payment of twenty-five million dollars, was to be given a monopoly for the sale of matches in Poland at a terrifically high rate, supplementing the "open agreement" whereby International Match had secured the sole right of manufacturing matches in Poland, in return for the public loan of six million dollars.

There is ample reason to believe that Kreuger and Doctor Glowacki discussed such a contract, but it is known that such a contract was never approved by the Polish Diet. Kreuger apparently drew up the contract in 1925, hoping that it would become effective, and later discarded it. Finally, in 1930, when his assets were greatly depleted he revived this old agreement, which apparently had never become effective, and used it as an "asset" for Garanta.
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Certain circumstances, on the other hand, point to the fact that there was something to the contract. Employees of the Swedish Match Company understood that the contract was effective, the Bank Amerykanski w Polsce mentioned in the contract actually did exist, and International Match Corporation did receive twenty-four per cent. interest on a loan of approximately seventeen million dollars to Garanta, which it was understood had been used for Poland. The fact that both Doctor Glowacki and Kreuger were dead prevented any one from discovering the real circumstances back of the affair.

The original of the contract has never been discovered.

"Between Dr. Marjam Glowacki, department director of the Ministry of Finance, acting on behalf and in the interest of the Treasury, of the Polish State, party of the first part, and Mr. Ivar Kreuger, acting on behalf and in the interest of the corporation under the firm name of International Match Corporation, party of the second part, the following agreement is made:

"1. For the purpose of handling the distribution of matches in Poland and for the purpose of cooperating with Spolka Akcyjna do Eksploracji Panstwowego Monopolu Zapalczaneo w Polsce and with the administration office of the Polish Government monopolies a Dutch company with the name of N. V. Maatschappij Garanta with a share capital of 500,000 guldens has been incorporated in Amsterdam. The shares of this com-
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pany are to be owned by a number of Polish citizens nominated by Dr. Marjam Glowacki.

"2. N. V. Financieele Maatschappij Garanta is to take over

"All such assets in connection with the match industry or chlorate of potash industry which for one reason or another are not taken over by Spolka.

"Certain exchange losses which have been sustained by International Match Corporation in connection with financial transactions in Poland and which amount to Hfl. 2,496,320. This item is to be carried as an asset on the books of Garanta and to be amortized according to stipulations in this agreement.

"All such other assets which the administration office of the Polish monopolies desires the company to take over.

"3. International Match Corporation agrees to finance the Dutch company by advancing the same on October 1, 1925, 17 million dollars and on July 1, 1926, a further 8 million dollars against 24% yearly interest.

"The interest is payable first time January 10, 1927, next time January 10, 1928, and afterward every tenth of January. The interest is to be added to the capital every first of January and every first of July.

"The advances made by International Match Corporation are to be repaid in 32 instalments of seven hundred eighty one thousand two hundred fifty dollars (781,250) the first one April 1, 1930, and afterward every first
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of October and first of April until October 1, 1945.

"4. Garanta will have directly or through Polish subsidiary company the retail distribution of all matches sold in Poland and shall have the right after October 1, 1928, to sell matches in Poland at a retail price of 10 golden groschen a box not containing less than 45 sticks of matches each. During the time from October 1, 1925, until October 1, 1928, the retail price should be fixed from time to time by the administration office of the Polish Government Monopolies, but this price should always be fixed in such a way as to allow Garanta to pay the interest charges on the advances made by International Match Corporation as well as necessary amortizations.

"5. Garanta shall not have the right to issue any debentures or make any bank debts without the written consent of the International Match Corporation.

"6. The exchange losses amounting to Hfl. 2,496,320 are to be entirely written off before any dividends are paid and must be fully written off before October 1, 1929. All assets for permanent use should during the sixteen years commencing October 1, 1929, be amortized with 6¼ per cent. on the book value at that date so as to be fully written off on October 1, 1945. Should any new assets for permanent use be required after October 1, 1929, such assets should be amortized at a uniform rate which is to be fixed so as to make them completely amortized October 1, 1945. All such permanent assets
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will on that date be taken over without any payment by the administration office of Polish Government Monopolies. All amortizations are to be charged to the profit and loss account of Garanta.

"7. Garanta shall when appointing retail dealers in matches as well as commissioners and employees in general give preference to war invalids and agree to give a discount to the retail trade of not less than 12 per cent.

"8. Should for one reason or another Garanta not make sufficient profit to pay the interest and amortization on the advances made by International Match Corporation any such deficiency is to be covered from the income of the Polish Alcohol Monopoly or in case the income from this monopoly should be pledged in for other purposes or given away to private concessionary, from the income of the Polish Tobacco Monopoly. The administration office for the Polish Government Monopolies has the right to pledge the income from or to give away the concession for one of these two monopolies but has not the right to do so for both of them without the written consent of International Match Corporation.

"9. International Match Corporation shall have the right to obtain payment of interest in Dutch guldens or U. S. dollars according to its choice and for all such payments one dollar shall be counted as $1.5$ guldens.

"10. Independent of all present or future restrictions regarding purchase of foreign exchange Garanta shall always have the right to buy in Poland U. S. dollars or
THE GARANTA CONTRACT

Dutch guldens in such amounts as are necessary to assure the payment of interest and amortization due to International Match Corporation.

"11. It is agreed that if International Match Corporation itself or through associated firms or persons should want to establish a bank in Poland with a minimum capital of 5 million zloty a concession for such a bank is to be given within three months after application has been made for the same. The name of the bank shall be Bank Amerykanski w Polsce or a similar name to be approved by the Minister of Finance and it should be started not later than December 31, 1926.

"12. During the first four years until October 1, 1929, International Match Corporation shall have the right to appoint the managing director of Garanta who is alone entitled to sign for the company. Other employees are to be appointed by the Polish shareholders. On or after October 1, 1929, International Match Corporation has the right to acquire 60 per cent. of the shares at par.

"13. This agreement is to be considered as a secret document and all disputes in connection with the same must be settled by friendly negotiations without the right for any of the parties to submit same to the courts. Any action taken by either party whereby the contents of this agreement become known will be considered as a violation of the contract. Should, however, the stipulations regarding the advances to be made by Inter-

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THE LIFE AND DEATH OF IVAR KREUGER

national Match Corporation according to paragraph 3
not be made punctually by this company or should the
payments of interest and amortization to International
Match Corporation not be made punctually by Garanta
in the former case the State Treasury and in the latter
case the International Match Corporation has the right
to consider this just ground for not maintaining the
secrecy and any disputes arising out of such a situation
shall be dealt with by a court of arbitration to which
both parties shall delegate two representatives each. The
chief arbiter of the court of arbitration shall be chosen
by ballot from among candidates nominated by both par-
ties in equal number.

"Warschau, July 2nd, 1925.
(signed) "M. R. GLOWACKI.
"The International Match Corporation
(signed) IVAR KREUGER
President.

"We hereby certify that this is a correct copy of the
certified translation of the original
(signed) "K. BOKMAN F. LJUNGBERG."
III

THE SPANISH CONTRACT

The following is an English translation of what purported to be a contract between Kreuger, acting on behalf of the Continental Investment Corporation and International Match Corporation, and Primo de Rivera. While both the Spanish and Swedish authorities seem to agree that this contract was a forgery it is by no means certain to what extent Kreuger did business with the Spaniards. He definitely did have considerable interests in Spain and it is highly possible that there was some sort of an understanding between him and the Dictator.

On the basis of this contract the Match King convinced Americans interested in International Match Corporation that $27,830,600 of that concern’s funds had been paid over to Spain in return for a monopoly.

“Agreement

“Between the Government of the Kingdom of Spain and the Continental Investment A. G. there has this day been made the following agreement:

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THE LIFE AND DEATH OF IVAR KREUGER

"1. It is agreed that the Spanish Government shall consent to and assist in the acquisition by the Continental Investment A. G., through Spanish nominees, of the majority shares in Compania Arrendataria de Fosforos, which company, through Royal promulgation of November 9, 1922, has acquired the monopoly for the manufacture of matches in the Kingdom of Spain during a period of fifteen years from the date of the said promulgation.

"2. It is understood that according to the statutes of the company the said shares can not be registered on foreign shareholders but the Spanish Government will give its consent to such an alteration of the statutes which will permit twenty-five per cent. of the shares to be registered on foreign shareholders, this being the largest proportion of foreign shareholding which the law admits to any company.

"3. As soon as Continental Investment A. G. has acquired the majority of the shares in Compania Arrendataria de Fosforos the Spanish Government is to arrange an adjudication for the monopoly for the sale of matches in Spain, and it is understood and agreed that this monopoly is to be awarded to the Compania Arrendataria de Fosforos for the period for which the said company has the manufacturing monopoly of matches.

"4. The Spanish Government herewith binds itself to grant to Continental Investment A. G. the monopoly for both manufacture and sale of matches in Spain dur-
THE SPANISH CONTRACT

ing a period of twenty-five years commencing November 10, 1937, and ending November 9, 1962, with the right for Continental Investment A. G. to transfer such a monopoly either to Compania Arrendataria de Fosforos or to a new Spanish company to be founded by Continental Investment A. G.

"5. Continental Investment A. G. is to pay to the duly appointed representative of the Spanish Government a total sum of 180 million pesetas in instalments as specified below.

15 million pesetas on or before April 10, 1925
15 million pesetas on or before July 10, 1925
15 million pesetas on or before October 10, 1925
15 million pesetas on or before January 10, 1926
15 million pesetas on or before April 10, 1926
15 million pesetas on or before July 10, 1926
15 million pesetas on or before October 10, 1926
75 million pesetas on or before January 10, 1927.

"The payments of the different instalments are not to be made in Spain but may be made at the option of Continental Investment A. G. in New York, London, Stockholm, Amsterdam, or Zurich at the rate of exchange ruling for Spanish pesetas at the time of the different payments.

"Interest at the rate of sixteen per cent. is to be counted from the date of the different payments to June [ 273 ]
THE LIFE AND DEATH OF IVAR KREUGER

thirtieth and December thirty-first every year, when the interest will be added to the capital.

"When the final payments are made the Spanish Government will issue one certificate covering all payments made with interest, but this certificate is to form part of this contract and the Continental Investment A. G. shall not have the right to use the same as security for bonds issued to the public nor to pledge it as security for any credits.

"6. The interest and amortization of the sums mentioned in §5 are to be provided out of special profits which Continental Investment A. G. will derive as the results of commercial or other transactions with the Compania Arrendataria de Fosforos or such a Spanish subsidiary company which may hold the match monopoly after November 10, 1937.

"Regarding such profits the following has been agreed: MATCHES. Any price above 2 sh. 6 d. a gross cif Spanish harbor for full-sized safety-matches will be considered as profit for the Continental Investment A. G. For other sizes than full size the price will be regulated according to the actual cost of fabrication whereby a certificate from the Swedish Chamber of Commerce in Stockholm will be considered as satisfactory evidence as to the proportional price of different sizes.

SPLINTS. Any price above 50 sh. paid to the Continental Investment A. G. for 1 million splints, 2.1 x 57 m/m cif Spanish harbor will be considered profit for Continental Investment A. G.

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THE SPANISH CONTRACT

CHLORATE OF POTASH. Any price above 6 d. a kilogram cif Spanish harbor paid for Chlorate of Potash is to be considered as profit for the Continental Investment A. G.

MACHINERY. As basis prices for match machinery manufactured by A. Roller, Berlin, Dadische Maschinenfabrik, Durlach, and Gerh. Arehn’s Mek. Verkstad are to be those given in the price lists of above mentioned three companies in force at the date of the signature of this contract and all prices paid above these basis figures are to be considered profit of the Continental Investment A. G.

PATENTS, ETC. All sums paid to Continental Investment A. G. by Compania Arrendataria de Fosforos or another company having the match monopoly in Spain on account of patents, trade-marks, chemical formulas or similar objects are to be considered as profit for Continental Investment A. G.

ASSOCIATED COMPANIES. Should any profits of the same nature as indicated above be made by companies associated with the Continental Investment A. G. such profit will be considered as profit for Continental Investment A. G.

"7. It is understood by both parties that any considerable profit can not be made by Continental Investment A. G. on commercial transactions of the kind mentioned in §6 above until the sale of wooden matches has been established in Spain on a large scale and it is therefore not expected that these profits will be sufficient during
THE LIFE AND DEATH OF IVAR KREUGER

the first years of this agreement to pay for the full interest on the loans given by Continental Investment A. G. Such parts of interest which can not be paid out of profits are to be added to the capital every thirtieth of June and thirty-first of December until January 10, 1931. Should on this date the debt to Continental Investment A. G. by the Spanish Government exceed 180,000,000 pesetas the Spanish Government is to pay to Continental Investment A. G. all unpaid interest until and on December 31, 1930. On January 10, 1932, the Spanish Government is also to pay any such interest which is due on the original loan of 180,000,000 pesetas up to December 31, 1931. From January 10, 1933, and every following January tenth, the Spanish Government is to pay such a sum as may be necessary for interest on the remaining loan as well as a yearly amortization of 6,000,000 pesetas, so that the loan will be fully paid on January 10, 1962.

"8. Continental Investment A. G. shall during the whole period of this agreement have the right to buy freely all foreign exchange necessary for its business, independent of any legal restrictions which may exist at the time.

"Should during any period of this contract the value of pesetas compared to American dollars go below fourteen American cents the Continental Investment A. G. shall have the right to receive payment for interest and amortization in U. S. dollars, whereby fourteen cents should be counted as one peseta.
THE SPANISH CONTRACT

"9. This agreement shall be considered of strictly confidential nature and may not be disclosed to outside parties except in case of non-fulfillment of any essential stipulation of the contract by either party, in which case the other party may disclose the contents of this agreement to the extent it may be necessary in order to obtain fulfillment of the contract stipulations.

"10. Any disputes in connection with this contract shall be dealt with by a court of arbitration to which both parties shall delegate three representatives apiece. One arbiter is to be chosen by ballot from among candidates nominated by both parties in equal number.

"Madrid and Paris, January, 1925

"For the Account of
Continental Investment A. G.
(signed) Ivar Kreuger

"For the Account of
The Government of the Kingdom of Spain
(Signed) Primo de Rivera

"We hereby certify that this is a correct translation of the original
(signed) "S. Beisman" (signed) "O. Stavenow."
IV

PRIMO DE RIVERA'S "RECEIPT"

The following receipt, which was presumed to have been delivered to Kreuger by the Spanish Dictator, Primo de Rivera, was found among the "assets" of the Continental Investment Corporation, subsidiary of International Match Corporation. It purported to show that Kreuger had fulfilled the terms of the "Spanish Monopoly Contract," reproduced above.

"CERTIFICATE"

"It is herewith certified that in accordance with the contract between Continental Investment A. G. and the Government of the Kingdom of Spain, dated Paris and Madrid, January, 1925, the following payments have been made by Continental Investments A. G.

13th January, 1925  Pesetas  1,688,000
19th January, 1925  4,044,000
20th January, 1925  3,362,000
19th February, 1925  3,355,000
26th March, 1925  2,551,000

15,000,000
### PRIMO DE RIVERA’S “RECEIPT”

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>15th March, 1925</td>
<td>15,000,000</td>
</tr>
<tr>
<td>6th May, 1925</td>
<td>15,000,000</td>
</tr>
<tr>
<td>15th July, 1925</td>
<td>10,000,000</td>
</tr>
<tr>
<td>27th August, 1925</td>
<td>5,000,000</td>
</tr>
<tr>
<td>1st December, 1925</td>
<td>5,656,000</td>
</tr>
<tr>
<td>8th January, 1926</td>
<td>9,344,000</td>
</tr>
</tbody>
</table>

which amounts, together with the agreed rate of interest make a total balance in favor of Continental Investment A. G. on December 31st, 1926, of Pesetas 124,306,684:30.

"Madrid, December, 1926,
"FOR THE GOVERNMENT OF THE KINGDOM OF SPAIN
"PRIMO DE RIVERA."
Debentures First Quoted Nov. 7, 1923

Rise Following Announcement Gold Debenture Holders Would Have Right to Subscribe to New Participating Debentures Issue Until End of 1929 at High Rate of 840 Kronor—$45,000
Leading Public to Believe Market Value to Exceed 840
Top Price: 883 Kronor Reached on Publication of 1928 Statement

New Emission Made at 600 Kronor (Rights: 1 New for 8 Old)

Rise on Rumor of Kreuger Interest in L. M. Ericsson

Wall Street Crash

New Emission @ 429 Kronor (Rights: 1 New for 3 Old)

Rise on Rumor Flat Cut by Kreuger that Favorable Report Forthcoming

1929 Statement

1928
1929
Another Small Recovery on Rumors of Good Report

Statement for 1930

Hoover Moratorium

Announcement of Agreement Between Ericsson and I.T.T.

Aug. 28: Glowing Statement Showing Profits of 14 Million Dollars for First Half Year 1931. Outstanding Short Term Credits Only 1 Million Dollars. Blaming Debentures Fall on "International Bank Syndicate" Sept. 21—Sweden Leaves Gold Standard

Announced Match Company's Interim Dividend to be Delayed

January 28: Statement Announcing Acquisition of Boliden Gold Mine, that Net Earnings for 1931 were 21 Million Dollars and that Debenture Dividends to be Paid in Gold Standard Currency

Kreuger's Suicide—Stockholm Bourse Suspends Debenture Quotations
V

THE RISE AND FALL OF DEBENTURES

The extraordinary fluctuations in the quotations on this type of Kreuger security were highly significant, if only because Kreuger had announced it as his goal that the participating debentures should be given a stable value. It is noticeable immediately that the debentures began their downward course long before the Wall Street crash came and that their value was revived only by flagrantly dishonest profit statements.

The peak of 863 kronor was reached thanks only to the most flagrant sort of trick. The value of debentures was far below 700 kronor when the Match King announced that the option price at which they would be offered to holders of Gold Debentures, "at any time before the end of 1930," would be 840 kronor. The investors were sure that Kreuger would make good this prophecy, which amounted to a statement that 840 kronor would be below the market price at some time in the period intervening between then and the end of 1930. Kreuger did manage to boost them up to above that figure but the Gold Debenture holders refused to believe that they would remain at such an outlandish
peak and consequently failed to take up their options.

From the beginning of 1929 until Kreuger's death he waged a constant and vain battle to keep their value up, not only by buying them frantically through agents but also by subscribing a large part of the issues on his personal account.
VI

THE OATH OF SECRECY

Ability to keep one’s knowledge to oneself was a prime requisite for an employee of Kreuger and an oath of silence was contained in every contract which the Match King entered into with those who entered his service. The following is a translation of the “secrecy clauses” in a contract between an engineer and The Swedish Match Company.

“CONTRACT

“Engineer W—— and The Swedish Match Company, herein referred to as the company, have this day reached the following agreement:

§4.

“Engineer W—— hereby binds himself, on his honor and his conscience:

1. To make known to no one not connected with the concern anything which may become known to himself regarding the concern’s business secrets, its manufacturing processes, or the construction of its machinery, and not to make use of this knowledge to the benefit of any one else;

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THE OATH OF SECRECY

"2. That if his connection with the firm should for one reason or another be severed, not without the written consent of the company to take employment or to work with or to interest himself either directly or indirectly in any domestic or foreign enterprise in the match industry, or any undertaking interested in the manufacture or sale of match-machines or raw materials for the manufacture of matches.

"§5.

"Should Engineer W— during the period of his employ with the company make any inventions or improvements concerning the manufacture of matches or match machinery these shall belong, whether patented or not patented, to the company. . . .

---

"§7.

"Should Engineer W— violate one of the above paragraphs, particularly §4, during the time of his employment by the company or within a period of ten years after he leaves the company's employ, he shall upon each violation pay to the company the sum of one hundred thousand kronor (100,000) without any obligation on the part of the company to show to what extent it has been damaged or even to prove that it has suffered damage."

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## VII INTERNATIONAL MATCH CORPORATION

### COMPARISON BETWEEN

**DISPOSITION OF PROCEEDS OF FINANCING (AS PER NEW YORK BOOKS)**

**AND STATED PURPOSES OF FINANCING (AS PER PROSPECTUSES)**

<table>
<thead>
<tr>
<th>Date</th>
<th>Financing</th>
<th>Net Proceeds</th>
<th>Purposes as per prospectuses</th>
<th>Actual Disposition of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov, 1925</td>
<td>$15,000,000, 20 year cony 6½%</td>
<td>$13,275,000</td>
<td>TO ACQUIRE ADDITIONAL INVESTMENTS AND TO PROVIDE WORKING CAPITAL</td>
<td>TRANSFERRED TO CONT'N INVESTMENT CO $12,447,923</td>
</tr>
<tr>
<td></td>
<td>GOLD DEBENTURES AT 94⅞</td>
<td></td>
<td></td>
<td>OTHER AFFILIATED CO'S 275,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>PAYMENT OF ADR 11,924.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>INTEREST ON DEBENTURES 487,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>TOTAL $13,0007,392</td>
</tr>
<tr>
<td>Dec, 1924</td>
<td>449,010 shares participating</td>
<td>$15,035,000</td>
<td>TO RETIRE 6½% CONVERTIBLE DEBENTURES</td>
<td>RETIREMENT OF DEBENTURES AT 105 $157,153,350</td>
</tr>
<tr>
<td></td>
<td>PFD at $35 per share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July, 1925</td>
<td>450,000 shares participating</td>
<td>$19,574,665</td>
<td>TO FINANCE MATCH MONOPOLY IN DOLAND TO BE TAKEN OVER</td>
<td>RECORDERED AS TRANSFERRED TO NVFM GARANTA $17,000,000</td>
</tr>
<tr>
<td></td>
<td>PFD at $45 per share</td>
<td></td>
<td>JTLY BY INTERNATIONAL MATCH AND SWEDISH MATCH AND TO PROVIDE ADDITIONAL WORKING CAPITAL</td>
<td>30,000 shares Polish Monopoly Co. 579,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>CHARGED TO CONT'L INV. CO 376,150</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>PAYMENT OF DIVIDENDS ON PFD STK 144,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>TOTAL $19,395,150</td>
</tr>
<tr>
<td>Oct, 1926</td>
<td>450,000 shares participating</td>
<td>$21,824,360</td>
<td>TO FINANCE TRANSACTIONS IN VARIOUS PARTS OF THE WORLD, INCLUDING</td>
<td>TRANSFERRED TO SWEDISH MATCH CO. $3,300,000</td>
</tr>
<tr>
<td></td>
<td>PFD at $50 per share</td>
<td></td>
<td>GREECE, PORTUGAL, ALGIERS, NORWAY AND MANILA</td>
<td>CONT'L INVESTMENT CO 162,005,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>PAYMENT OF DIVIDENDS ON PART PFD STK 1,080,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>TOTAL $20,583,000</td>
</tr>
<tr>
<td>Nov, 1927</td>
<td>$50,000,000, 20 yr sinking fund</td>
<td>$47,750,000Q</td>
<td>TO ACQUIRE $50,000,000 40 yr 5% GOLD BONDS OF FRENCH GOVT WITH WHICH SWEDISH MATCH HAS ENTERED INTO LONG TERM ARRANGEMENT PROVIDING FOR CO-OPERATION IN MATCH INDUSTRY, INT'L MATCH PARTICIPATES EQUALLY WITH SWEDISH MATCH CO</td>
<td>PURCHASE $50,000,000 FRENCH GOVT 5% BONDS $167,500,000</td>
</tr>
<tr>
<td></td>
<td>5% conv deb at 98⅜</td>
<td></td>
<td></td>
<td>FRENCH BONDS REDEEMED APR 1936 AT 101% PLUS INT. PROCEEDS $151,750,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>PROCEEDS DISTRIBUTED AS FOLLOWS</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>PURCHASE $30,000,000 GERMAN REICH BONDS AT 9⅜ PLUS INTEREST</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>TRANSFERRED TO CONT'L INVESTMENT CO 23,733,152</td>
</tr>
<tr>
<td>Jan, 1931</td>
<td>$50,000,000, 10 yr conv. 5% gold</td>
<td>$46,125,000</td>
<td>TO BE DEVOTED TO IMPORTANT NEW INVESTMENTS IN DOLAND, PURCHASING OF GERMAN AND TURKISH BONDS, ESTABLISHMENT OF NEW FACTORY IN TURKEY, AND INCREASING INVESTMENT IN MATCH INDUSTRY IN NORWAY, DENMARK, PORTUGAL...</td>
<td>BY SERIES OF BOOKKEEPING ENTRIES, KRUGE &amp; TOLL LIQUIDATED DEBT TO LEE HIGGINSON CO (NOW) $150,000,000 PAYMENT OF BALANCE DUE ON GERMAN LOAN INCO'S SHARE ($5,000,000 PROS) $490,000</td>
</tr>
<tr>
<td></td>
<td>GOLD DEBENTURES AT 98⅜</td>
<td></td>
<td></td>
<td>SWEDISH MATCH = KRUGe &amp; TOLL SHARES 1,024,000,000 $31,500,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>AS PER BOOKS, AVERAGE $464,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>TOTAL $464,000</td>
</tr>
<tr>
<td>Year</td>
<td>Nominal Am't. Shares in Kr.</td>
<td>Nominal Am't. Debentures in Kronor</td>
<td>Price of Issue</td>
<td>Issue Offered to</td>
</tr>
<tr>
<td>------</td>
<td>---------------------------</td>
<td>-----------------------------------</td>
<td>---------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>1911</td>
<td>1,000,000</td>
<td></td>
<td>100</td>
<td>Old shareholders</td>
</tr>
<tr>
<td>1913</td>
<td>1,000,000</td>
<td></td>
<td>140</td>
<td>&quot;</td>
</tr>
<tr>
<td>1915</td>
<td>1,000,000</td>
<td></td>
<td>150</td>
<td>&quot;</td>
</tr>
<tr>
<td>1917</td>
<td>3,000,000</td>
<td></td>
<td>200</td>
<td>&quot;</td>
</tr>
<tr>
<td>1918</td>
<td>6,000,000</td>
<td></td>
<td>250</td>
<td>&quot;</td>
</tr>
<tr>
<td>&quot;</td>
<td>4,000,000</td>
<td></td>
<td>300</td>
<td>Exchanged for nominal 6. mill. kr. in Swedish Match Co. at 200%.</td>
</tr>
<tr>
<td>1920</td>
<td>4,000,000</td>
<td></td>
<td>300</td>
<td>Exchanged for nominal 3 mill. dollars in American Kreuger &amp; Toll Corp. at 4 kr. per dollar nominal.</td>
</tr>
<tr>
<td>1921</td>
<td>8,000,000</td>
<td></td>
<td>240</td>
<td>Exchanged for</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>a) Nominal 6 mill. kr. shares in Hufvudstaden Realestate Co. at 120%.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>b) Nom. 2½ mill. doll. in American K. &amp; T. Corp. at 4:40 kr. per doll. nom.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>c) Nom. 600,000 kr. shares in Stockholms Intecknings Guaranti A.B. at 262½%.</td>
</tr>
<tr>
<td>1927</td>
<td>22,000,000</td>
<td></td>
<td>525</td>
<td>Exchanged for</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>a) 196,000 common shares in Swedish American Invest Corp. at 37½: kr. per share.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>b) Nom. 16 mill. kr. shares in Swedish Match at 262½%.</td>
</tr>
<tr>
<td>1928</td>
<td>20,000,000</td>
<td></td>
<td>100</td>
<td>To old shareholders (Rights: 2 debentures for every 5 old shares.)</td>
</tr>
<tr>
<td>(May)</td>
<td></td>
<td></td>
<td></td>
<td>gratis</td>
</tr>
<tr>
<td>&quot;</td>
<td>15,000,000</td>
<td></td>
<td></td>
<td>Three gratis shares for every ten old shares.</td>
</tr>
</tbody>
</table>

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THE LIFE AND DEATH OF IVAR KREUGER

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal Am't. Shares in Kr.</th>
<th>Nominal Am't. Debentures in Kronor</th>
<th>Price of Issue</th>
<th>Issue Offered to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1928</td>
<td></td>
<td>45,000,000</td>
<td>525</td>
<td>Nom. 8,500,000 offered to old share and deb. holders. (1 deb. for every 10 old shares or deb.) Nom. 10,000,000 sold to bank consortium in U. S. headed by Lee, Higginson &amp; Co. Nom. 8,500,000 sold to European consortium. Approx. 18,000,000 given consortium for liquidation of pref. shares in Swed. Am. Investment Corp.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1929</td>
<td></td>
<td>16,250,000</td>
<td>600</td>
<td>Old share and deb. holders. (1 new for 8 old.)</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>1929</td>
<td></td>
<td>11,000,000</td>
<td>405</td>
<td>Old shareholders (1 new for 6 old.)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1931</td>
<td></td>
<td>80,833,340</td>
<td>429</td>
<td>Nom. 37,916,660 to old share and deb. holders (1 new deb. for every 6 old shares and 1 new deb. for every 3 old deb.s.) Approx. 20,000,000 sold to American consortium at price of 28 dollars per American certificate, of nominal value 20 kr. Exchanged for shares in Boliden Gold Mine held by Kreuger. Supposed to have been held &quot;firm.&quot;</td>
</tr>
</tbody>
</table>

76,000,000 Kr. 220,000,000

The bonded debt of Kreuger & Toll consisted of $47,596,500 outstanding from $50,000,000 Gold Debenture (Gold Bond) issue sold in the United States in 1929.

THE SWEDISH MATCH COMPANY

STOCK ISSUES

<table>
<thead>
<tr>
<th>Year</th>
<th>Nom. value of Issue in Swedish kronor</th>
<th>Rate of Issue</th>
<th>Issue offered to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1917</td>
<td>45,000,000</td>
<td>100</td>
<td>To old shareholders</td>
</tr>
<tr>
<td>1922</td>
<td>45,000,000</td>
<td>120</td>
<td>&quot; &quot; &quot;</td>
</tr>
<tr>
<td>1924</td>
<td>90,000,000</td>
<td>125</td>
<td>[ 288 ]</td>
</tr>
<tr>
<td>Year</td>
<td>Nom. value of Issue in Swedish kronor</td>
<td>Rate of Issue</td>
<td>Issue offered to:</td>
</tr>
<tr>
<td>------</td>
<td>-------------------------------------</td>
<td>--------------</td>
<td>------------------</td>
</tr>
<tr>
<td>1927</td>
<td>90,000,000</td>
<td>230</td>
<td>Nom. 45,000,000 used for exchange for 432,000 common shares in International Match Co. and 36,000 shares in Compania Chilena de Fosforos. Nom. 45,000,000 offered old shareholders (1 new share for 4 old.)</td>
</tr>
<tr>
<td>1931</td>
<td>90,000,000</td>
<td>150</td>
<td>To old shareholders (1 new for 3 old.)</td>
</tr>
</tbody>
</table>

360,000,000 Kr.

The bonded debt of Swedish Match was 60 million kronor.
91 Herrenm Hyper Sphere

Kurgender

Jeppe
28 appearance
44 41
99 Curry
06 - 1 - 2 Louis Murphy +
05 - French Line
137 Int. Barley Frontier
141 No credit
156 Propaganda