

THE AMERICAN

The Journal of the American Enterprise Institute

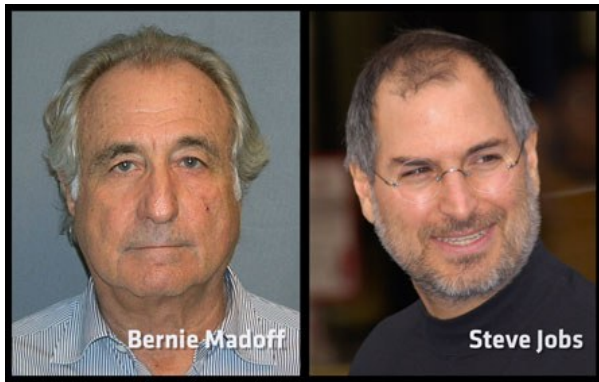
Bernie Madoff, Steve Jobs, and Wall Street Greed

By Don Watkins

Thursday, September 26, 2013

Filed under: Culture, Public Square

Genuinely successful people in business have nothing in common with the likes of Bernie Madoff. Why do so many see them all as greedy and selfish?



Who commits the most murders, according to Hollywood? Serial killers? Gangsters? Terrorists? High school science teachers turned drug kingpins?

It turns out the answer is businessmen.

In 2006, the Business and Media Institute published a study in which it concluded that “According to primetime TV, you are 21 times more likely to be kidnapped or murdered at the hands of a businessman than the mob.

Businessmen also committed crimes five times more often than terrorists and four times more often than gangs.”

A different study by the Business and Media Institute found that by age 18, “the average TV viewer has seen businessmen attempt more than ten thousand murders and countless lesser offenses, all in the name of greed.”

It’s more than a Hollywood convention: it’s a cultural stereotype. Businessmen are seen as greedy, selfish SOBs who care about nothing save for their bank accounts. And like all stereotypes, this one has consequences.

Look at how the press covers any economic problem or crisis. No one waits for actual evidence or peer-reviewed studies. Hardly anyone examines how government might have messed things up by distorting market forces. They just look for evidence of greed and connect it to the problem at hand.

When fraud was exposed in a handful of companies in the early 2000s, for example, the explanation was “corporate greed.” The solution? Sarbanes-Oxley, which treated all businessmen as guilty of accounting fraud until proven innocent. When the financial crisis hit, the explanation was “Wall Street greed.” The solution? Congress passed Dodd-Frank, generating nearly 14,000 pages — and counting — of complex regulations all aimed to stop greedy businessmen from being so greedy.

What’s striking is that it is virtually impossible to find a successful businessman who has *not* been criticized for his greed or selfishness. Even Steve Jobs, one of the most popular businessmen of his or any era, was routinely derided as selfish. Whatever his virtues, people said, Jobs was primarily concerned with his vision and his company’s success, not with the welfare of others. In the wake of his resignation from Apple, shortly before his death, some even rushed to condemn Jobs for focusing his efforts on profit seeking rather than philanthropy. Journalist Andrew Sorkin, for example, penned a missive in the New York Times in which he acknowledged that Jobs was a “visionary” and an “innovator” who “clearly never craved money for money’s sake and has never been ostentatious with his wealth.” Nevertheless, Sorkin complained, “there is no public record of Mr. Jobs giving money to charity.” A 2006 column in *Wired* put it more bluntly: Jobs was “nothing more than a greedy capitalist who’s amassed an obscene fortune. It’s shameful.”

In some ways, though, Jobs is the exception that proves the rule. Unique among businessmen, he was admired by many for his unrivaled creativity and passion for making “insanely great” products. If even *he* could not escape charges of selfishness and greed, then what chance have other producers had? History speaks: from Morgan to Rockefeller, to Ford, to Walton, to Gates, hardly any successful businessmen have been immune from the accusation that they are selfish.

The Madoff Comparison

And what is even more striking is that the charges of greed and the image of the greedy profit-seeker have led us to put the pantheon of business greats into the same moral category as some of the worst predators in history — predators such as Bernie Madoff, the Wall Street elder statesman who in 2008 was exposed as having orchestrated the largest Ponzi scheme in history.

From the start, Madoff was treated not as a criminal who pretended to be a businessman but as the symbol of business greed. He was, in the words of Diana Henriques, author of *The Wizard of Lies: Bernie Madoff and the Death of Trust*, “a creature of the world he helped create, a world that was greedy for riskless gain . . . arrogantly certain of success, woefully deluded about what could go wrong, and selfishly indifferent to the damage done to others.”¹

The world around us has been shaped by a theory that says the Madoffs and Jobses of the world are brothers in spirit — or, rather, brothers in spiritual impoverishment.

But what if actual profit-seekers have nothing important in common with monsters such as Madoff? What if the profit motive is radically different from some unhinged “greed” capable of turning producers into predators? Then perhaps we owe businessmen an apology — and maybe, just maybe, a significant part of the justification for today’s regulatory state should be relegated to history’s ash heap.

Early in his business career, Madoff encountered his first major setback. The young investor had about 20 investment advisory clients — friends and family, mostly — whose money he had put into highly speculative stocks. “I realized I never should have sold them those shares,” Madoff later admitted.² For two years the stocks soared, but in May of 1962, the market collapsed, and with it their value.

Madoff’s reaction was revealing. He used all the profits his firm had made up to that point to buy back the stocks from his clients’ accounts at their original offer price, leaving his investors with the illusion he had avoided any losses. In Henriques’s words, “rather than admit the truth that he had failed, he covered up those losses and lied about it.” The move wiped out Madoff’s capital, but he was able to dupe his investors into believing he was a genius; the market had tanked but he hadn’t lost a cent. It was a litmus test, Henriques says. “Faced with admitting failure or cheating, Madoff would cheat.”

The incident helps pull back the curtain on the motives that would later lead Madoff to con thousands of people out of billions of dollars. From the start, he seemed to be out to prove something. “He had an inferiority complex,” Marcia Mendelsohn, a childhood acquaintance, told Madoff biographer Andrew Kirtzman. “He never felt he was good enough.”³

Kirtzman elaborates: “Time and again as a kid, [Madoff] was spurned and humiliated for what was perceived to be his inferior intellect. . . . But he excelled at making money, and with it came the stature that once had eluded him. When he couldn’t generate as much money as he wanted or needed, he simply invented it.”⁴

Madoff didn’t seek money as a reward for his competence — he sought money to prove to others that he was competent. He aimed, not to build a great business, but to manufacture a reputation as a great businessman. He didn’t want to use his intelligence to create wealth, but to steal wealth in order to dupe others into thinking he was intelligent.

Madoff, you might say, wasn’t greedy, but needy: he needed to feel like a big shot because, in reality, he felt like a nobody.

Madoff recounted a telling episode to New York magazine in 2011: “The chairman of Banco Santander came down to see me, the chairman of Credit Suisse came down, chairman of UBS came down; I had all of these major banks. You know, [Edmond] Safra coming down and entertaining me and trying [to invest with Madoff]. It is a head trip. [Those people] sitting there, telling you, ‘You can do this.’ It feeds your ego. All of a sudden, these banks which

wouldn't give you the time of day, they're willing to give you a billion dollars.”

Madoff went on: “It wasn't like I needed the money. It was just that I thought it was a temporary thing, and all of a sudden, everybody is throwing billions of dollars at you. Saying, ‘Listen, if you can do this stuff for us, we'll be your clients forever.’”

Madoff took the money and created false statements indicating to his investors that he was making incredible 15 percent returns. In reality, his returns were nothing close to that, but Madoff refused to face the facts and admit to his investors that he had failed to meet their expectations. “I was too afraid,” he said.

Madoff had first arrived on Wall Street with a chip on his shoulder. “I was upset with the whole idea of not being in the [Wall Street] club. I was this little Jewish guy from Brooklyn.”⁵ Once “the club” started giving him the attention he so desperately craved, he was unwilling to let reality get in the way.

In It For the Money?

It's hard to imagine someone truly concerned with reaping profits over the long term behaving this way. Take a tour through Silicon Valley and it becomes apparent that the genuine profit-seeker makes mistakes and acknowledges them. He views mistakes and failures as part of the process of success. After studying successful entrepreneurs, business expert Peter Sims concluded that most “understand (and come to accept) that failure, in the form of making mistakes or errors, and being imperfect, is essential to their success.”⁶ Mistakes are inevitable, and they are an indispensable part of how a person learns and improves. But Madoff's goal wasn't to become a skilled investor; it was to project a certain image, to maintain the illusion that he was infallible. Whenever that illusion was threatened by reality, well, so much the worse for reality.

Much later, as Madoff stood at his sentencing hearing, he told the court, “I believed when I started this problem, this crime, that it would be something I would be able to work my way out of, but that became impossible. . . . I refused to accept the fact, could not accept the fact, that for once in my life I failed. I couldn't admit that failure, and that was a tragic mistake.”⁷ (Kirtzman notes that Madoff was spinning the facts even then: “He was not an overachiever who'd failed at something; he was an underachiever who had succeeded by lying.”⁸ In either case, the underlying motive was the same: Madoff wanted to create the illusion of ability, and so the facts were dispensable).

It is impossible to overstate how different Madoff's motives were from those of genuinely successful businessmen, who thrive and prosper over the long run through their productive exploits. Steve Jobs, for instance, explained that his “passion has been to build an enduring company where people were motivated to make great products. Everything else was secondary.”⁹

That included money. In an interview for the PBS documentary “Triumph of the Nerds,” Jobs explained that “I was worth about over a million dollars when I was 23 and over 10 million

dollars when I was 24, and over 100 million dollars when I was 25 and it wasn't that important because I never did it for the money."¹⁰

Madoff pursued money to prove he was a big shot. Jobs? In his words, "Sure it was great to make a profit, because that was what allowed you to make great products. But the products, not the profits, were the motivation."¹¹

A library of business biographies testifies to the fact that the reason genuine profit-seekers get out of bed in the morning is because they love creating things: they love producing new products, improving old ones, finding better ways to do things, building a business into something great, and making a fortune in the process. They are at heart producers.

Underneath all its complexities, production is the process of transforming the material world for the benefit of human life. Human beings figure out the potentialities of the things around us and then we rearrange them to create something even better.

In this regard, the financial industry is no different from the tech industry. Again, the history of Apple is illustrative. A critical factor in its success was attracting an early financial supporter, Mike Markkula, who invested \$91,000 and extended Apple a \$250,000 line of credit.¹² Markkula's great virtues were his ability to see Apple's potential at a time when its future greatness was by no means apparent and his willingness to risk a significant portion of his personal wealth on that assessment. His decisions helped create one of the most productive companies in history. In one way or another, that is what all financiers do: they direct capital to what they judge to be its most productive uses, and so help make possible the creation of every sort of good and service on the market.

When a businessman — a real businessman, not a con artist with a business card — grows rich, it's not by taking from others and leaving them with less, the way a criminal does. It's by creating more and more wealth, of which his income — however large — represents only a fraction of what he created. He grows rich by making others richer. This is what led the late success guru Steven Covey to include "Think Win/Win" among his "Seven Habits of Highly Effective People." Whereas win/win relationships foster long-term profits, Covey observes, "Win/Lose is not viable because, although I appear to win in a confrontation with you, your feelings, your attitudes toward me, and our relationship have been affected. If I am a supplier to your company, for example, and I win on my terms in a particular negotiation, I may get what I want now. But will you come to me again?"¹³

Alas, some businessmen do share Madoff's desire to prove they are "somebody," but it's clear that goal is actually at odds with the profit motive. To the extent that a businessman is driven by the challenge of creating value, his work brings not only material rewards, but intense spiritual challenge, meaning, and satisfaction. On the other hand, to the extent an individual is driven, as Madoff was, by a desire to feel like a big shot, the effort to avoid acknowledging his weaknesses and mistakes will divert him from the productive process. In the long run, that's a recipe for failure.

Jobs said it well. As he told the Stanford graduating class of 2005, "I'm convinced that the

only thing that kept me going was that I loved what I did. You've got to find what you love. And that is as true for your work as it is for your lovers. Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do."

That hardly seems to have been the case with Madoff. Far from loving his job, he fled from it whenever he could. According to Kirtzman, "The [Madoff] family members were often on vacation and came and went as they pleased. Weeks would sometimes pass without a sighting of Bernie and Ruth."¹⁴

Whenever we classify creators such as Jobs and destroyers such as Madoff as greedy or selfish, we equate polar opposites. A creator creates new wealth, is motivated by the process of creating wealth, and deals with other people by trading his creations for theirs, win/win style. Madoff wasn't a producer, but a predator. He did not make money — he appropriated and ultimately destroyed it. In terms both of his motives and his means, Madoff was essentially different from profit-seeking businessmen. But he fit the pattern of other criminals to perfection.

Inside Madoff's Criminal Mind

In February 2009, Dr. Stanton Samenow, a distinguished criminal psychologist, told an interviewer, "I'll make you a bet that Mr. Madoff and others like him all say they're good people; they by no means regard themselves as evil. I've interviewed serial killers who, despite leaving dead bodies in their own view, say they are good people."

Samenow would have won that bet. Less than a month later, New York magazine published its interview with Madoff. "Everybody on the outside kept claiming I was a sociopath," Madoff told the magazine. "I am a good person."¹⁵

Going back and reading Samenow's groundbreaking 1984 book *Inside the Criminal Mind*, it's striking how well Samenow's description of the criminal personality fits Madoff — and how radically different it is from the picture one gets from studying the lives of creators such as Jobs.

According to Samenow, the criminal "adamantly refuses to acknowledge his own fallibility."¹⁶ Madoff, recall, "couldn't admit . . . failure."¹⁷ Creators embrace failure as a core component of success.

According to Samenow, "When doors do not open immediately to a criminal, he complains about lack of opportunity or discrimination."¹⁸ Madoff saw Wall Street as "a business where you had to have an edge, and the little guy never got a break. The institutions controlled everything . . . I realized from a very early stage that the market is a whole rigged job.

There's no chance that investors have in this market."¹⁹ Creators don't pout about their lack of opportunity — on the contrary, they search tenaciously for opportunity and even create it.

According to Samenow, “When the doors of prison first lock behind them, some criminals temporarily are frightened, remorseful, and depressed. These emotions are not strange because criminals experience them occasionally on the street when they weary of the daily grind, tired of looking over their shoulders, and regret disappointing people who care about them. Even on the outside, there were moments when life seemed no longer worth living.”²⁰ Madoff claims that he could have kept his scheme going but turned himself in because he “got tired.”²¹ He knew it was just “a matter of time” before he got caught. “It was almost like . . . I just wanted the world to come to an end. . . . The world would come to an end, and I’d be dead and everyone would be gone.”²²

Madoff’s world did come to an end. It had to, because Madoff was fighting an opponent he could not beat: reality. The pattern that emerges from Madoff’s life is one of systematically blinding himself and others to the facts of reality. The pattern of a creator is to ruthlessly face facts in order to deal with reality on a progressively higher level. “Face reality as it is, not as it was or as you wish,” says former General Electric CEO Jack Welch. “[F]acing reality is crucial in life, not just in business. You have to see the world in the purest, clearest way possible, or you can’t make decisions on a rational basis.”²³

Apple’s iPhone, for instance, emerged from Jobs’s relentless focus on facts — in that case, the uncomfortable fact that despite the preeminence of Apple’s iPod in the portable music market, its days were numbered. As *Wired* explained, “[Jobs] saw millions of Americans lugging separate phones, BlackBerrys, and — now — MP3 players; naturally, consumers would prefer just one device. He also saw a future in which cell phones and mobile email devices would amass ever more features, eventually challenging the iPod’s dominance as a music player. To protect his new product line, Jobs knew he would eventually need to venture into the wireless world.” Many an enterprise has gone from bankable to bankrupt thanks to a failure to face unpleasant realities. Jobs faced them and Apple flourished.

To place criminals and creators in the same moral category is to commit an error probably best captured by William F. Buckley: it’s equal to “saying that the man who pushes an old lady into the path of a hurtling bus is not to be distinguished from the man who pushes an old lady out of the path of a hurtling bus: on the grounds that, after all, in both cases someone is pushing old ladies around.”²⁴

Both a Madoff and a Jobs in some sense pursue their desires. But that is a superficial similarity hiding a fundamental difference. Madoff *blindly* pursued his desires in defiance of reality, and as a result achieved nothing but destruction. Creators *think* about what they want and the real-life requirements for achieving it. They see their interests as consisting in facing facts, in production, and in win/win trade.

Madoff’s crimes were not an indictment of businessmen, the profit motive, or the profit system. But the widespread claim that Madoff illustrated what’s wrong with American businessmen? That was an indictment of us.

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Market Revolution: How Ayn Rand's Ideas Can End Big Government (Palgrave, 2012).

FURTHER READING: John Steele Gordon writes “The Henry Ford of Our Time” while Arnold Kling asks “What to Do with Super-Achievers?” Mark J. Perry provides an “Inside Look At Bernard Madoff’s Life Behind Bars” and explains “There is No Obligation for the Successful to ‘Give Back to the Community,’ Because There Was Nothing Taken Away.” Steve Kaplan wonders “How to Think about Private Equity?” and Sally Satel and Scott O. Lilienfeld contribute “Human Behavior: Is It All in the Brain — or the Mind?”

Footnotes:

1. Diana B. Henriques, *The Wizard of Lies: Bernie Madoff and the Death of Trust* (New York: Times Books, 2011), p. xxiv.
2. IBID, 28.
3. Andrew Kirtzman, *Betrayal: The Life and Lies of Bernie Madoff* (New York: Harper, 2010), 22.
4. Ibid., 9.
5. Fishman, “The Madoff Tapes.”
6. Peter Sims, *Little Bets* (New York: Free Press, 2011), 35-36.
7. Kirtzman, *Betrayal*, 267.
8. Ibid., 267.
9. Ibid., 567.
10. Interview in the PBS documentary *Triumph of the Nerds: The Rise of Accidental Empires* (1996).
11. Walter Isaacson, *Steve Jobs* (New York: Simon & Schuster, 2011), 567.
12. Jeffrey S. Young and William L. Simon, *iCon* (Hoboken, N.J.: Wiley, 2005), 45.
13. Stephen R. Covey, *The 7 Habits of Highly Effective People* (New York: Simon & Schuster, 2004), 211.
14. Kirtzman, *Betrayal*, 117.
15. Fishman, “The Madoff Tapes.”
16. Stanton E. Samenow, *Inside the Criminal Mind* (New York: Times, 1984), 101.
17. Kirtzman, *Betrayal*, 267.

18. Samenow, *Inside the Criminal Mind*, 88.

19. Fishman, "The Madoff Tapes."

20. Samenow, *Inside the Criminal Mind*, 141.

21. Henriques, *The Wizard of Lies*, 337.

22. Henriques, *The Wizard of Lies*, 337.

23. Quoted in Edwin A. Locke, *The Prime Movers* (New York: AMACOM, 2000), 44.

24. Linda Bridges and John R. Coyne, *Strictly Right: William F. Buckley Jr. and the American Conservative Movement* (Hoboken: John Wiley & Sons, 2007) 182.

Image by Dianna Ingram / Bergman Group, Photo of Steve Jobs: Featureflash / Shutterstock.com