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MICHAEL BERKOWITZ

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The Madoff Paradox: American Jewish Sage, Savior, and Thief

MICHAEL BERKOWITZ

Bernie Madoff perpetrated a Ponzi scheme on a scale that was gargantuan even compared with the outrageously destructive Enron and Worldcom debacles. A major aspect of the Madoff story is his rise as a specifically American Jewish type, who self-consciously exploited stereotypes to inspire trust and confidence in his counsel. Styling himself as a benefactor and protector of Jews as individuals and institutional Jewish interests, and possibly in the guise of the Jewish historical trope of *shtadlan* (intercessor), he was willing to threaten the well-being of all those enmeshed in his empire. The license granted to Madoff stemmed in part from the extent to which he appeared to diverge from earlier Jewish financial titans, such as Ivan Boesky and Michael Milken, in that he epitomized an absolute “insider” – as opposed to an “outsider” or marginal figure. In reality he had none of the supposedly humane virtues attributed to Jewish crooks, at least in the realm of popular culture.

The creators of the savvy TV show *Damages* could not resist.¹ They tried to de-Judaize their “clone” of Bernie Madoff by calling him “Louis Tobin”² and obscuring any suggestion of Jewishness in the treatment of his family and associates.³ But by the season’s midpoint they introduced recognizably Jewish crooks and cronies in relating how Bernie/Louis sought to hide his ill-gotten gains, and therefore provide the key to how his family (and possibly the government) might recover a significant share of his riches. For those who are unfamiliar with *Damages*, Patty Hewes, the complicated lead character played by Glenn Close, is a non-Jewish Manhattan attorney, directing a boutique firm enjoined by the court to recover Tobin’s assets for the clients he swindled.⁴ Clever as she is, Patty has come up against a brick wall in trying to locate the

Michael Berkowitz is Professor of Modern Jewish History in the Department of Hebrew and Jewish Studies, University College London, WC1E 6BT. Email: m.berkowitz@ucl.ac.uk.

¹ Series Three, Episode Six, “Don’t Forget to Thank Mr. Zedeck,” *Damages* (FX Network, 2010).

² David Hinckley, “Third Season of FX’s ‘Damages’ Pits Glenn Close’s Patty Hewes against Bernie Madoff Clone,” *Daily News* (New York), 25 Jan. 2010, online at www.nydailynews.com/entertainment/tv/2010/01/25/2010-01-25_third_season_of_fxs_damages_pits_glenn_closes_patty_hewes_against_bernies_madoff.html.

³ “Tobin” is played by Len Cariou, not a well-known actor. But Ruth is portrayed by Lily Tomlin, who looks nothing like the blonde, petite spouse of Bernie.

⁴ In the show, the relationship between the federal and the local Manhattan court systems is convoluted. The actual case was initiated by the United States District Court, Southern District of New York: *United States of America v. Bernard L. Madoff, Defendant*.

loot he stashed away. She therefore turns to an incarcerated, sweet, intellectual Jewish corporate swindler – whom she apparently had both convicted and befriended, played by Wallace Shawn. Patty visits him in prison. In order to help Patty, Shawn requests that Patty engineer a conjugal visit. Patty accepts this by requesting that a voluptuous Anglo-Jewish lawyer, Alex Benjamin,⁵ who desperately wants a job in Patty's firm, accede to Shawn's demand. Alex, a graduate of Princeton and Yale Law, proves herself as something between whore and maven by satisfying Shawn's appetite – in the form of Iranian caviar, which she provocatively removes from her leather boot. Elsewhere in that show, and as hinted in an earlier episode, we learn that the person entrusted by Tobin to take care of "the family" is one "Stuart Zedeck." It is none other than Uncle Junior (Corrado John Soprano Jr.) of the Sopranos, reconfigured as an old-school Jewish crook.⁶ The inventors of *Damages* (including two boychiks with Harvard degrees) are too clever to be oblivious to the Hebraized play on the name "Zedeck" and "Tsaddik"—with associations of justice and righteousness.⁷

In a number of ways, this creative retelling of the Bernie Madoff story is more complex than the actual scandal – a straightforward Ponzi scheme – and man himself – a supremely greedy, selfish, and even stupid bastard. Usually a television series does not lend itself to scholarly analysis as does theater and film – for instance, as the Shakespearean stage is juxtaposed to the vicissitudes of the contemporary marketplace by Jean-Christophe Agnew,⁸ while film – such as Viet Harlan's layered yet chilling *Jud Süß* (1940) – remains an exemplary medium for exploring anti-Semitism and Jewish stereotypes, including so-called "Jewish criminality."⁹ As much as popular culture, considered as historical documentation, always must be used sensitively, it seems that we have reached something of a tipping point: books may be as vacuous as television shows, and television shows may be based on more painstaking research and intelligent synthesis than articles and books from mainstream presses. There also is a good chance that Bernie Madoff himself, in thinking about his life, imagined how it would look as a television miniseries,

⁵ Tara Summers, who also played a sexy English lawyer in "Boston Legal," another intelligent series with mainly non-Jewish lawyers.

⁶ In real life (more or less) he is Dominic Chianse, born 1931 in the Bronx.

⁷ The executive producer/creator/writer/director is Todd A. Kessler; his partners are his brother, Glenn, and Daniel Zelman; see www.fxnetworks.com/shows/originals/damages/crew.php.

⁸ Jean-Christophe Agnew, *Worlds Apart: The Market and Theater in Anglo-American Thought, 1550–1750* (Cambridge: Cambridge University Press, 1986).

⁹ Michael Berkowitz, *The Crime of My Very Existence: Nazism and the Myth of Jewish Criminality* (Berkeley: University of California Press, 2007), 3.

something along the lines of *Rich Man, Poor Man* or the slew of docudramas that did indeed appear after his indictment.¹⁰

There is no reason to assume that Madoff knew very much about Jewish history. Yet he may have thought himself *to be perceived* as operating within a tradition known as *shtadlanut*, despite the fact that this had become an anachronism by the nineteenth century.¹¹ This term can be roughly translated as “intercession” on the part of specially delegated Jews in appealing to government authorities, in order to guarantee or retain Jewish rights and privileges, or to redress specific grievances. Similarities exist between these roles, which originated in the Middle Ages and were preeminent in the politics of Polish Jewry from the sixteenth century to the eighteenth, and those who were known as “court Jews” (*Hofjuden*), whose primary function was moneylending in central Europe. Jewish financiers often possessed vague but effective political power stemming from their economic instrumentality, and Jewish communities utilized these financiers as diplomats and political representatives.¹² But Madoff never “represented” Jews in any official capacity. He was, however, revered as a marvel in offering counsel in the service of Jewish institutions. Nor was he a moneylender. Madoff was entrusted with the assets, including sprawling fortunes, of thousands of Jews and non-Jews, and Jewish and non-Jewish organizations, with the expectation of protecting and augmenting their wealth. Although the apparent connection to a legacy of *shtadlanut* and *Hofjuden* might have made him more attractive to his Jewish institutional clients, he fashioned himself both as a man “of the people” and as a confidant with inside information and connections to individual Jews, Jewish corporate bodies, general corporate entities, and governmental boards of many types. He seemed to be a totally new and unique kind of financial and corporate adviser, who transcended the parochialism of the earlier historical models. Given that Ruth Madoff made an effort to have the stupendous, but not highly publicized, career of her husband recorded for posterity in the context of “Jewish history,” perhaps she – as the more intelligent of the two – sensed that Bernie might be accorded even greater prestige were he to be chronicled in a continuum of Jewish “service” in the financial and governmental realms. The possibility also exists that she did not pursue the

¹⁰ An excellent, concise analysis of the scheme is the PBS *Frontline* special, “The Madoff Affair,” at www.pbs.org/wgbh/pages/frontline/madoff/view.

¹¹ Francois Guesnet, *Polnische Juden im 19. Jahrhundert. Lebensbedingungen, Rechtsnormen und Organisations im Wandel* (Vienna: Böhlau, 1998), 49–50; Scott Ury, “The ‘shtadlan’ of the Polish–Lithuanian Commonwealth: Noble Opportunist or Unbridled Opportunist?,” *Polin*, 15 (2002), 267–99.

¹² Steven M. Lowenstein, “Court Jews, Tradition and Modernity,” in Rotraud Ries and J. Friedrich Battenberg, eds., *Hofjuden—Ökonomie und Interkulturalität; die jüdische Wirtschaftselite im 18. Jahrhundert* (Hamburg: Christians Verlag, 2002), 369–81.

commissioning of this hagiographic work because of her latent fear that, eventually, the mighty Bernie might become infamous.¹³

As a financial scandal per se, Madoff's deeds have been well analyzed by Harry Markopolos, who was the first to perceive and prove Madoff's empire as a sham and attempted to alert the Securities and Exchange Commission, and Erin Arvedlund, a financial journalist who raised serious doubts about Madoff in *Barrons* in 2001.¹⁴ There are some half-dozen books about Madoff, maybe more on the way, including a kiss-and-tell from the executive of Hadassah, Sheryl Weinstein, with whom he had an affair.¹⁵ As much as we might ask what else there is to be known about Madoff—along with the still burning question underscored by *Damages* – where's the dough? – I propose a different approach: to look at Madoff in the context of modern Jewish history, mainly from the perspectives of the involvement of Jews in high finance, and perceptions of Jews in business – and crime. At this point, the book that seems to tackle most seriously what may be termed Bernie Madoff and his Jewish questions is *The Believers: How Americans Fell for Bernard Madoff's \$65 Billion Investment Scam* by Adam LeBor.¹⁶ LeBor attempts to employ his supposed critical distance, as a European, to set Madoff in a longer-term context than other commentators. But LeBor reveals that he is out of his depth, and ends up making a rather abstract argument that is largely anachronistic. He contends that Madoff's actions were partly vengeful behavior by an East European Jew, with the objective of gaining the upper hand on the supposed German Jewish establishment. This is both incorrect and irrelevant. By the time Bernie became a "player," the tension between "German" and "Russian" Jews in the circles of high finance had all but vanished. The idea that there was some kind of inter-Jewish,¹⁷ and Jewish–Gentile,¹⁸ dynamic in his career and scandal is true – but it is misconstrued.

¹³ Michael Skakun and Ken Libo, "Sconces and Scrapbooks: A Visit to the Madoffs: First Person," *Forward*, 4 June 2010, online at www.forward.com/articles/14756.

¹⁴ Harry Markopolos, *No One Would Listen: A True Financial Thriller* (New York: Wiley, 2010); Erin Arvedlund, *Too Good to Be True: The Rise and Fall of Bernie Madoff* (New York: Portfolio, 2009); see also Andrew Kirtzman, *Betrayal: The Life and Lies of Bernie Madoff* (New York: Harper, 2009); Jerry Oppenheimer, *Madoff with the Money* (New York: Wiley, 2009).

¹⁵ Sheryl Weinstein, *Madoff's Other Secret: Love, Money, Bernie, and Me* (New York: St. Martin's, 2009).

¹⁶ Adam LeBor, *The Believers: How Americans Fell for Bernard Madoff's \$65 Billion Investment Scam* (London: Weidenfeld and Nicolson and New York: Orion, 2010). See the review in the Israeli newspaper *Haaretz* by Ina Friedman, "One of Their Own," 5 April 2010, at www.haaretz.com/hasen/spages/1160690.html.

¹⁷ See Bradley Burston, "The Madoff Betrayal: Life Imitates Anti-Semitism," *Haaretz*, 16 Dec. 2008.

¹⁸ See Mark Seal, "Madoff's World," *Vanity Fair* (April 2009), online at www.vanityfair.com/politics/features/2009/04/madoff200904?printable=true¤tPage=all. Concerning the

So what does Madoff tell us about Jews in America – if anything? First, in sum, that Jews as individuals had absolutely, unequivocally made it in the highest reaches of finance and also its governance. Before his fall, there was no whiff that Madoff harbored some kind of second-class status as did Ivan Boesky, Dennis Levine, and Michael Milken in their “junk bonds” empire. Madoff, born in 1938, was only a year younger than Boesky, and twelve years older than Milken. Yet because their stars rose (and fell) much more quickly than that of Madoff, we will see that he was able to use their careers as something of an object lesson. Second, to what extent is this a Jewish story? On the surface, it is obviously so because Madoff is Jew, and even to many (including Elie Wiesel) formerly a “god” in the institutional Jewish world.¹⁹ But perhaps even more crucial: Madoff used his Jewishness to his advantage, possibly exploiting positive tropes known to the Jewish world especially, and in the end did proportionally greater injury to Jews than any other segment of the American and world community. As opposed to the operations of Boesky and Milken, a large share of the hustling – that is, the supplying of the feeder funds for Madoff²⁰ – was done by super-WASPs, such as the five daughters of Walter Noel.²¹ Answering affirmatively that it is a “Jewish story,” what does it mean? As much as the *Damages* series is brilliant television, it decidedly wrests Madoff from history, because he could not possibly have been Madoff were he a Gentile, or even by being a Jew who wore his Jewishness loosely. Madoff would not have gotten where he did, in the way that he did. He would not have accrued the kind of respect, often rising to an aura of awe, had he not been perceived as a particularly Jewish kind of counselor/businessman/genius – which has a deep legacy. And he probably would never have been given the benefit of the doubt, as he was, were he not the old-school, respectable Jew he styled himself to be. My chief criticism of the body of work that exists on Madoff is that it does not pay enough attention to the previous scandal deeply implicating Jews who also were prominently Jewish; that is, Michael Milken and Ivan Boesky. Madoff apparently paid a lot of attention to this, even though his name appears nowhere in the comment on the

case of Laura Goldman, Madoff is quoted as rationalizing use of a rinky-dink accounting firm by claiming that it saved him money which he would then pass on, as “Jews like a discount.” *Ibid.*, 16. He also used non-Jews from the “underworld of dubious middlemen . . . Frank Avellino and Michael Bienes.” *Ibid.*, 20.

¹⁹ *Ibid.*, 17. See Reuters, “Weisel Says He Cannot Forgive Madoff,” in *Haaretz*, 3 Jan. 2009.

²⁰ The exception is Robert Jaffe, in some respects similar to Madoff as an under-achieving student.

²¹ Robert Lea and Robert Mendick, “Madoff: The London Connection. Family Linked to US Financier Is Biggest Loser in Pyramid Scam,” *Evening Standard* (London), 17 Dec. 2008, 5; see also Eric Konigsberg, “In Fraud Case, Middlemen in Spotlight,” *New York Times*, 17 Dec. 2008.

junk-bond era. It is important to recall that the Milken/Boesky scandal was seen as “historic criminal misconduct” which was believed to be completely unprecedented.²² Given the regular visits he made to London, it also is likely that Madoff knew about the Guinness–Distillers’ affair which was tied to the dealings of Boesky.²³

At the heart of the scandal concocted by Madoff is a paradox: the so-called investment genius, even “Einstein,”²⁴ built up and nurtured his colossal empire through gaining the friendship and confidence of numerous super-wealthy Jews. At the same time, he styled himself a hero and savior of prominent Jewish institutions, many of which were identified with famed Jewish personalities and organizations – such as Elie Wiesel and Yeshiva University.²⁵ Yet in erecting this phantom edifice – which cannot even be termed a house of cards – Madoff situated himself at the center of a potential maelstrom which sent the people and charities by whom he was beloved crashing to near-oblivion. He supposedly worked to make Jews strong and proud. Madoff became, instead, a lightning rod for another round of accusations associating Jews with financial crime and other nefarious deeds. But in terms of consequences for anti-Semitism this did not amount to much beyond blather on the Internet.²⁶

What Madoff did can be partly explained as the improvisations of a stupid Jew. Madoff’s lack of intelligence is a key to understanding his success. He was incessantly compensating for, or attempting to cover up, his lack of ability or originality, and his failure at any real achievement. Madoff was the product of a working-class to lower-middle-class New York suburban community that was not impoverished, and in no way should be described as a ghetto. Interestingly, both his mother and father were involved in the stock market, and his mother even got into trouble with the authorities. There is a possibility that Madoff’s first lessons in the selective observance of the law might have come from none other than his *yiddische mame*.²⁷

The typical career path for young men of Madoff’s generation was to go through one of the public universities of New York City, assuming that one could not afford to attend a prestigious private school such as those of the

²² James B. Stewart, *Den of Thieves* (New York: Simon & Schuster, 1991), 277.

²³ The most thorough, dispassionate account of the Guinness scandal is Nick Kochan and Hugh Pym, *The Guinness Affair: Anatomy of a Scandal* (London: Christopher Helm, 1987); there is, however, no reflection on the “Jewish” aspect of the case. For a sense of how it played in the Jewish world, see Stephen Brook, *The Club: The Jews of Modern Britain* (London: Constable, 1996; first published 1987), 305–9.

²⁴ Esther Baruh, “The Owner’s Name Is on the Door” – Alleged Ponzi Scheme Slams Investment, Charity Communities,” *Yeshiva University Observer*, 30 Dec. 2008.

²⁶ Compare to Seal, 7–8.

²⁷ This point is raised in numerous articles and books; see *ibid.*, 8–9.

Ivy League. Although he clearly wished to “make it” in society and even show off to his cohort, Madoff was unable to gain admission to any of New York’s public institutions. Upon graduation from high school the best university to offer him a place was the University of Alabama in Tuscaloosa, Alabama. Although the University of Alabama is a respectable school, and a logical choice for those living in Alabama or otherwise the Deep South, for a boy like Bernard Madoff this was bizarre. Alabama was the only place he could get into. He most likely thought that he would be able to receive high grades that would then facilitate his reentry into the New York City system. But he was not smart enough to distinguish himself in Alabama. It is indeed telling that Madoff hardly ever mentioned his time in Tuscaloosa in recounting his career.

Madoff did indeed return to New York within a year, but it was not to Brooklyn College, Queens College, the City College, or any of the other competitive undergraduate public institutions. He went instead to Hofstra, which was known as the kind of university which took many students who did not qualify for the city’s meritocratic public schools. Madoff did decently at Hofstra – but this might have been partly due to the support of his girlfriend, later wife and life-partner, Ruthie – who was far more academically talented. He performed well enough to enter Brooklyn Law School, which was at that time solid – but a clearly inferior destination for someone with Bernie’s desire for recognition and social status. He rarely mentioned his stint there, either. He claims to have left after the first year in order to pursue a career in business – but it remains unclear if he actually passed his courses. In any event, Madoff certainly did not excel. He might have figured out that a mediocre record at Brooklyn Law would not advance him in the way he desired. He was ambitious, had a cute girlfriend, and was well-liked, but no one would ever have called him “smart.”²⁸

It was therefore as a less-than-stunning student that Madoff made his foray into the business world. He might even have been a disgraced law student from Brooklyn. Certainly there were those from colleges like Hofstra and Pace – who were rejected from New York’s public universities, and were not good enough to land a place at New York University – who would eventually do extremely well in Wall Street. But it seemed to bother Madoff that his pedigree was less than pristine. It was unconventional in ways that might render him suspect. Madoff’s subsequent re-creation of himself as a trusted financial adviser to universities and intellectually based foundations was a spectacular means of compensating for the fact that he had been, in essence, a lousy student. This is significant, because it may help account for Madoff’s heartlessness and insensitivity in playing with the fortunes of institutions such

²⁸ Only later and infrequently; see *ibid.*

as Yeshiva University, MIT, New York University, Bard College, and Brandeis University. He did not “love” these schools but he maintained something of a “love–hate” relationship with them.²⁹

By no means did Madoff begin his ascent with a diabolical masterplan. In comparison, he did not possess the ability of an Ivan Boesky, Dennis Levine, and Michael Milken. In terms of his understanding of markets and politics, compared to, say, Warren Buffett (neither Jewish nor a crook) and George Soros (not a crook but often vilified in language reminiscent of anti-Semitism), Madoff is an idiot. In his first years, possibly decades, he might not have believed he was doing anything wrong. Had he any doubts in that direction, they were mollified by wishful thinking: that future gains would make up for the fact that he was robbing Peter to pay Paul. As compared with the complexity of the Drexel Burnham, Worldcom, and Enron schemes, Madoff's operation was shockingly simple: the funds of new investors were used to pay off earlier clients, and to create the impression that the firm was steadily earning substantial income – despite the changing fortunes of the times generally, and, in particular, the tumultuous stock market of 2007–8.

Madoff, to a much greater degree than any commentators have suggested, was a copycat. The notion that he was some kind of pioneer or visionary in seeing the potential of computers in stock trading is absurd. He seized on a couple of people he regarded as successful, in the way that he wished to be – and imitated them. Madoff's most crucial role model is scarcely mentioned:³⁰ Boyd L. Jefferies (1931–2001), a non-Jew remembered as a revolutionary “institutional broker” who was indicted in the Boesky scandal but survived with his fortune and honor largely intact:

Jefferies helped develop and promote a technique known as third-market trading, which allows institutional investors to sell large blocks of publicly traded stock directly to other institutional investors rather than on a stock exchange. In this way, the likelihood that the transaction would have an impact on the price of the stock could be minimized.³¹

²⁹ There are apparently only two universities that received money from him directly: Queens College and the University of Pennsylvania. His wife was graduate of Queens, and, interestingly, the money given was specifically to improve the “signage” on campus; see Office of Communications Press Release, 30 March 2006, Queens College, at www.qc.cuny.edu/nis/Releases/viewNews.php?id=198. His two sons went to the Wharton School of Business of the University of Pennsylvania; see *Leading the American Dream: The Campaign for Queens College* (university fundraising brochure, 2006?). Interestingly, Seal notes that “his own favorite charity – the Lymphoma Research Foundation – did not invest in his fund.” Seal, 10.

³⁰ For instance, Markopolos did not recognize any connection – because there was nothing direct and traceable. Seal identifies “the two tycoons he loved as surrogate fathers . . . Norman F. Levy [and] Carl J. Shapiro.” Seal, 10.

³¹ See www.nytimes.com/2001/08/25/business/boyd-l-jefferies-dies-at-70-headed-institutional-broker.html.

In 1987 he was forced to resign “after he was implicated in securities law violations,” embroiled in dealings with Ivan Boesky. “He pleaded guilty to two felonies and was subsequently barred from securities trading.” But Jefferies also played on the “right” side of the law, having “achieved a degree of notoriety when he served as a star witness for the government in prosecuting executives of the GAF Corporation in an attempt to inflate the price of Union Carbide shares in the wake of a failed takeover bid,” and he was noted for his philanthropy.³² Madoff, who hardly ever was quoted in the press until his conviction,³³ was moved to say, “The Jefferies firm was among the first to operate in the third market for trading among institutional investors . . . They had the business pretty much to themselves. On the top of that he was actually very, very well liked in the industry.”³⁴ This was crucial for Madoff. He saw that for Jefferies affability made all the difference. He stole his business model, in a narrow sense, and the way he conducted himself – on the side supposedly of enforcement and ethics, and learning the value of being “well-liked” – but also taking chances on unlawful schemes.

I have written elsewhere of the long history of the association of Jews with criminality, and the stereotype of Jews as dishonest and prone to untoward business practices.³⁵ It mainly concerns the experience of Jews in eastern and central Europe, and extends to particular episodes from England and France. The concept of the *gonif* (thief) among Jews themselves, is in many respects complex and contradictory.³⁶ It is well known that Jews emerged as significant economic actors in the United States, mainly in the nineteenth and early twentieth centuries, up until the Second World War. It is not, however, widely known that Jews were involved in some highly publicized financial scandals in the period following America’s Civil War.³⁷ For a number of reasons, however, these events did not lead to a dramatic intensification or institutionalization of anti-Semitism. In part this had to do with the influx of other immigrant

³² Jonathan D. Glater, “Boyd L. Jefferies Dies at 70; Headed Institutional Broker,” *New York Times*, 25 Aug. 2001.

³³ See www.nytimes.com/2001/08/25/business/boyd-l-jefferies-dies-at-70-headed-institutional-broker.html. Madoff delivered a eulogy for Norman Levy in 2005 but this was apparently unrecorded; Seal, 4.

³⁴ Glater.

³⁵ Berkowitz, 1–23; *idem*, “Rags and Riches, or Bogeymen of the Bourse: Antisemitism and the Abstract Economy in England, the United States, France, and Central Europe, 1720–1900,” in Ilana Y. Zinguer and Sam W. Bloom, eds., *Inclusion and Exclusion: Perspectives on Jews from the Enlightenment to the Dreyfus Affair* (Leiden: Brill, 2003), 267–74.

³⁶ Michael Berkowitz, “Unmasking Counterhistory: An Introductory Exploration of Criminality and the Jewish Question,” in Peter Becker and Richard F. Wetzell, eds., *The Criminal and His Scientists: The History of Criminology in International Perspective* (New York: The German Historical Institute and Cambridge University Press, 2006), 61–84.

³⁷ Benjamin Ginsberg, *The Fatal Embrace: Jews and the State* (Chicago: University of Chicago Press, 1993).

and minority groups – notably the Irish and Italians – who were perceived as bringing a distinctly criminal menace to American shores. Concomitant with the migration of African Americans to the cities of the Northeast and Mid-west in the early to mid-twentieth century, “negroes” were increasingly associated with street crime and threats to the general citizenry. Yet Jews as criminals, most prominently as gangsters from the 1920s to the 1950s, loom large in American and American Jewish consciousness. Jews were, in fact, prominent among the contract killers – and also the victims – of the nefarious “Murder, Inc.”³⁸ In terms of seeing an analogue to Madoff, it is particularly worth revisiting the career of Arnold Rothstein, whose development of “bucket-shops” for peddling cheap or worthless stocks was in some respects a forerunner of both “junk bonds” and the Madoff fiasco.³⁹

A comparative evaluation of the scandals involving Boesky, Levine, Milken, and Marc Rich in the United States,⁴⁰ and of the principals of the Guinness–Distillers affair in the United Kingdom, casts instructive light on the Madoff debacle. A comparison of Madoff with Boesky and Milken reveals an aspect of Madoff’s great appeal: he appeared to be steady, sage-like, kindly, and predictable – like a much-beloved uncle. There was nothing of the *shtadlan* or “court Jew” about Boesky and Milken, even though they were tied to government schemes, nor did they effect airs of a European gentleman as did Madoff. But perhaps most important, Madoff did not seem to be an outsider. He personified the idea that Jews had finally made it into the inner sanctum of the financial and political universe, worldwide, without apologies. Whereas the dealings in “junk bonds” by Boesky and Milken, and commodities by Marc Rich, were regarded as speculative – if not overtly risky – Madoff seemed to offer the calmest port in stormy seas. The comparison also yields other important differences: Boesky, Milken, Levine, and Rich are highly intelligent individuals, who did indeed create previously unimagined mechanisms for economic growth. These coincided with the burgeoning philosophy of the Reagan era that sought to maximize economic gains and opportunities as never before. A similar setting gave rise to wheeling and dealing, and virtual abandonment of government controls under Margaret Thatcher in Britain. One of the characteristics that unites the “predators” (Boesky *et al.*) and the group surrounding Britain’s Ernest Saunders and, even more so, Robert

³⁸ Michael Berkowitz, “Crime and Redemption? American Jewish Gangsters, Violence, and the Fight against Nazism,” *Studies in Contemporary Jewry*, 18 (2003), 95–108.

³⁹ See Leo Katcher, *The Big Bankroll: The Life and Times of Arnold Rothstein* (New York: Da Capo, 1994; first published 1958), 164–90, 194–212. Markopolos, probably correctly, feared that blowing the whistle on Madoff might have led to him suffering physical harm; see Diana Henriques, “Witness on Madoff Tells of Fear of Safety,” *New York Times*, 4 Feb. 2009.

⁴⁰ On Marc Rich see Daniel Ammann, *The King of Oil: The Secret Lives of Marc Rich* (New York: St. Martins, 2010); review in *Haaretz* by Ruth Schuster.

Maxwell was the sense that they remained “outsiders” despite having the favor of the government bestowed on them.⁴¹ Madoff shared none of this. There was no obvious political slant to him or his investments; he seemed beyond politics and even any sort of “clannish” behavior.⁴²

The Madoff legend is that it all began with the “\$5,000 saved from his jobs as a lifeguard and sprinkler installer.”⁴³ There is a strong possibility that his initial luster came from the ill-gotten gains of his mother, who was investigated – but never convicted – of stock fraud. Given that he established himself in 1960, there could barely have been a better time to launch an investment business. If there was a “brain” to the outfit, it might very well have been that of his wife, Ruth – who thus far has not been charged as a coconspirator. Madoff was not known, in the 1960s or even the 1970s, for generosity. At a Catskills resort he frequented, a bellhop remembers Madoff for “stiffing him on the tip.” The stock market would, for the most part, do well for the next two decades – despite periods of inflation and recession. Madoff’s role in NASDAQ is often portrayed as visionary. This is questionable. NASDAQ, for Madoff, was something of a default realm because after ten years he had not yet firmly made it as the kind of Wall Street insider he aspired to be. But this is where he learned about building connections and dealing with regulators. Above all, Madoff, like most professionals, sensed that personal relations and reputations counted for a great deal. His observation of Boyd Jefferies drove this point home. If clients saw that their broker was not only a member of the club – as a broker – but also a player in the actual workings of the market and its oversight – that counted for something special. It also provided a veneer, in large part acquired inadvertently, intimating that Madoff was attuned to the cutting edge of corporate and technological developments – which he neither created nor even understood. He is, in this sense, more akin to the simpleton “Chauncey Gardner” in the film *Being There*, as opposed to a Svengali-type charlatan.⁴⁴ At this stage Madoff learned about keeping up appearances – of being above board, and in sync with regulators – that is, beyond reproach in every way.

⁴¹ Tom Bower, *Maxwell: The Final Verdict* (New York: HarperCollins, 2008).

⁴² See www.nytimes.com/2009/01/15/business/15cook.html. See also the characterization of Ernest Saunders in Jonathan Guinness, *Requiem for a Family Business* (London: Pan Books, 1997).

⁴³ Alison Leigh Cowan, “A Madoff Cookbook Has a Secret, Too,” *New York Times*, 15 Jan. 2009.

⁴⁴ He said little, if anything. Quotes from Madoff in the press rarely exceed a single, simple line. “Bernie was quiet, not a storyteller, not a conversationalist . . . I often thought he was perhaps bored. He was just Bernie, pleasant and polite.” Carmen Dell’Orefice, quoted in Seal, “Madoff’s World,” 2; cf. 14. *Being There* (1979, dir. Hal Ashby), was based on the 1971 novel by Jerzy Kosinski.

At the heart of his ascendance, however, is what would emerge as the world's largest Ponzi scheme: that he built a shockingly simple-minded system in which he paid off investors with the money of more recent investors. It was so uncomplicated and straightforward as to be unthinkable. Like other successful businessmen, Madoff nurtured a network of clients often in the confines of swank country clubs – many of which had been founded by Jews who were denied membership at the tonier WASP establishments. But what was truly distinctive about Madoff was his self-styled role in the social world of Jewish millionaires and the orbit of prestigious Jewish institutions – including the kinds of university to which he himself never could have been admitted as a student.

Madoff basked in the role of King of the Jews. This was not simply a product of his success. This is how he accumulated greater and greater riches, prestige, and even the mystique of a sage-like figure. One did not simply invest with Bernie Madoff. Eventually a custom was established in which one had to be “accepted,” possibly “blessed,” by him as a client. This not only relied on the supposition that one had, at bottom, tremendous wealth – but it also inferred a moral reckoning, that somehow, the person (or foundation) was “worthy” of being managed by the mighty, wise, and good Bernard Madoff. There was a cumulative, or multiplier, effect of his gaining control of the funds of well-known people, and in “managing” the wealth of famous institutions, including medical centers such as Hadassah in Israel. Although there were non-Jews among his clients, his positive reputation in no small part was rooted and nurtured in the myth of being a certain kind of Jewish figure. He was, it seemed, an ultimate insider. There appeared to be nothing of the snake or parvenu about him. Madoff was of Wall Street, Yeshiva University, Greenwich (Connecticut), London's Mayfair, and Hadassah Hospital, all of one piece. He was rock solid, dependable, predictable, with mainstream values and interests. He even was an intimate of Elie Wiesel! Eventually Madoff was entrusted with billions of dollars of other people's money. He seemed to be making a healthy, if not hefty, return for all of his clients – no matter the vicissitudes of the market. Then the proverbial shit hit the fan. We may never know the extent to which Madoff was guilty of insider trading and otherwise exploitative of his confidential relationships. But attention has been brought to the fact that JPMorgan Chase suffered losses of “pretty close to zero” in the Madoff swindle because they started diverting funds out of his stewardship in 2006.⁴⁵

There are two grotesque exercises in self-aggrandizement on the part of the Madoffs while their power and prestige seemed to have reached soaring heights

⁴⁵ Claudio Gatti and Diana B. Henriques, “JP Morgan Exited Madoff-Linked Funds Last Fall,” *New York Times*, 29 Jan. 2009.

that are particularly illustrative of their shallowness. The first is a “cookbook” which Ruth claimed to have co-authored, but was later revealed to be entirely written by her “editor.”⁴⁶ The book is a metaphor of her own and Bernie’s perverse worldview: that one can have one’s cake, and eat it, too. In this instance it was supposedly a properly kosher cake, which tasted as rich as pastries made with the finest ingredients – with no prohibitions. The ostensible point of the book was to show that the great chefs of the world were able to create sumptuous dishes following the rules of *kashrut*, the kosher dietary habits of Orthodox Jews.⁴⁷ In this Ruth was playing a part of motherly, pious guru in order to show that kosher food could be just as fabulous as the best of *trayf* (non-kosher) cuisine. The book was a total failure, as the attempt itself showed the hypocrisy of the book. How was one going to know that the kosherized food tasted as good as that which is forbidden – if one had never eaten the *trayf*? The super-wealthy fell in love with the “cooked books” of Bernie but Ruthie’s “cookbook” faded without a whimper. Later it would emerge that Bernie himself favored a breakfast that included the sacrilegious flesh of the pig.⁴⁸

The other known effort to immortalize themselves in print also was, supposedly, an initiative of Ruth’s, as mentioned previously.⁴⁹ She tried to get two reputable writers, Michael Skakun and Ken Libo, to produce a celebratory volume about her husband. But the book never materialized, because it became clear to the erstwhile authors, and maybe even to Ruth, that there was too little substance in the story of Bernie. Bernie had never written anything. He never had given a substantial speech, despite being “honored” on many occasions. Nowhere was there an articulation of an ideology that guided his supra-philanthropy, besides vaguely “Jewish” and general humanitarian impulses. Ruth’s imagination of the book, however, speaks volumes about the Madoffs’ view of themselves as leading personalities of the Jewish world in the twenty-first century.

The crash and burn of the Madoff empire, along with the scores of individuals and institutions that put their faith and trust in him, is now the stuff

⁴⁶ Cowan.

⁴⁷ Ruth Madoff and Idee Schoenheimer, *The Great Chefs of America Cook Kosher: Over 175 Recipes from America’s Greatest Restaurants* (New York: Vital Media Enterprises, 1996). The book was, in fact, entirely written by Karen MacNeil, given credit as “editor” of the book; see Cowan. Possibly because of the *NYT* article, MacNeil is now listed as an “author.”

⁴⁸ Miles Goslett, “I Just Can’t Live with that Camera – It’s Not Square . . . Inside the Bizarre World of £30bn Pyramid Schemester Bernie Madoff,” *Daily Mail*, 3 Jan. 2009, 4 (internet edn); Bill Condie, “Madoff, the Mayfair Greasy Spoon and Boots Face Cream,” in *Daily Mail*, 5 Jan. 2009.

⁴⁹ Michael Skakun and Ken Libo, “Sconces and Scrapbooks: A Visit to the Madoffs: First Person,” in *Forward*, 4 June 2010, on line at www.forward.com/articles/14756.

of legend. Economically speaking, some of the best-loved figures on the Jewish world went down in Madoff's flames – including Sandy Koufax – arguably the greatest Jewish athlete of all time, and Larry King, one of the more popular American media personalities for decades. One of the witnesses “who tried unsuccessfully for almost a decade to spur federal securities regulators to investigate Bernard L. Madoff” believes that the fraud was made possible, in no small part, due to the “financial illiteracy” of SEC (Securities and Exchange Commission) investigators. As much as this is a plausible explanation, there are other less tangible reasons why the Madoff smokescreen persisted for as long as it did, in part due to his carefully crafted image as a beneficent Jewish genius.⁵⁰ Madoff was not simply a hypocrite, a fake squeaky-clean businessman and supposed do-gooder. Eventually it was revealed that he would stop short of nothing to demolish his perceived enemies. The leading Israeli daily *Haaretz* refers to him as “one of the world's most hated men.” Jay Leno, the American comedian, quipped that “Madoff ought to think of changing his name to something more likeable – maybe ‘Bin Laden.’” There is no shortage of greedy bastards and swindlers, but Madoff could be remembered as one of the most selfish pricks of all time. The damage he caused the Jewish community in the United States and worldwide is utterly unprecedented, far worse than the OPEC-led boycotts of Israel and the efforts of self-professed anti-Semites. Madoff's crimes resulted in reduced fortunes for thousands, maybe millions, of people. But his crippling effect on individual Jews, and their hospitals and schools, and academic Jewish studies, is likely to be permanent. Not surprisingly, in *Damages* the Jewish crooks are more cuddly and familiar than Madoff. Granted, they might break some bones. But they have hearts, brains, and a sense of loyalty. In the real world, no one (save his well-paid lawyer) would utter a good word on Bernie's behalf.

⁵⁰ Seal, 5.