

If the Former Chairman of Nasdaq is a Crook, Who Can You Trust in America?

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Global Research, December 21, 2008

The Nation 21 December 2008

Region: [USA](#)

Theme: [Global Economy](#)

The news of Bernard Madoff's \$50 billion fraud has hit the investor/401(k) class as nothing else — not the fall of Lehman Brothers, not the death of Bear Stearns, nor the string of insolvency announcements of one household name after another. Madoff is the blow that did it.

Lesser explosions connected with Madoff are expected. His story that for decades he ran his gigantic fraud by himself is unbelievable. One man alone could not have done the work of inventing and cranking out thousands of statements every month, not to mention keeping track of the comings and goings of billions of dollars. Madoff has confederates.

That Madoff took some of the members of the centimillionaire club to the cleaners is not what caused the shock. It is the damage done to so many smaller investor/savers, so many pension funds, so many charities. You do not have to be one of Madoff's victims to be affected. Madoff, his own businesses aside, was a major figure in the world of investments, of stocks and bonds and securities and exchanges. If the [former chairman of Nasdaq](#) is a crook, whom do you trust?

Madoff has sown the seeds of suspicion everywhere. He has caused us to doubt men and women with whom we have done business with for years. There is no way of knowing if someone is a con artist. The presumption of trust is gone.

Business depends on trust, trust of all kinds. Trust that when you place an order with a broker he or she will get you the best price, trust that your investment or retirement adviser is not getting an under-the-table kickback to put your old age money into a shoddy annuity.

Trust is the indispensable element in all businesses. Contractors depend on subcontractors to get the job done when they say they will; retailers depend on distributors to deliver on time; lawyers are trusted to meet filing deadlines, steel fabricators are expected to get gigantic trusses to the building site exactly when they are needed. Doctors are expected to put patients' interests above money considerations; parts manufacturers are relied on to deliver on time to the factory. Business runs on trust, and Bernard Madoff has busted it.

So the *Wall Street Journal* says to its readers, "[Could your investment manager be another Bernard Madoff?](#)... if someone like Mr. Madoff can be accused of running a \$50 billion Ponzi scheme, can investors anywhere sleep easy? Ordinarily, when you are picking an investment manager or financial planner, you're given some common-sense advice. Avoid managers who are unknown, or unregulated, or come without good referrals, or haven't

been in the industry long. But none of this would have saved you from Mr. Madoff. ‘This guy had oodles of referrals, at the highest levels,’ notes Duane Thompson, a managing director at the Financial Planning Association in Washington. ‘He was [former] chairman of Nasdaq. He’d been in business since 1960. ’

Fear, confusion and mistrust have been amplified by the absence of government supervision, regulation or policing. The [Securities and Exchange Commission](#) admits it did not do its job.

With the closing down of the old-time pension system, millions of employees were forced into 401(k)s requiring knowledge of finance, bonds, stocks, weird-sounding investments and tax law. They have had to make investment decisions effecting their future with no government protection against misrepresentation, legal traps laid for them and the small print obfuscation financial institutions practice on their customers. The result is [the heart-wrenching situation](#) for millions who fear that they will be living out the last decades of their lives counting their food stamps and hunting for bargains in the used clothing bins.

The Madoff swindle puts the spotlight on the collapse of the 401(k) retirement plan. The United States is the only advanced nation without a complete retirement system.

For 401(k)s to have worked, a bull market or at least a flat market was necessary. It was an unreliable gamble from the git-go, an arrangement that would fall to pieces when next the market crashed.

Madoff and the crash underline the powerlessness of the millions. As a matter of principle, the Republicans defended the unregulated lawlessness that enabled a Madoff to run his swindles. As for the Democrats, sometime in the Clinton era they sold their party to Wall Street and now they have Chuck Schumer to make sure it stays sold.

It remains for President-elect Obama to void the deal and break his party free to help those who have nowhere else to look.

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