Fury of Madoff's Ponzi scheme 'victims' has slowed process

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Most Ponzi schemes, like almost everything else these days, enjoy a limited life in the public eye. Despite its explosive nature, the same would have been true of the Madoff con, except that nobody cooled Bernie's marks out.

University at Buffalo sociologist Lionel S. Lewis, PhD, who has conducted an extensive study of those who lost their shirts to Madoff, says that because they weren't "cooled," a lot of them simply will not accept any responsibility for what happened to them.

"They take a victim's stance and to this day, continue a raging public blame game, online and off, suing and re-suing, keeping this thing in the public mind," Lewis says, "despite the fact that Madoff never ran an investment fund, no money was 'made' on their behalf and there are no profits to return to them."

Lewis has published four articles in the journal *Society* about Madoff investors. The most recent, "After Madoff: Waiting for Justice," appears in the latest issue, Volume 48, Number 2. Lewis also is writing a book on the Madoff scheme.

He says, "To understand how confused this thinking is, you need to understand how a con game works and the fact that it requires a mark willing to suspend his or her judgment.

"First, the roper, who could be a brother-in-law, approaches the mark and says, 'Listen, Bernie can make you a lot of money -- a 16 or 20 percent return.' Now this is a far greater return than the standard investment produces," Lewis says, "but the mark is greedy like many people and suspends reason in pursuit of easy cash. Remember, the mark is always a willing participant in pursuit of an unlikely outcome.

"The con man -- Madoff in this case -- takes the mark's money and spends it. He doesn't invest it. He doesn't realize a 'return' on an investment. He just pays millions of dollars in finder's fees to the ropers, gets them to pull in more marks, and uses that cash to pay off any of the marks who pull out of the scheme early and spends the rest on estates, cars, vacations and yachts until the money is used up. Eventually the scheme collapses. The marks lose their money. In con terms, they're 'trimmed.'

"At this point," Lewis says, "it is the job of the roper and other inside men in the con to 'cool the mark out' -- calm the waters to protect those perpetrating the con."

They do this, Lewis says, by pointing out to the mark that "he knew he was taking a risk ('16 percent return? What were you thinking?') and could have lost more, then sends him off, embarrassed, with his tail between his legs, but with a little cash, glad he's not living on the street in a refrigerator carton."

The well-cooled mark, according to Lewis, recognizes his part in the con. He's not happy but he doesn't call the cops, grouse about his losses on TV or blow up Madoff's house.

"Bernie's marks were never cooled out," Lewis explains. "So we find them posturing loudly as enraged victims online and off -- in the papers, on television and radio -- demanding 'profits' they apparently think actually exist (they do not) and are owed to them (which is not legally the case)."

Lewis undertook his research in the late fall of 2009. He focused on 167 individuals who invested with Madoff. He collected oral and written testimony, including lengthy interviews, from 42 of them and used other written material.

"The direct investors in Madoff's scheme, unlike the poor souls who invested in feeder funds, are lucky in a way," Lewis says, "because by law, they actually are entitled to some cash back -- up to a half million dollars through the Securities Investor Protector Corporation (SIPC)." He points out that some of them lost much, much more than that, but says that wasn't the factor that determined whether or not they cooled out after they were bilked.

"Some investors," he says, "however angry and ashamed they are, and regardless of how much money they lost, have not repeatedly sued the SIPC, charged its trustee with favoritism, conflict of interest or fraud, or taken up an Internet campaign demanding retribution." In fact, a lot of those people won't talk to anybody.

Lewis recalls the wife of a prominent Buffalo businessman who lost more than any other local Madoff investor. She wouldn't permit Lewis even to speak with her husband and hung up on Lewis in the middle of a phone conversation.

Their personal perspectives seem to contribute to investors' responses according to Lewis, along with the amount of money, property, etc., left to them after the scheme collapsed.

"Some who lost a lot were grateful they hadn't invested more or glad to get back even a tiny percentage of what they lost," he says, "while others who lost less want everything they were 'promised' (the 16 or 20 percent profit). They won't accept that the 'promise,' along with their gullibility, was part of the con; that they never could have won at this game, and still can't, no matter how many attorneys they hire or how often they get on television.

"Whatever they lost," Lewis says, "many of these unfortunate people worked hard to achieve their goals, then opted for an unfortunate short cut pointed out to them by Bernie Madoff. By misrepresenting their own role in what happened to them, however, they generate much more heat than light, and perhaps prevent their own healing."

Provided by University at Buffalo

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