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Bernard Madoff: Wall Street Swindler Strikes Powerful Blows for Social Justice

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"We never thought he would do this to us, he was one of our people",
member of Palm Beach Country Club.



An Introduction to the Mega-Swindle

Wall Street broker Bernard ('Bernie') Madoff, former president of NASDAQ, revered and respected investor confessed to pulling off the biggest fraud in history, a *\$50 billion dollar scam*. Bernie was known for his generous philanthropy, especially to Zionist, Jewish and Israeli causes. A one time life-guard on Long Island in the 1960's, Bernie launched his financial career by raising money from colleagues, friends and relatives among wealthier Jews in the Long Island suburbs, Palm Beach, Florida and in Manhattan, promising a modest, steady and secure return of between 10 to 12%, covering any withdrawals in typical Ponzi fashion by drawing on funds from new investors who literally pleaded for Bernie to fleece them. Madoff personally managed at least \$17 billion dollars. For almost four decades he built up a clientele, which came to include some of the biggest banks and investment houses in Scotland, Spain, England and France; as well as major hedge funds in the United States. Madoff drew almost all of the funds from high net-worth private clients who were recruited by brokers working on commission. Bernie's clients included many multi-millionaires and billionaires from Switzerland, Israel and elsewhere, as well as the US's largest hedge funds (RMF Division of the Man Group and the Tremont). Many of the swindled super-rich clients forced their money on Madoff, who sternly imposed rigorous conditions on potential clients: He insisted they have recommendations from existing investors, deposit a substantial amount and guarantee their own solvency. Most considered themselves lucky to have their funds taken by the highly respected Wall Street...swindler. Madoff's standard message was that the fund was closed...but because they came from the same world (board members of Jewish charities, pro-Israel fund raising organizations or the 'right' country clubs) or were related to a friend, colleague or existing clients, he would take their money.

Madoff set up advisory councils with distinguished members, contributed heavily to museums, hospitals and upscale cultural organizations. He was a prominent member of exclusive country clubs in Palm Beach and Long Island. His reputation was enhanced by his funds record of never having a losing year – a big selling point in luring millionaire investors. Madoff shared with his super-rich clients (Jews and Gentiles) a common upper class life style, and mix of cultural philanthropy with low key financial profiteering. Madoff 'played' his colleagues with a soft-spoken, but authoritative, appearance of 'expertise', covered by a veneer of upper class collegiality, deep commitment to Zionism and long-term friendships.

Bernie's mega-fund shared many signs with recent high level scams: The constant high returns, unmatched by any other broker; a lack of third party oversight; a backroom accounting firm physically incapable of auditing the multi-billion dollar operation; a broker-dealer operation directly under his thumb and the total obfuscation of what he was actually investing in. The obvious similarity of signs with other fraudsters were overlooked by the rich and famous, the sophisticated investors and high paid consultants, the Harvard MBA's and the entire army of regulators from the Security and Exchange Commissions (SEC) because they were totally embedded in the corrupt culture of 'take the money and run' and 'if you're making it, don't ask questions'. The reputation of the superior wisdom of a seemingly

successful Jewish Wall Streeter fed into the self-delusions of the wealthy and the stereotypes held by millionaire Gentiles.

The Big Swindle

Madoff's investment fund only dealt with a limited clientele of multi-millionaire and billionaires who kept their funds in for the long haul; the occasional withdrawal were limited in amount and were easily covered by soliciting new funds from new investors fighting to have access to Madoff's money management. The long-term big investors looked toward passing their investments to their kin or eventual retirement. The wealthy lawyers, dentists, surgeons, distinguished Ivy league professors and others who might need to draw from their funds for an occasional fancy wedding or celebrity-studded bar-mitzvah, could draw from their funds because Madoff had no problem covering the withdrawal by attracting funds from rich owners of sweat shop garment factories, dangerous meat packing outfits and slumlords. Madoff was no Robin Hood, his philanthropic and charity contributions facilitated access to the rich and wealthy who served on the boards of the recipient institutions and proved that he was 'one of them' a kind of super-rich 'intimate' of the same elite class. The shock, awe and heart attacks that followed Madoff's confession that he was 'running a Ponzi scheme' drew as much anger for the money lost and the fall from the moneyed class as for the embarrassment of knowing that the world's biggest exploiters and smartest swindlers on Wall Street, were completely 'taken' by one of their own. Not only did they suffer big losses but their self-image of themselves as rich because they are so smart and of 'superior stock' was utterly shattered: They saw themselves as suffering the same fate as all the schmucks they had previously swindled, exploited and dispossessed in their climb to the top. There is nothing worse for the ego of a respectable swindler than to be trumped by a bigger swindler. As a result, a number of the biggest losers have so far refused to give their names or the amount they lost, working instead through lawyers fighting off other losers.

The Positive Side of Madoff's Mega-Swindle (The Inadvertent Hand of Justice)

While it is understandable that the super-rich and wealthy, who have lost a large portion of their retirement and investment funds are unanimous in their condemnation and cries of betrayal of trust, and the editorials of all the prestigious newspapers and weeklies have joined the chorus of moral critics, there is much to praise in Madoff's deeds, even if such praise was not at the heart of his fraudulent endeavor.

It is worthwhile to list the inadvertent positive outcomes of Madoff's mega-swindle. First of all the swindle of \$50 plus billion dollars may make a big dent on US Zionist funding of illegal Israeli colonial settlements in the Occupied Territories, lessen funding for AIPAC's purchase of Congressional influence and financing of propaganda campaigns in favor of a pre-emptive US military attack against Iran. Most investors will have to lower or eliminate their purchase of Israel bonds, which subsidize the Jewish State's military budget.

Secondly, the swindle has further discredited the highly speculative hedge funds already reeling from massive withdrawals because of deep losses. Madoff's funds were one of the last 'respected' operations still drawing new investors, but with the latest revelations it may accelerate their demise. The dismissed promoters may finally have to perform an honest, productive day's work.

Thirdly, Madoff's long-term, large-scale fraud was not detected by the Securities and Exchange Commission (SEC) despite its claims of at least two investigations. As a result, there is a total loss of credibility. More generally, the SEC's failure demonstrates the incapacity of capitalist government regulatory agencies to detect mega frauds. This failure raises the question of whether alternatives to investing in Wall Street are better suited to protect savings and pension funds.

Fourthly, Madoff's long-term association with NASDAQ, including his chairmanship, while he was defrauding his clients of billions, strongly suggests that the members and leaders of this stock exchange are incapable of recognizing a crook, and are prone to overlook felonious behavior of 'one of their own'. In other words, the investing public can no longer look to holders of high posts in NASDAQ as a sign of probity. After Madoff it may signal time to look for a king-size mattress for safe keeping of what remains of a family's wealth.

The fifth point is that the investment advisors from top banks in Europe, Asia and the US managing billions of funds did not carry out the most elementary due diligence of Madoff's operation. Apart from severe bank losses, tens of thousands of influential, affluent and super-rich lost their entire accumulated wealth. The result is total loss of confidence in the leading banks and financial instruments as well as the general discrediting of 'expert knowledge'. The result is a weakening of the financial stranglehold over investor behavior and the demise of an important sector of the parasitic 'rentier' class, which gains without producing any useful commodities or providing needed services.

The sixth point is that since most of the money stolen by Madoff came from the upper classes around the world, his behavior has reduced inequalities – he is the 'greatest leveler' since the introduction of the progressive income tax. By ruining billionaires and bankrupting millionaires, Madoff has lessened their capacity to use their wealth to influence politicians in their favor – thus increasing the potential political influence of the less affluent sectors of class society...and inadvertently strengthening democracy against the financial oligarchs.

A seventh point can be made that by swindling life-long friends, self-same ethno-religious investors, narrow ethnically defined country club members and close family members, Madoff demonstrates that finance capital shows no respect for any of the pieties of everyday life: Great and small, holy and profane, all are subordinated to the rule of capital.

Eighth, among the many ruined investors in New York and New England, there are a number of mega slumlords (real estate moguls), sweatshop owners (fancy name-brand clothes and toy manufacturers) and others who barely paid the minimum wage to their women and immigrant laborers, evicted poor tenants and swindled employees out of their pensions before moving their operations to China. In other words, Madoff's swindle was a kind of secular 'divine' retribution for past and present crimes against labor and the poor. Needless to say, this 'unconscious Robin Hood' did not redistribute the money fleeced from the employers to their workers, he reinvested part of it in charities which enhanced his philanthropic image and to payout to some of his early investors so sustain the overall Ponzi scam.

Point number nine is that Madoff struck a severe blow against anti-Semites who claim that there is a 'close-knit Jewish conspiracy to defraud the Gentiles', laying that canard to rest once and for all. Among Bernard Madoff's principle victims were his closest Jewish friends and colleagues, people who shared Seder meals and frequented the same upscale temples in Long Island and Palm Beach.

Bernie was discriminating in accepting clients, but it was on the basis of their wealth and not their national origin, race, religion or sexual preference. He was very ecumenical and a strong backer of globalization. There was nothing ethnocentric about Madoff: He defrauded the Anglo-Chinese bank HSBC of \$1 billion dollars and several billions from the Dutch arm of the Belgian bank Fortes. \$1.4 billion was from the Royal Bank of Scotland, the French bank BNP Paribas, the Spanish bank, Banco Santander, the Japanese Nomura; not to mention hedge funds in London and the US, which have admitted holdings in Bernard Madoff Investment Securities. Indeed Bernie was emblematic of the modern up-to-date, politically correct, multicultural, international...swindler. The ease with which the super rich of Europe forked their fortunes over caused one Madrid-based business consultant to observe that, "picking off Spain's wealthiest was like clubbing seals..." (*Financial Times*, December 18, 2008 p.16)

The tenth point is that Madoff's swindle will likely promote greater self-criticism and a more distrustful attitude toward other potential confidence people posing as reliable financial know-it-alls. Among self-critical Jews, they are less likely to confide in brokers simply because they are zealous backers of Israel and generous contributors to Zionist fund drives. That is no longer an adequate guarantee of ethical behavior and a certificate of good conduct. In fact it may raise suspicion of brokers who are excessively ardent boosters of Israel and promise consistent high returns to local Zionist affiliates – asking themselves whether this business about 'what is good for the ...' is really a cover for another scam.

The final and 11th point is the demise of Madoff's enterprise and his wealthy liberal Jewish victims will adversely affect contributions to the 52 Major Jewish American Organizations, numerous foundations in Boston, Los Angeles, New York and elsewhere, as well as the Clinton/Schumer militarist wing of the Democratic Party (Madoff bankrolled both of them as well as other unconditional Congressional supporters of Israel). This may open Congress to greater debate on Middle East policy without the usual high volume attacks.

Conclusion

Madoff's swindle and fraudulent behavior is not the result of a personal moral failure. It is the product of a systemic imperative and the economic culture, which informs the highest circles of our class structure. The paper economy, hedge funds and all the 'sophisticated financial instruments' are all 'Ponzi schemes' – they are not based on producing and selling goods and services. They are financial bets on future financial paper growth based on securing future buyers to pay off earlier cash ins.

The 'failure' of the SEC is totally predictable and systemic: The regulators are selected from the regulatees, are beholden to them and defer to their judgments, claims and audit sheets. They are structured to 'miss the signs' and to avoid 'over-regulating' their financial superiors. Madoff operated in a milieu of a Wall Street where everything goes, where impunity for mega-bailouts for mega swindlers is the norm. As an individual swindler, he out-defrauded some of his bigger institutional competitors on the Street. The whole system of rewards and prestige goes to those best able to juggle the books, to cover the paper trails and who have willing victims begging to get fleeced. What a mensch, this Madoff!

In a few days, one individual, Bernard Madoff, has struck a bigger blow against global financial capital, Wall Street and the US Zionist Lobby/Israel-First Agenda than the entire US and European left combined over the past half century! He has been more successful in reducing vast wealth disparities in New York than all the white, black, Christian and Jewish, reform and mainline Democratic and Republican governors and Mayors over the past two centuries.

Some right-wing conspiracy theorists are claiming that Bernie is a secret Islamic-Palestinian agent (from Hamas) who set out to deliberately undermine the financial base of the Jewish State of Israel and its most powerful, affluent and generous US backers and foundations. Others claim that he is a closet Marxist whose swindles were carefully designed to discredit Wall Street and to funnel billions into clandestine radical organizations – after all... does anyone know where the lost billions have gone? Unlike the leftist pundits, bloggers and protest marchers, whose earnest and public activities have had no effect on the rich and powerful, Madoff has aimed his blows where it hurts the most: Their mega-bank accounts, their confidence in the capitalist system, their self-esteem and, yes, even their cardiac well-being.

Does that mean we on the left should form a Bernie Madoff Defense Committee and call for a bailout in line with Paulson's bailout of his Citibank cronies? Should we proclaim "*Equal bailout for equal swindlers!*"? Should we advocate his flight (or his right of return) to Israel to avoid a trial? It might not fly with his many Jewish victims to make the case for an Israeli retirement for Bernie.

There is no reason to mount the barricades for Bernard Madoff. It's enough to recognize that he has inadvertently rendered an historic service to popular justice by undermining some of the financial props of a class-ridden injustice system.

Postscript

Was it out of sheer admiration or because of some covert linkages with Madoff that our current Attorney General Michael Mukasey is removing himself from the investigation? Others of equal importance and influence are most certainly tied in the Madoff Affair, and not just the 'victims'. We are facing a serious case of *matters of State* ... No one can believe that a single person could by himself pull off a scam of this size and duration. Nor can any serious investigator believe that \$50 billion dollars has simply 'disappeared' or been squirreled into personal accounts.