

Bernard madoff and the american greed

Business



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Introduction “ The money is always around to be had.

The most important thing is to have an idea; a probable idea that can be dressed up and sold to people!” – Charles Ponzi The famous ‘ Charles’ Ponzi did not invent the ‘ Ponzi scheme.’ He however rebranded it by being the Greatest Con, the biggest and worst swindle of them all. Before, it was once better known as “ robbing Peter to pay Paul,” because the operative paid one investor’s profits with another’s principal. A Ponzi scheme sells phony hope and just that. It is thrives on manipulation that often comes with an intricate plot while in truth it is just a sham.

This operated when thousands of people took millions of dollars from their bank accounts and gave it to Ponzi and his likes because they thought he was a financial guru and in the meanwhile that money was just going back into another bank account. Ponzi and his type prey off hope and greed. The Ponzi scheme basically functions this way: the operator offers an investment opportunity that pays better than the competition and then pay out the first wave of profits to seal the deal. If done correctly, the payouts of the first investments are reinvested because the purported profits are so good that the victims get hooked in a cruel cycle (Kalbfleisch, 2009). Bernard Madoff Bernard Madoff, best known as Bernie Madoff during his times, came from a relatively humble background growing up in the immigrant town of Laurelton in Queens, New York.

Bernie’s parents were businessmen who operated a shady home stock trading business called Gibraltar Securities, which was ultimately shut down by the SEC in 1963. He was neither very good in school work nor in social life

but on the other hand he was a self starter and a successful business man which started in his late teens. This compensated for Bernie's standing out in any stellar way either academically and socially. He began by running a successful business in lawn sprinkler installation. With a degree in Political Science from Hofstra College in 1960, he went ahead to open Bernie L.

Madoff Investment Securities LLC (BLMIS), of which he was its Chairman until he was arrested on 11th December, 2008. It is with this company that Bernard Madoff used in carrying out some of the most historical financial injustices to the people of America. Although the Ponzi scheme had been operated before by other now famous 'cons', Bernie went ahead and involved himself in the carrying out of this very elaborate plan of conning innocent people of their money. Some of the famous personalities that were involved in the 'Ponzi scheme' scams include William Miller who exploited the financial sector using a company he created, Franklin Syndicate. Claiming to have insider access to the Wall Street operations, he paid 10% interest to whoever invested through his company.

However, instead of investing the customer's money, he banked it in his own account and fled afterwards! Followed was C. D. Sheldon who invested in Canada's Wall Street by offering a 10-15% interest to all who invested via his company. He also engaged agents who he paid a 10% commission for bringing investors. He ended up running away with their money.

Louis Zarossi also exploited investors by swindling them of their money purporting to give them a 6% interest on their savings in his bank, Banco Zarossi. He claimed also to offer the wire money transfer. However, he too

ran off with investors' money. The most popular of them all was one Carlo ' Charles' Ponzi, from whom the term ' Ponzi Scheme' originated. He was a spoilt brat who was a spendthrift, but who learnt his lesson the hard way by doing hard labor to earn a living. He eventually landed a job at Banco Zarossi where he got the idea of trading in international postal reply coupons (IRCs) by exploiting the U.

S. dollar exchange rate. He paid the investors' returns by using other investors' money. He did this in the public eye, broadly and courageously that this scheme was coined after him. The entrance of one Bernard Madoff into the game created a new twist in the ' Ponzi Scheme.' With his education, he helped to revolutionize the New York Wall Street.

He did this by being a very instrumental figure in the creation of electronic trading. In the current era, it takes just seconds to trade on a specific stock whereas in the past, in the 1960s, before the introduction of computers, it would have taken weeks to accomplish the same task. Madoff, who had a stake in NASDAQ, and the NASDAQ itself were the forefront of this change. By this, he helped to change some of the cultural values of the Americans through investment revolution. Cultural impacts of Bernard Madoff's actions The actions of Bernie Madoff portrayed a negative impact on the morally correct work ethics of the nation.

Basically, the ethic valuation of work is having an intrinsic moral value to work as a source of personal satisfaction, and therefore less tolerance for work that does not provide personal satisfaction. During his tenure working with BLMIS, he operated in unprofessional ways that ended up bringing

misery to the investors. He did not follow the correct work ethics, which could have seen him, work truly and honestly in order to earn his millions. However, he opted to sit down and think of how to swindle money from other investors without a sweat. By engaging himself in this ' Ponzi Scheme' type of trading on other investors' money, he went against his personal duty to them. Despite owing other investors in terms of money but not morally obligated to pay them back, he went on to take money from even more investors, driven by greed tto get more money.

His moral duty to other investors was not there at all and he did not consider what they went through after losing their money. He actually felt nothing for them. Even after he was arrested in 2008 and found guilty of fraud, he went on to lament that even after carrying them (investors) for fifty years, they hand him a hundred and fifty years! (He used obscene words in this statement) (Healy, 2009). Bernie Madoff lacked social morality by running his money-swindling scam related to the ' Ponzi scheme'. He did not place any value in observing the society's rules at all.

First of all, the business that he ran alongside BLMIS was partly legal and partly illegal. The legal bit of the business was the one that involved the trade in stocks and pink sheets costing less than a dollar (for this the authorities did not bother to audit and counter-check). The illegal part of the business is the bit where Madoff claimed to have an advisory business while in real sense it never really existed. He never registered an investment advisor. When other businessmen approached him for advice on how to prosper financially like he had done, he used to chase them away, not because he did not want to share his secrets, but rather because he lacked <https://assignbuster.com/bernard-madoff-and-the-american-greed/>

the capacity and resources to do so. Bernard Madoff appeared to be a very conniving kind of person in the way he operated his businesses.

At the beginning, he started off by gaining the confidence of the public investors in his activities. His company, BLMIS was also innovative in another immense way by giving ' payment of orders, or kickbacks to clientele for trading through his firm. This procedure is now a standard operating procedure on Wall Street. In the last half of the 90s, BLMIS was trading 10% of all New York Stock Exchange volume, and was the leading market maker on the NASDAQ. In 2008, BLMIS was the sixth biggest market maker on Wall Street. However, Bernie Madoff used this trust as leverage to make the involved parties to give him a blind eye in spite of what he was doing being morally wrong.

At one point, when the government was probing into his financial operations, the public was all backing him up due to his faithfulness in paying out their interests, however, they did not know how this was being done, which was illegal. Also unlike his predecessors including Ponzi, Madoff operated in a low-key fashion which made it impossible to decipher that what he was doing was illegal, and also made it difficult to decipher his operational procedures. This made it possible for him to proceed with business unusual for a long while without being uncovered. Conclusion Despite the many negative cultural impacts that the Ponzi schemes brought, Bernard Madoff had a touch of intelligence to the American and world financial business when he devised methods of trading stocks using computers which made it much faster. However, he left many devastated and poor after investing their money without any returns at all.

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