The sentencing of Bernard Madoff

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Bernard Madoff died in prison on April 14 at the age of 82. We are republishing this article, originally published in 2009, which noted that Madoff's sentencing was "an effort to separate the Ponzi scheme operator from Wall Street counterparts whose financial manipulations were even more destructive." None of those counterparts were ever criminally prosecuted for their role in the 2008 financial crisis.

Financier Bernard Madoff was sentenced Monday to 150 years in prison for operating one of the biggest fraud schemes in history. Federal District Judge Denny Chin acknowledged that giving such a sentence to a 71-year-old man was purely symbolic, but declared, “The message must be sent that Mr. Madoff’s crimes were extraordinarily evil.”

While acknowledging that Madoff’s decision to plead guilty and cooperate with investigators seeking to unravel his schemes would ordinarily count in his favor, Chin underscored the political reasons for imposing the maximum sentence possible under the law. Madoff’s fraud had left his victims “doubting our financial institutions” as well as “our government’s ability to regulate,” he said.

In other words, the 150-year sentence to Madoff is an effort to separate the Ponzi scheme operator from Wall Street counterparts whose financial manipulations were even more destructive. While the damage caused by Madoff’s phony investments has been estimated at $50 billion, the Wall Street Crash of 2008 has wiped out tens of trillions in paper values, and has already cost millions of people their jobs, homes and life savings.

The court system resolved this case with unusual speed, suggesting a desire among all the key actors—prosecutors, the judge, the federal regulatory agencies and Madoff himself—to dispose of the matter with as little disturbance as possible to the broader Wall Street milieu. The Ponzi scheme was exposed in December, Madoff pled guilty to 11 felony counts in March, and the sentencing essentially ends the process, barely more than six months later.

The principal federal regulator of the stock market, the Securities and Exchange Commission, moved even more quickly to bury the case, agreeing to settle its civil suit against Madoff in February without even requiring him to admit or deny the charges against him and avoiding a civil trial that could have aired the facts of the gigantic fraud.

Despite the efforts of the media to demonize Madoff, which reached their peak on Monday night when all three network television news programs began their evening broadcasts with the story of his sentencing, he is only one of dozens of Wall Street figures who deserve to sit in the dock for acts of greed and financial robbery.

It would have been impossible for Madoff to carry out a fraud scheme over some 20 years without an array of financial institutions and highly placed individuals in both Wall Street and Washington who were his enablers.

The Ponzi scheme was brazen and, in retrospect, easily detected. Madoff did not actually put into the financial markets any of the billions invested with him by thousands of individuals, ranging from fellow billionaires, to pension funds, to retirees of modest means and Jewish charities seeking to safeguard their endowments. Every financial statement was fabricated, and Madoff paid dividends to his clients out of the cash coming in from new investors. It was only when the global financial crisis undermined market confidence and caused many investors to seek to withdraw their funds that Madoff’s scheme collapsed.

Madoff was repeatedly referred to the SEC by investors who found his unfailing achievement of a ten percent annual return, regardless of broader market conditions, suspicious. One especially aggressive critic sent a letter to the SEC in 1999 declaring, “Madoff

Securities is the world's largest Ponzi scheme." The agency made no serious investigation.

In his public statements before the court, Madoff has revealed that rather than actually invest the funds flooding in to his investment firm, he simply placed the money in an account at Chase Manhattan Bank. It is inconceivable that top officers of that bank, now part of JPMorgan Chase, were unaware of the billions flowing in and out of this account.

At least a half dozen big hedge funds and private investors had close relations with Madoff, and seem to have had advance notice of his collapse—the bankruptcy trustee is now suing them for making more than $10 billion in withdrawals in the months before December 2008.

As the *World Socialist Web Site* observed at the time of his arrest, "The Madoff fraud is but one expression of the vast looting operation that is at the core of contemporary capitalism."

What Madoff did was perhaps cruder and more brazen than most, but it is not fundamentally different from what Wall Street as a whole did to working people both in the United States and internationally. As the culmination of a vast redistribution of wealth over the past 30 years from the bottom to the top, American society has been completely subordinated to the class of Madoffs—the financial parasites whose speculation and manic pursuit of personal wealth produced a disaster for working people.

A Washington truism applies equally well to Wall Street: The scandal is not what's illegal, it's what's legal. Madoff's Ponzi scheme violated even the pathetically lax regulatory regime of American capitalism. There are countless other investment rackets which are not officially illegal, but no less criminal in a class sense, because they put at risk the jobs, living standards and pensions of working people to increase the fortunes of the super-rich.

The response of the American political elite, with President Barack Obama at its head, has been to bail out the very swindlers whose manipulations precipitated the crisis. One Madoff goes to jail, but the class of Madoffs is the recipient of a financial bailout that has pledged virtually unlimited sums from the Treasury and Federal Reserve, resources that are being plundered from the American people.

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