

# [Bernie madoff](https://assignbuster.com/bernie-madoff-essay-samples/)

In December 2008 Bernie Madoff was arrested under the suspicion of fraud. His Wall Street firm, Bernard L. Madoff Investment Securities LLC, was founded in 1960. Madoff was the chairman of this company through its entire existence until his arrest. Ponzi Schemes such as the one Bernie Madoff started at his company have been around for years; the first being Charles Ponzi’s scheme in the 1900’s. Madoff made history through his scheme as it is considered one of the largest financial frauds ever.

Madoff pulled the fraud off by taking money from investors and charities, and promising huge returns. Huge returns are exactly what his investors received also. Madoff was able to miraculously make his investors’ money with continually high percentages. Investors flocked to Madoff after seeing such great profits being made by others. Madoff ran his fraud operation anywhere from 18- 48 years. According to him the first fraud performed started in 1990 whereas, others believe the company could’ve possibly been illegitimate throughout its existence.

How does a person trick thousands of people into investing in a fraud? An answer for that could be good leadership. Madoff’s clients were often times people he knew on a personal basis. Portraying a self-image that showed honesty, intelligence, and confidence, Bernie had his investors trusting him not only financially, but also on a personal level. Although his intentions were selfish, wrong, and ignorant, his followers trusted him fully. This allowed Madoff to continue his process of simply taking money from one investment and giving it as a payoff to another.

A process so simple ended up causing thousands of people to be in debt. The totals of his fraud reach numbers upwards of $50 billion. The next question that comes to mind is: how do you take money from all these people and they never realize what is actually happening? Madoff’s general employees didn’t know that the company was a scam but his “ specialized” group of employees did. (Several of the closer employees were also charged with crimes. ) These individuals were all separated from the rest of the company on their own floor.

Inside the walls of this floor the company committed its fraud. After the reports were calculated, employees were told to change the reports to a more satisfying result for the investors to see. The reports were sent with false information, often times having interest rates above 15%. Although these rates kept the investors, it brought attention of others after their returns weren’t coming back as high. Even when it wasn’t plausible for the investments to make hardly any money his investors were continually seeing these high interest rates.

Some felt obligated to notify the SEC during times like this but his company was always covering its tracks and the SEC often didn’t feel like the allegations were worth any pursuit what-so-ever. Fortunately Madoff had to pay the price for his crime. Madoff was sentenced to 150 years in prison in March 2009 after pleading guilty. As for the investors they were left with close to nothing. Some of the wealthiest in the United States were completely empty handed after the scandal surfaced. The government bailed out some of the investors but the numbers didn’t compare to what investors lost.

A master in deception, Bernie seemed trustworthy to the public and always delivered calm, collected responses to all questions of a scam whenever people began to question the legitimacy of the business as early as 1998. The SEC also questioned Bernie a few times where he was never suspected by them to be a serious threat. Although Bernie had several characteristics of a good leader and business owner, it was all in vain due to his lack of ethical standards. Nobody can consider him a good leader or a good person after seeing his true plan for his investors.

Madoff did apologize for his actions; saying, “ I cannot adequately express how sorry I am for what I have done. " Madoff indeed can’t express this now. Whenever someone as powerful as Madoff once was comes forward admitting such information, it’s assumed that the public isn’t going to have much sympathy. Madoff set a new example for anyone trying to develop a scam. Most operations such as his don’t make it nearly as far as his. The mind set of these scam artists is to eventually turn the business legitimate or get out somehow.

In order to make the business legitimate a person has to make enough money to pay off all the people they owe money to first which is impossible when you have a hole like Madoff did. When Ponzi schemes like this run their track it’s like a snowball effect. Madoff wasn’t technically any closer to the top as anyone trying a Ponzi scheme; he was just rolling a bigger snowball. Questionable leadership characteristics for Bernie Madoff would mostly be ethics but others would include: Lack of respect for employees and investors, greed, arrogance, and irresponsibility.

His ethics problem is clearly seen by the fact of intentionally betraying thousands of people. His lack of respect includes not only putting his staff in danger of losing their jobs because of him but also because several investors (who sometimes had the confidence to invest all their money with him) lost their life savings thanks to Madoff. Greed was obviously one of Madoff’s downfalls as well, due to the massive amount of money he dealt with every day in his crimes.

Arrogance shows with the note of him constantly being in contact with several of his investors and it not causing any problem with him because he thought he was unstoppable in his scam. Lastly, irresponsibility is outlined with every step of his process as he was trusted and didn’t feel it necessary to do what he was saying he was doing with the people’s money. These bad characteristics are what led to the fall of Bernie Madoff. It’s unknown how long Madoff spent performing this scheme but if he told the truth about the scam starting in 1990 it’s a shame.

To have as much as Madoff had in 1990 would make most people ecstatic, and to see him blow all his honest lifetime earnings and business position just to pull off a Ponzi scheme must be one of the most ridiculous ideas ever constructed. To look at where Mr. Madoff could’ve been if he would’ve been less greedy and used his good leadership skills for good; Bernie might be one of the great business leaders to go down in history. Going down in history that way would really be a blessing to him now and probably more valuable than any amount of money.

If there was only one thing to learn from the Bernie Madoff story it is that, without ethics no leader is worth following. To become a good leader you have to have people trust you. Madoff did have people trust him for a long period of time but his lies caught up to him and now all his legacy holds is a bad reputation. If leader is ethical and good to the people he or she is leading then there won’t be a situation like Madoff’s which ended in total abomination. Works Cited " Scam of the Century: Bernie Madoff & The $50 Billion Heist. " CNBC. com. Cnbc, n. d. Web. 27 Jan. 2013.