

The Real Lessons of Bernie Madoff's Crimes

By Nancy Bilyeau | August 28, 2017



A sign at the Occupy Wall Street protests, 2011. Photo by Michael Fleshman via Flickr

Bernard Madoff has been a poster symbol for the corruption and fraud that many believe led to the 2008 financial meltdown. Now serving a sentence of 150 years for perpetrating a multi-billion-dollar Ponzi scheme that bilked an estimated 4,800 investors over three decades, he has never ceased to fascinate.

But a new book by sociologist Colleen P. Eren of LaGuardia Community College of the City University of New York challenges the popular image of him as a cold-blooded Wall Street monster—most recently portrayed by Robert de Niro in HBO's *The Wizard of Lies*—who singlehandedly wrecked the nation's financial ecosystem.

In *Bernie Madoff and the Crisis: the Public Trial of Capitalism* (<http://www.sup.org/books/title/?id=251231>) (Stanford University Press), Eren suggests that the focus on Madoff as the incarnation of financial corruption ignores the economic culture that has allowed him and other white-collar fraudsters to flourish. And his role in the Wall Street meltdown is poorly understood. “In some people’s minds, he’s to blame for the whole 2008 crisis, but he had nothing to do with mortgage-backed securities or the credit crunch,” Eren says. “There is a feeling that he’s in prison, and so all is well.”

In a chat with TCR Deputy Editor Nancy Bilyeau, Eren discusses her interviews with Madoff as well as the journalists who wrote about him, why some of those reporters shed “tears of joy” at covering his story, and how some individuals benefited from his scheme. “It kind of breaks my

heart when people say to me, ‘You wrote a book about Bernie Madoff,’” said Eren. “It is about Bernie Madoff, yes, but it’s more about *us*; and what his case and our reaction to it say about our relationship to free market capitalism.”

The Crime Report: What prompted your interest in writing about the media’s coverage of the Madoff story?

Colleen Eren: There was an image in *Psychology Today* of his disembodied head on a platter and it was all about the blood lust of the Madoff victims. I was in graduate school at the time and we had always been taught that white collar crime is not that titillating and it doesn’t inspire intense anger. This image really contradicted that. It was what first sparked the question: *Well, what is going on here?*

TCR: In your book you describe the joy that some reporters felt when the Madoff story broke and their enthusiasm for covering him.

CE: I was talking to one financial editor, and he was *effusive*. The story broke at such an incredible dark period in history. The feeling was, “We were all exhausted, we couldn’t take any more bad news, and all of a sudden across the desk comes Madoff.” It was like a holiday. I was told, “We were almost in tears of joy with Madoff.”

TCR: What sustained the media interest? In your book you identified five components.

CE: First there was the mythological sum of \$50 billion. In the midst of the economic crisis, if it was millions of dollars or even a few billion, it wouldn’t have been the same. Second, they liked that it was the scheme

Colleen Eren

of one man and in the American and British press’s favoring of individualistic narratives we want to find one person responsible for the crime. Then there was the celebrity factor that almost brought the story to a supernatural level. If Steven Spielberg could be affected, and Kevin Bacon and John Malkovich are affected, then it was tabloid- worthy.

But the case wasn’t confined to the celebrities; it was about sympathetic, ordinary Americans. And so the fourth thing is that it invited the narrative that this is the perfect example of the rich taking advantage of the poor. Fifth: there was an ethno-religious dimension to Madoff because it disproportionately impacted the Jewish community. This was during a time of rising anti-semitism with horrible stereotypes reemerging, and the story fed into that, consciously or subconsciously.

TCR: The \$50 billion is not correct?

CE: It is a myth circulating and I hear it all the time about Madoff—the \$50 to \$65 billion Ponzi scheme. It was \$17.5 billion, which is still a huge number. That was funny money.

TCR: Where did the larger figure come from?

CE: It originally came from Madoff, which I find interesting. Is it part of his narcissism that he threw out that \$50 billion number? It had nothing to do with the actual money that was in play. At some point the newspapers should have stopped using the wrong number.

TCR: I was taken aback to learn that many people in the end financially benefited from Bernard Madoff. The image in our collective mind is of everyone being wiped out.

CE: I read about 20,000 articles, and I’ve never seen an article that pointed out that the majority of individual investors made more money on Madoff than they put in. So yes, they were victims in some sense, but they got their principal plus some money. I do wonder why no one was willing to touch that data.

TCR: One of the themes of your book is that by focusing so intensely on Madoff we ignore many things that really should not be ignored.

CE: The first question I’ve been asked by the press about my book is, usually, “Is Madoff a sociopath?” My response is I can’t conjecture [whether] he’s a sociopath or not—that’s a psychological question—but that kind of obscures what enabled him to commit a crime like that for 30 years. It wasn’t just his sociopathy. It was a host of different socio-political economic constructions.

TCR: You argue that white collar crime is difficult to write about without that emotional narrative of one terrible criminal at the heart of it.

CE: It's marginalized and ignored at our peril. Even in the academic world, I believe that 3.5 percent of all journal articles in the top 10 journals are about white collar crime. But in the media we need thoughtful discussions about what enabled Madoff to (operate) in the first place. (Issues such as) the Securities and Exchange Commission (SEC) being defunded....are not discussed.

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Without trying to understand how his crime could have possibly happened—why did the SEC miss him seven times?—and by just focusing on him being a pathological character, you're not understanding what made (his crimes) possible to begin with. If they had checked to see whether or not the securities he said he held he actually held, he would have been stopped ten years before his arrest.

TCR: It is a matter of controversy that there were so few prosecutions that came out of the 2008 meltdown. What's your theory?

CE: These cases are expensive and long to pursue, so if you can get a plea bargain or go about it through a fine, you get a fine that is substantial and it doesn't require any kind of sustained criminal prosecution. There is the knowledge among the prosecutors that these companies have ample funds to fight back, and you might not win.

See also “[White Collar Crime: Why Top Execs Escape Prosecution](https://thecrimereport.org/2017/07/12/white-collar-crime-why-top-execs-escape-prosecution/)” (<https://thecrimereport.org/2017/07/12/white-collar-crime-why-top-execs-escape-prosecution/>) in TCR July 12, 2017.

TCR: Madoff himself in his emails and his interviews with you is angry over the fact that there were so few criminal prosecutions.

CE: I think it's kind of ironic that it takes someone who perpetrated one of the largest Ponzis in history to point out structurally what's wrong with the way we treat white-collar crime. It may be a technique of neutralization, a rationalization, or sociopathy—but you have to admit he's on point in his discussion about the lack of prosecution of large-scale economic crime.

TCR: In your dealings with him, he was very manipulative. He was not certain at first he would cooperate with your book, and he created this image of an exclusive club that you might not get into.

CE: He's an elitist. The book being published by Stanford University Press helped. He can be charming and say, “Your analysis is particularly on point. Other people don't get what I'm saying but you do,” He sends out these emails with a blind cc and you don't know how many other people are reading the emails.

TCR: Has he read your book?

CE: I haven't sent him a copy yet, because they can't take hard-cover books in a prison, it's against the rules. So I have to send him a soft-cover copy which I am waiting on.

He's a narcissist, so he will always see something that was not portrayed in the way he dreamt it would be. I didn't try to be sympathetic, but the overall message, that Bernie Madoff distracted us from larger problems with free-market capitalism, would appeal to (him) because he wants that story out, but for different reasons than I do.

Nancy Bilyeau is Deputy Editor (Digital) of The Crime Report. She welcomes readers' comments.
