#### THE BLOG

# What Madoff Teaches Us about the Road to Corruption

Q. What do Mark Twain, Clint Eastwood and Bernie Madoff have in common? A.

They all tell tales of the path from mistrust to corruption.

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Q. What do Mark Twain, Clint Eastwood and Bernie Madoff have in common?

A. They all tell tales of the path from mistrust to corruption.

In 1879, Harper's Monthly published Mark Twain's wry tale The Man that Corrupted Hadleyburg -- a dark, cynical sketch of a town whose pride rested on its reputation for incorruptibility. A stranger manipulates that pride into corruption, and makes the town the cause of its own ruin.

The Wikipedia summary makes for eerie reading in these past-Madoff days.

94 years later, Clint Eastwood channeled the same stranger/corruption theme in *High Plains Drifter*, his second

...not only is there little difference between the law and the bad guys, but the "good, decent people" [of Lago, Arizona] do not appear deserving to be saved. In their silence and passivity, they are as guilty as anyone. The approaching outlaws are in many ways a McGuffin. The Stranger's true adversaries are the townspeople -- who simplistically reward the Stranger for his opening slaughter of their hired guns by hiring him as their savior.

Cue the Good Townspeople burned by Bernard Madoff, financial crackhead (I mean "crackhead" in the sense of someone consumed by an ever-growing need for more and more money to feed his insatiable, and growing, need. If the shoe fits...).

Stipulated: Madoff's a bad man, and many innocent people were harmed.

But a great many other people bear the same kind of responsibility as the citizens of Hadleyburg and Lago. Such as "feeder" funds like Fairfield Greenwich Group, which claimed in writing (and charged greatly) to perform high levels of due diligence on its Madoff investments.

And how about its sophisticated partners and customers at institutions like Banco Santander and Union Bancaire Privee? Like the Good Townspeople of Lago, it beggars belief that none among them had suspicion skeletons in their closets.

Here's the roadmap downhill from broken trust.

In Twain's and Eastwood's stories, an organization starts out proud of its reputation for rectitude. Then someone descends into venality. It

any cracknead -- it doesn't stop there.

There comes a critical point when the bad guy is found out. The organization or society of which he is a part can go one way or the other. It can be horrified and reject the miscreant. (Let's refer to this as the "right thing to do.")

Or, it can choose "tolerance." He's really a good guy, he hasn't done it before, haven't we all cheated on our taxes one time or another? Just let it be.

And the crackhead steals the family silver.

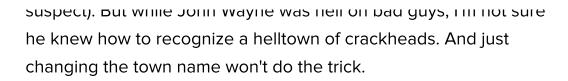
Tolerance then leads to cynicism. Hey everyone does it, it's nothing new, what are you, naïve? Don't you know how things work? Knock it off. It'll work out.

And the crackhead knocks over a store.

Finally, you end up with corruption. Hey, Bernie's making a ton for everyone. Not everyone can get in on it, but I know someone who can get you a piece of the deal. Shhh, everyone knows it's a little "off," but look at those returns. Waddya, nuts? Just sell a little to your cousin. Hey if you don't, someone else will. Might as well be you. I'll be gone, you'll be gone, what's the harm. Wink wink, nod nod, know what I mean, know what I mean?

And the crackhead corrupts everyone.

In the Eastwood version, the Stranger renames the town "Hell" as he rides off into the sunset. Twain's Hadleyburg too gets a name change.



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Charles H. Green, Contributor Trust-based Selling; founder/CEO of Trusted Advisor Associates

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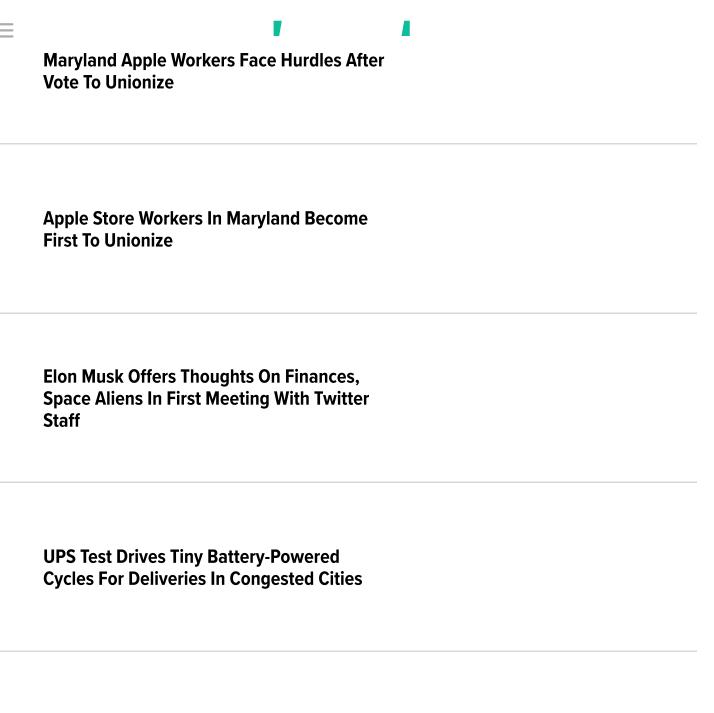
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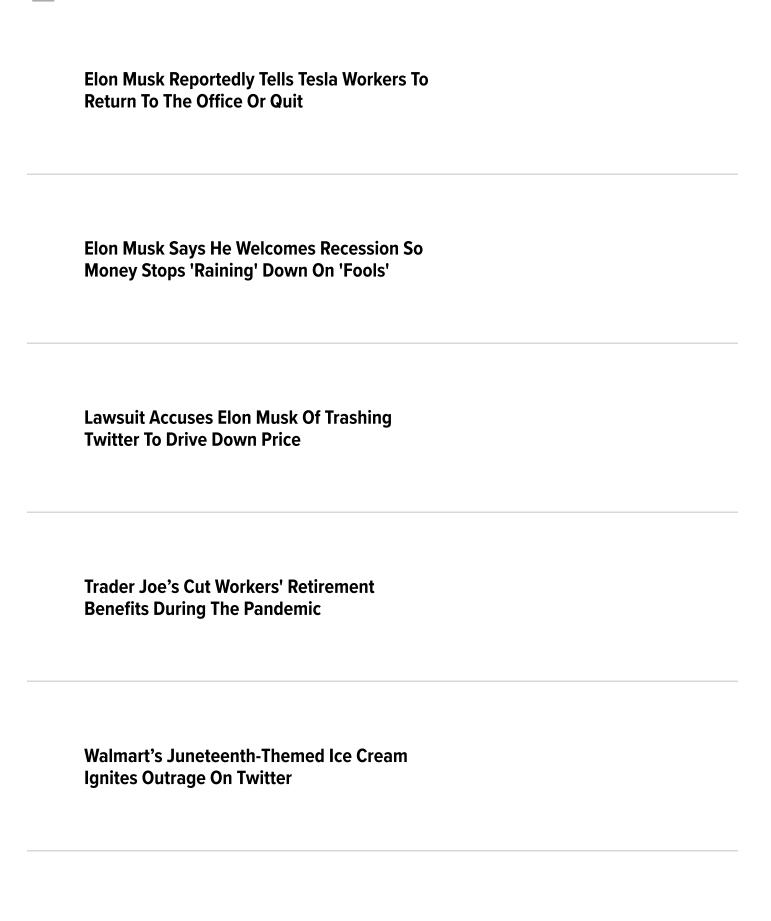
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