## CRIMINAL LAW IN THE NEWS

In December 2008, prominent New York investment broker Bernard L. Madoff called his sons into his office and announced that his business was a "big lie" and "basically a giant Ponzi scheme." Madoff sadly noted that there was "nothing left" and that he expected to "go to jail." He was arrested on December 11 and confessed to the FBI that he had looted investors of as much as $50 billion, making this the largest fraud in U.S. history. Madoff's Ponzi scheme was relatively unsophisticated. He would use the money provided by new investors to pay returns to old investors. This enabled Madoff to pay investors a consistent return of 10–15 percent a year. He was so successful that he could afford to turn investors away who lacked the "right background" and required most people who wanted to invest their money to provide at least $1 million. Other Wall Street brokers made millions of dollars by turning all their clients' funds over to Madoff for investment. This "house of cards" collapsed when the U.S. economy took a downturn and a large number of Madoff's investors asked for the return of their money and found that their money had disappeared.

A portion of the money undoubtedly was used to support Madoff's quiet but luxurious lifestyle. This included memberships in most of the leading golf clubs in New York and Florida; partial ownership of two corporate jets and of two boats; and ownership of multiple homes, including one in France. Despite his affluent lifestyle, Madoff was respected for his public service and his charitable foundation. He gave generously to worthy organizations in New York City including Carnegie Hall, the Public Theater, the Special Olympics, and the Gift of Life Bone Marrow Foundation.

Madoff defrauded his friends, his own sister, and the institutions that trusted him. He demonstrated that even the most educated and sophisticated members of U.S. society can be tricked by a skilled con man. Madoff's clients included the family that owned the New York Mets baseball team and the former owner of the Philadelphia Eagles football team. His victims included Yeshiva University, the institution that had embraced and honored him. New York Law School and Tufts University also suffered a loss of portions of their endowments. A number of charitable organizations lost most of their resources, including the foundation of Elie Wiesel, the famed Holocaust survivor and commentator. The collapse of charitable foundations meant that many nonprofit foundations that had received donations now found that they had a shortage of money and confronted the prospect of closing their doors.

There is no obvious explanation for Madoff's corrupt conduct. He was from an extremely modest background, had lifted himself out of poverty through sheer intelligence, and had saved the money he earned as a young man from menial jobs and proceeded to build one of the most successful firms on Wall Street. Madoff pioneered the use of computers for investing, was a past president of a national organization of financial analysts, and served on the group's board of governors. It was Madoff's prominence and his powerful clientele that may have intimidated the Securities and

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