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Robert Maxwell

This entry relates to the misappropriation, or embezzlement, of approximately £400 million from the Daily Mirror Group Pension Fund by then owner of the company, the late Robert Maxwell and to his criminal business activities. Misappropriation is the intentional, unauthorized and illegal use of property, or funds, for one's own use or other unauthorized purpose. Embezzlement is the act of dishonestly withholding assets for the purpose of theft by an individual to whom such assets have been entrusted to be held and/or used for other purposes. This topic is relevant because such crimes are normally committed by employees and not by company owners themselves which raises issues of breach of trust, mismanagement, corporate governance, corporate crime and corporate malfeasance.

Ian Robert Maxwell was born Ján Ludvík Hyman Binyamin Hoch on 10 June, 1923 in Czechoslovakia apparently of humble beginnings. His rise from poverty is a classic rags-to-riches entrepreneur story. After relocating to the UK in 1943, Maxwell built up a powerful media empire and was generally lauded as a successful if somewhat ruthless entrepreneur. Maxwell even became a Conservative Member of Parliament.

It is part of the entrepreneurial personality to take risks and Maxwell appears to have been prepared to shoulder considerable risks. There were earlier warning signs of this in the Permagon Press Case. In 1969, American Businessmen Saul Steinberg attempted a strategic acquisition of this Maxwell Company. Sternberg complained that Maxwell had made false claims about the profitability of a subsidiary responsible for publishing encyclopedias to maximize share prices through transactions between his private family companies. A subsequent Department of Trade and Industry (DTI) investigation concluded that Maxwell could not be relied on to exercise proper stewardship of a publicly quoted company. In 1971, a judge criticized the tone of the DTI inquiry as being accusatory rather than inquisitorial claiming inspectors had acted contrary to the rules of natural justice. Maxwell survived acquiring Mirror Group Newspapers in 1984.

Maxwell had a propensity for litigation and a legendary acerbic style of communicating with others. Indeed, he pursued anyone who spoke out or wrote about him and sued the satirical magazine Private Eye for an estimated £225,000. His communicational style verged on being intimidating and bullying. Maxwell was also able to commit his crimes undetected for so long because of his dictatorial leadership style and because he placed family members in management positions making it less likely that he would be challenged by management. Thus a combination of personal traits and organizational issues perhaps explain why his criminal business activities remained hidden until his death.

It is notoriously difficult to prosecute white collar criminals whose modus operandi includes the use of aggressive business tactics to prevent interference from outsiders. Moreover, such crimes are normally only discovered when the perpetrator either dies or confesses. Investigators invariably face an internecine web of interlocking public and private companies in which money and assets are traded allowing perpetrators to avoid established networks of regulations and controls. It is normally investigative journalists who expose the crimes and chicanery of the rich and powerful, like Maxwell. Maxwell himself was a media mogul and adept at the politics of power. During the period of his crimes there was a tendency in the British Press not to report financial crimes because of constrictions faced by journalists because of tough defamation laws. It is unreasonable to expect the press to act as early warning systems for as undetected crimes. Thus misappropriation and embezzlement by business owners is difficult to monitor, investigate and eradicate.

On 5 November, 1991, aged 68, Robert Maxwell reportedly fell overboard from his luxury yacht, the *Lady Ghislaine* whilst cruising off of the Canary Isles. His death has been the subject of conspiracy theories. It transpired there were huge discrepancies in the finances of the Mirror Group Pension Fund. Maxwell had without adequate prior authorization used the monies to shore up the shares of the Mirror Group to prevent bankruptcy. Maxwell's fall from grace was sudden and a thorough investigation by the Serious Fraud Office determined that he had fraudulently misappropriated the missing funds. Maxwell's death triggered a crash when banks called in their massive loans. The pensioners were later compensated but only received about 50% of their entitlement. Such infamous cases result in a lasting backlash and anger and disillusionment amongst victims. His sons Kevin and Ian tried unsuccessfully to save the empire, but collapse was inevitable. The Maxwell companies filed for bankruptcy protection in 1992 and Kevin was declared bankrupt with debts of £400 million. In 1995, Kevin, Ian and two former directors went on trial for conspiracy to defraud. All were unanimously acquitted by a jury in 1996. Robert Maxwell is a classic example of a 'Robber Baron' and his life and the pension scandal is well documented in numerous biographies and academic articles.

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See also entry 164 Embezzlement; 321 Misappropriation Theory; and 409 Robber Barons.

Further Readings

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