

## **Interview with Bernie Madoff (Part 1)**

The largest Ponzi scheme in American history was perpetrated by Bernard Lawrence “Bernie” Madoff. He stole some \$19 billion from investors, who thought that their accounts had grown to more than \$65 billion. BLM, as I will call him, is now serving a 150-year sentence in a federal “correctional” complex about 30 miles north of Raleigh, North Carolina.

Last October, we had the opportunity to visit and interview BLM, for 6 hours, as part of an investigation into the complicity of others in his Ponzi scheme. Just traveling to this remote prison – which looked like an elementary school surrounded by barbed wire and miles of deep, dense woods – was surreal. The interview even more so.

Three of us were escorted through multiple doors, stripped of all electronics and stamped on the wrist with one of those ultraviolet stamps I remember getting as a teenager at the door of the Wisconsin bars where we went because the drinking age was lower than in Illinois.

My first glimpse of BLM was watching him walk across the courtyard in his green jumpsuit, carrying a foot-tall stack of papers under his arm. I heard he was sick, but he clearly had recovered, and looked more than healthy at 75. He walked into our conference room, just off of what appeared to be a play room with a few bad vending machines. He sat at the end of the table and put down his papers. All the furniture was plastic. He took a breath and stated quizzically – in a surprisingly strong Brooklyn accent, “I have been reviewing these cases, and I think the Judge improperly stacked my sentences. All my individual clients were net winners. What do you think?”

We were not about to give legal advice. We were there for our investigation. And besides, we had either represented or met hundreds of his victims who struggle to this day because their savings were wiped out by his scheme. BLM convinced them that his financial performance was real, and most of his victims invested their entire life savings with him. Where else could you get a near-guaranteed 12 percent rate of return regardless of the market? It sounded too good to be true, and it was. Now his victims were broke.

On first impression, BLM sounded curiously unsophisticated, even uneducated. I wondered who could be sucked in by this guy. He mumbled and blamed his desire to be “liked” on his actions. He told us how, when he was nine, he had paid an older girl a dime to be his friend. He condemned himself for “perhaps being a bully” in the past; perhaps even a “psychopath... I don’t know.”

Once we got deep into “our part” of the interview, he changed. I now suspect that BLM had had his own agenda – he wanted to convince someone, anyone, that he was a good guy. But after we started asking questions, BLM forgot himself and started going after others: “I turned millionaires into billionaires;” “Harry Markopoulos (the one who told the SEC about the Ponzi scheme long before the investigation) was a total moron;” “My friends are ungrateful... I made them money;” “Greed is something humans invented, particularly my clients.”

He pointed to the dysfunction of the financial industry as the root cause of his mess, and as an answer to why people flocked to him. Among the culprits were hedge funds who “only care about their fees,” brokers who “fool [themselves] into oblivion,” and managers who “front run” their clients. He bemoaned that “there are no more retail traders,” and asserted that “even index funds are getting gamed.”

He went on to boast about his accomplishments: “I invented the put wrapper;” “I was a big short-seller in the 70’s – having \$500 million in a short position was nothing.” He even stuck by his story that the “split strike conversion strategy,” which he sold to his victims, would have worked if he had actually used it. But around 1995 he had a couple years of losses and panicked. From then on, he only invested in treasuries, and the hole he dug was too deep to escape. By the year 2000, he thought the game was over.

Today, he shows little remorse, though he certainly feels sorry for himself. He is also sorry he misled the SEC, saying: “I feel really bad” because they were “my friends.”