

Title

Madoff's Ponzi Investment Fraud: A Social Capital Analysis

Structured abstract

Purpose – The social network analysis of criminal networks at both the ego and socio-centric level is well established. This purpose of this article is to expand this literature by examining a criminal network within the social capital lens, with an analysis of the Ponzi, investment fraud of Bernard L. Madoff Investment Securities (BLMIS).

Design/methodology/approach – Case study of the BLMIS financial fraud. The article uses a social capital theoretical lens, with archival sources taken from the court records of Madoff v NY, to include victim impact statements and the defendant’s Plea Allocution.

Findings – Financial crime literature can be expanded with a social capital analysis which facilitates a socio-economic appreciation

Research limitations/implications – Each financial crime is of its time, while there are recurring socio-economic characteristics.

Originality/value – A social capital analysis of financial crime draws attention to ‘human factor’ in white collar crime.

Keywords: social capital; affinity fraud; Ponzi fraud; investment fraud; Madoff; and criminal profiling.

Paper Type: Research paper

Madoff's Ponzi Investment Fraud: A Social Capital Analysis

Introduction

On the 29th June 2009 at the sentencing trial, Ira Lee Sorkin, speaking for all of Madoff's attorneys acknowledged that their client was a 'deeply flawed individual' ("Sentencing Transcript dated June 29, 2009." p.31). Sorkin continued by pleading for leniency, arguing that his client had 'turned himself in', and made a full confession that expressed regret: Madoff had also agreed to fully cooperate with the recovery of investments, though the judge noted that he failed to be fully cooperative (Ibid., p.p. 45-46). The defense attorney further stressed that they had based their request for a 12-year sentence on the average length of sentencing for previous acts of severe fraud (Ibid., pp. 32-33). As Sorkin elaborated, a sentence of 12 years for the 71 years old Madoff could be just short of a life sentence, with the slim prospect of his client living out his final years, 'impoverished and alone' and would signal that justice would not be swayed by 'mob vengeance'. Judge Denny Chinn however, remained unimpressed and specifically dismissed the notion of 'life expectancy analysis', preferring to hand down, in his words, a 'symbolic verdict' ¹ of 150 years or 1, 800 months for the \$65 billion investment fraud²: Madoff would be 221 before he could be considered for release on November 14th 2139.

It is not easy to elicit sympathy for Madoff, but the sentence was indubitably severe for someone who had pleaded guilty and claimed sole responsibility for the crimes.³ One can further question the sentencing judge's assertion that 'by any monetary measure the fraud was unprecedented', as after adjustments for inflation, Ivar Krueger's inter-war, and John Laws eighteenth century frauds were on the same scale. A converse view is that the scale and operating strategy of Madoff's fraud would be familiar to any white-collar criminologist, or financial historian, as the economist J. K. Galbraith has noted:

'The man who is admired for the ingenuity of his larceny is almost always rediscovering some earlier form of fraud. The basic forms are all known, have all been practiced. The manners of capitalism improve. The morals may not' (Galbraith, 1979, p. 75)

From this perspective Madoff started out with a commonplace affinity fraud,⁴ and subsequently grew it into investment fund fraud open to anyone gullible enough to invest.⁵ Madoff was also following a familiar ‘rob Peter to pay Paul bubble,’⁶ later termed ‘Ponzi scheme’⁷ to lure in his investors.

The commonplace nature of the Bernard L. Madoff Investment Securities (BLMIS) fraud did prevent the case achieving a level of infamy not witnessed in recent times.⁸ In short, this investment fraud attained a symbolism in excess of being just another example of a gifted con man swindling the affluent out of their investments, rather Madoff came to personifying the discredited values that led to the financial crash of 2007: to some critics he became responsible for the crash (Hurt, 2009, p. 961). Thus, the investment fraud, with its scale and reach, length of operation, and also deft playing of the media by the ‘victims’, or survivors as they termed themselves, (Lewis, 2012, p.p. 47-73). quickly established wider symbolism and significance. The extensive public interest in the case⁹ indicated that while being a typical investment fraud, there was also something remarkable about Madoff and his investors/victims.

To meet the wider interest in the case a number of mainly descriptive accounts of the investment fraud have been published, (Arvedlund, 2009; and Markopolos, 2010) and this developing literature includes a sub-genre written from a social network perspective (Baker and Faulkner 2004; Nash, Bouchard and Malm, 2013). These structural analyses of criminal networks draw attention to the importance of constructing and maintaining socially embedded networks to provide proximity between criminal and victim. Social networks are

therefore vital for facilitating fraud as they create proximity. In the syntax of conmen (confidence men), social networks allowed ‘ropers’ to identify the investors, (the ‘marks’) to be ‘roped in, told the tale, and then fleeced’ (Lewis, 2012, p.14).

These structural analyses are also analogous with well-established theories from criminology, which consider the personality traits and social activities of white-collar crime,¹⁰ to analyze the dis-utilities associated with their criminal networks.¹¹ There is however, a limitation of these structural approaches in that they under-report the human and qualitative qualities of personal interaction and social groups, as the social capital theorist Robert Putnam has discussed: ‘Knowledge needs a social context to be meaningful’ (2000, p.p. 170-180).

Accordingly, the extant social network (sometimes called structural) analyses of the BLMIS investment fraud need to be expanded with an examination of the social context of Madoff’s and BLMIS’s networks. This article will therefore expand the social network/structural perspective to analyze the qualitative social context of the fraud’s embedded network interaction; that is to focus on the network interactions that are dependent on the ‘persistence of human contact’ (Cohen and Prussic, 2005, p.p. 179-180).

The social capital concept encompasses the structural social network analysis (SNA) favoured by criminologists, who have studied the exploitative and deleterious effects of socially embedded networks and transactions (Baker and Faulkner, 2004; Nash et al, 2013). These analyses have already comprehensively reviewed the social network characteristics of BLMIS considering the morphology (shape and structure) of the investment fraud’s ego-centric and socio-centric networks.¹² In contrast, this analysis will focus on qualitative relational interactions, to emphasise the human factors (embedded social relations, and intangibles such as trust and reputation) associated with network structures. The social capital lens therefore adds a qualitative element to SNA, expanding the perspective to emphasise the

persistent social (capital) realities of social interaction in white-collar crime. The ambition of this article is to examine these qualitative embedded, relational social realities that are built up over time, through reiterated interactions to create the social fabric of criminal network structures.

The article will focus a social capital lens on Madoff and his BLMIS investment fraud, as well as other well-known frauds, to identify that investment fraud and white collar crime in general is driven as much by socio-economic insights and the consequent exploitation of social capital processes, as by sophisticated insights into corrupt financial engineering or other novel crime techniques.

The article will proceed by presenting a qualitative and relational understanding of the social capital concept that is relevant for this analysis into investment fraud. The subsequent section will analyze the investment fraud from a social capital perspective and will be based on various sources including archival material from New York V Madoff's court documents. The article will continue with a consideration of Madoff' and his BLMIS investment fraud's significance in criminal history. The article will then conclude with a critical discussion of the key contemporary and recurring historical features of fraud with reference to BLMIS.

The Social Capital Perspective on the Economy and its Application to White-collar Crime and Investment Fraud

Social capital research has developed exponentially in recent years, which has been discussed in a number of literature reviews of the concept's development (Portes, 1998; Foley & Edwards, 1999; Paldam, 2000; Adler & Kwon, 2002; Fields, 2003; Lee, 2009).

The most prominent contemporary social capital scholar is Putnam, who has promoted social capital's socio/political importance to analyse America's declining civiness (1993, 2000, 2004). Putnam supported his 'declensionist' narrative, which refers to America's declining 'civiness', with detailed statistics gathered from proxy indicators ('Putnam's Instrument', 2000). Putnam social capital treatment was influenced by the communitarian ideas of Etzioni (1988); and the communitarian perspective, dating from de Tocqueville's (1835/1956) analysis on the USA's 'associational democracy' and 'worship of money', are influential in framing contemporary social capital literature and have direct relevance for this article.¹³ For this article's focus into fraud Fukuyama's neo-Tocquevillian political treatment, which emphasises the importance of culture, trust and morality in communities for economic efficiency is also significant (1995).

The unifying thread of social capital literature concerned with economic activity¹⁴ is a reliance on assumptions drawn from rational action theory, which in turn depend on an exchange theory view of social interaction. Flavio Comin for instance, has commented on social capital literature's focus on the, 'instrumentalization of social relations' (2008, p. 629). For illustration, '...social contacts affect the productivity of individuals and groups' (Putnam, 2000, p.19). The pervasiveness of rational action theory is evident in the conceptual understandings of leading social capital scholars.¹⁵ It follows from this conceptual framing orthodoxy that social capital offers greater productivity returns, and in consequence it is desirable to develop networks and the associated norms of reciprocity, as these will lead to positive utility outcomes. Therefore, it is rational to develop social capital for its utility returns: an understanding that chimes with the utility maximising 'homo economicus' of the 'formalist school'. There are numerous criticisms of end-means economic rationality;¹⁶ nevertheless in terms of fraud ends means rationality relevance is obvious: Madoff and other

fraudsters such Ponzi can be understood as an extreme economic rationalist who consistently pursued their own economic utility, unencumbered with ethical constraints or with limited ethical constraints. ¹⁷ Thus if, ‘...social capital consists of relations between people’ (Coleman, 1990, p. 316), white collar criminal character analyses suggest that they are unscrupulous enough to instrumentalize these socio-economic relations ruthlessly for their own self-interested gain.

Networks are also central to any social capital analysis; as to whether an exclusive network focus captures the entirety of social capital is disputed. For illustration, one key social capital debate concerns the role of the Internet in facilitating social capital. Nan Lin consider that we are living in a ‘Golden age of Connectivity’ (1999, 2001) Conversely, Robert Putnam (2005) is skeptical over the benefits of technology in creating social capital, arguing the ease of entry and exit to on-line networks results in them being no more likely to creates social capital than access to a telephone directory: that is, they only offer the potential to create connections (ibid: 9). Prusak and Cohen concur, making a related point that the absence of norms and trust are the ‘greatest barrier to using the Internet as a tool to create social capital’ (2001, p. 172) and that the ease of entry and the openness to Web makes it difficult to agree and then to enforce organizing principles and behavior. Their view is to stress the significance of ‘...the organic and self-reinforcing nature of social capital for embedding social relations.’ ¹⁸ Building these social relations facilitates trust, to develop over time in repeated social interactions, and it is this trust (a function of a relationship) that Madoff and other fraudsters are adept at constructing and then exploiting.

The returns of social capital have been identified as ‘access, timing and referrals’ (Coleman, 1990, p. 190) and there is a consensus that by social capital facilitates the development of

intangible assets. These intangibles are referred to by different names with the most emphasis placed on reputation in conceptual literature. For example, Burt interprets it as relational asset (2005:100-101) and has developed a social capital theory of reputation based on network closure, which he bisects into 'broadband and echo' (2005). According to Coleman reputation is a consequence of social capital and its closure mechanism (1990); Lin interprets reputation as a social capital reflection (2005); Fukuyama equates it with recognition (1995: 359); Nahapiet and Ghoshal view it as deriving from relational factors (1998: 252); and Putnam understands reputation as a result of dense social networks (2000: 136). Therefore, though there are a number of different theoretical perspectives on the relationship between social capital and reputation, there is also a consensus that there is a robust connection. In consequence, this article will examine how Madoff build up his intangible assets, such as reputation, an essential component of his fraud, as he was well aware:

'The regulators get calls all the time,' Madoff says. They didn't investigate, 'because I had the reputation at the time for being the gold standard. I had all the credibility. Nobody could believe at that time that I would do something like that. Why would I? Stupidity – that is why. But remember that when people asked me about the strategy, it made sense. I was big, credible' (Gelles & Tett, April 8, Financial Times, 2011).

Social capital is however, more than the sum of its parts, and its essential qualities therefore need to be considered synoptically, accordingly any sub-divisions should be understood as complementary, inter-related and fluid.¹⁹

Court Documents: The Degradation Ceremony

The purpose of victim impact statements is to permit victims to personalize and detail the impact of crime, which is termed therapeutic justice.²⁰ In the United States V Bernard L. Madoff, 167 substantial statements were submitted, from which the prosecution chose to submit 113 substantial statements, with 9 permitted to speak at the sentencing trial. The statements therefore comprise the views of only a fraction of the defrauded.²¹ For example,

financial institutions, which suffered the biggest losses, such as Banco Santander (\$2.87 billion) and Bank Medici (\$2.1 billion), as well as charities and celebrity investors, did not submit any statements. The statements are therefore unrepresentative, but valuable for their role in ‘shaping the Madoff narrative’²² in the sphere of public opinion. One can also speculate that statements articulated views shared by other BLMIS investors and five themes can be identified.

The first theme articulated in the court documents was an acute sense of Madoff’s treachery, not only to individual investors but more so to the wider community, as one investor stated:

‘What Bernard L. Madoff did far transcends the loss of money. It involves his betrayal of the virtues of people hold dearest-love, friendship, trust-and all so he can eat at the finest restaurants, stay at the most luxurious resorts, and travel on yachts and private jets. Ha has truly earned his reputation for being the most despised person to in America today’ (New York v Madoff, sentencing transcript” 2009, p. 20).

Affinity fraud can be interpreted as an ‘hate crime’ (Fairfax, 2003) and one can speculate as to whether there was an element of self-loathing about Madoff²³ manifested in defrauding his own ethnic/religious community, or more prosaically he targeted this community out of mere opportunism. In overview, the statements constantly allude to a betrayal of community-based trust. A number of statements also drew attention to reports and commentaries that stereotyped the investors,⁴³ being interested in money, which is ironic as it has been suggested that the fraud was facilitated by investors not conducting due diligence: the investors, ‘people who knew how to make money’⁴⁴ were desperate to avoid living up to the

negative stereotypes which were subsequently reinforced when the fraud collapsed.⁴⁵

Thus, there was a sense of betrayal of trust, not confined to individual, egocentric relations; but at the communal, socio-centric level. A key part of the Madoff's BLMIS operations was to target his own community to exploit the ties that create trust, respect and friendship, which are usually considered an asset of such groups. This is a common approach in affinity fraud⁴⁶ and also in religious based frauds.⁴⁷ Madoff and his co-religionist associates targeted their own faith/ethnic community, thus creating close proximity with those of a similar background who shared a sense of identification, which can be understood as '...the process whereby individuals see themselves as one with another person or group of people'.⁴⁸ In social capital theory the same observation is made in Putnam's bonding capital,⁴⁹ which notes the drawbacks of race segregation, as well as in Lin's conclusion there is a preference for homophilious interactions in networks; that is, 'birds of a feather will flock together'.⁵⁰ These observations are also detailed in Shibutani's, 'Reference Groups as Perspectives' a concept that notes that economic activity is often based on shared socio-cultural and religious values and characteristics.⁵¹

Madoff thus established his an affinity fraud, which also made it harder to detect as 'cautious skepticism is replaced by social banter' (Reed, 2007). Affinity frauds also tend to last longer than other types of fraud because of group cohesion.⁵²

Madoff was also ambitious to expand his fraud and acted in accordance with the precepts of relational sociology understanding that:

*'People and groups who do well are somehow better connected'.*⁵³

Madoff therefore followed a pattern familiar to other affinity fraudsters, to exploit familial and friendship ties, as his: ‘... early investment clients were friends and relatives in the New York Jewish Community’.⁵⁴ His most prominent cheer-leader was his father-in-law, Sol Alpern whose boasting about Madoff uncanny ability to provide excellent returns for his investors enticed many new investors: his enthusiasm was in part related to having lent Madoff \$50,000 to launch the broker-dealer business.⁵⁵

Furthermore, Madoff’s initial investors were lured into the fraud in social and non-commercial settings, for instance in the Catskills were New York Jews ‘vacationed’. In this relaxed social setting Madoff, who was an expert at inspiring trust, charmed his way via family ties into the good auspices of retired attorneys, teachers and other professionals, to the extent that they invested heavily with his supposedly ‘conservative’ investment fund.⁵⁶

As the business expanded, Madoff continued to employ more and more of his family including his brother Peter who joined him in the business in 1970, as the firm's chief compliance officer. Later, Madoff's sons Andrew and Mark worked for the company as traders. Peter's daughter, Shana, became a rules-compliance lawyer for the trading division of her uncle's firm, and his son, Roger, joined the firm before his death in 2006.

Madoff understood the importance of being embedded in a trust-based community, which is a socio-economic insight, the term embeddedness being first coined by Karl Polanyi who argued that:

‘...man’s economy, as a rule is submerged in social relationships. He does not act to safeguard his individual interests in the possession of material goods; he acts so as to

safeguard his social standing, his social claim, his social assets. He values material goods so far as they serve this end'.⁵²

Madoff, for illustration donated heavily to ethnic (Jewish) charities, became a member of the Board of trustees for Yeshiva University, and proclaimed his devotion to the Jewish religion and culture. Madoff was also perceptive enough to recognize that charity, and more generally philanthropic activities in his own community were an excellent opportunity to develop his feeder networks. This approach fitted in with Madoff's preferred sales pitch of avoiding financial or 'capital introduction' parties, which would be full of financially savvy investors, who would too many awkward questions. Instead, he preferred to target fellow philanthropists by word of mouth recommendations, and there was a concerted effort by Madoff and other members of his family to court the charity circuit, sitting on the boards of many charities and donating money to many others. This networking gave Madoff two main paybacks. First, it allowed him access to high society that added luster to his brand: it made him more respectable and consequently credible. Second, it allowed him to aggressively market his products to gullible charity commissioners and hence provided a lucrative source of investors. The success of the Madoff's in convincing charities to invest can be gauged by the reforms being planned to charitable foundations altering their size and structure in order to decrease their reliance of 'personal ties'.⁵⁸

Therefore Madoff grasped that affinity fraud depended on being accepted as an upstanding member of the community, as in the early stages the community provided the bulk of the investors. This perception accords with Fukuyama's appreciation of culture in economic life which concludes: 'As Adam Smith well understood, economic life is deeply embedded in

social life, and it cannot be understood apart from customs, morals, and habits of the society in which it occurs. In short, it cannot be divorced from culture'.⁵⁹

It is also significant that Granovetter has noted, from a social network perspective, that victim/offender relationships in financial scams are based on a surprising level of intimacy.⁶⁰ In Madoff's fraud it could be claimed that this intimacy was built on community-based trust as one observer put it:

*'To stay in Madoff' game, they agreed to cooperate with his deceptions. They honored his request to not talk about him or to tell others that he was managing their money. They didn't do due diligence'.*⁶¹

In social capital literature it has been contended that levels of trust are related to levels of social capital.⁶² For example, Fukuyama stresses the importance of trust and 'ingrained ethical habit' (1995)⁶³ for 'lubricating' market-based transactions. Cohen and Prusak's view is also relevant:

*'Trust is largely situational: a particular person may be quite trustworthy in one set of circumstances, but not in another, where particular pressures, temptations, fears, or confusion may make him unreliable'.*⁶⁴

Madoff was also expert at gaining trust without giving up a lot of information. This is significant as high levels of trust and a culture of shared values facilitate white-collar crime. Conversely, in low-trust cultures transactions are scrutinized in detail and economic actors are wary of being cheated. Therefore though high trust culture can create economic advantages, for instance in terms of reduced transaction costs,⁶⁵ at the same time these high level of trust create opportunities for fraud. For example, Madoff followed a typical scam in claiming to have privileged 'insider knowledge' based on connections. Thus it was taken that

Madoff possessed exclusive bridging capital or network brokerage opportunities that offered the privileged investors access to highly lucrative investment opportunities. This high level of trust can be observed in the loyalty of Madoff's investors with widows recounting how their deceased husband's had implored them, 'to never sell their Madoff holdings'.⁶⁶ In consequence, once the fraud collapsed it followed that the statements reflected the perceived damage to community trust.⁶⁷

Madoff also relied on maintaining a reputation above reproach as a key relational asset and for this analysis Burt's two level reputation generating hypotheses are most apt. Burt's first 'bandwidth hypothesis' chimes with everyday assumptions in which the actor owns their reputation, in the sense that they define their behaviour, which in turn defines their reputation.

⁶⁸ For instance, Madoff cultivated a brand identity that was conservative and reassuring: always immaculately presented, a committed family man and vigorous philanthropist who shunned an ostentatious lifestyle.⁶⁹ The extended Madoff family were also considered as smart, educated, admired and respected: pillars of their community, model Americans, with Madoff as a The Wall Street legend.⁷⁰ The Madoff's were also noted for their traditional values, and paradoxically were associated with low risk investment strategies: Madoff to his cautious investors appeared anti-risk. Further his returns were good, but remained within the realms of what a skillful and lucky trader could achieve in a good year 8-12% per annum: except Madoff uniquely achieved these returns every year. Thus the fraud was facilitated by Madoff apparent conservatism, which gave him the persona opposite to that of a 'get rich quick' operator.

Madoff also exploited the processes described in Burt second 'echo hypothesis'. In this hypothesis reputation is not owned by the individual but rather is owned by: '...the people in

whose conversations it is built, and the goal of those conversations is not accuracy so much as bonding between the speakers'.⁷¹ In consequence: 'The key to establishing a good reputation is to get people in closed networks talking to one another'. And: 'Reputations do not emerge from good work directly so much as from colleagues stories about the work...the source of the reputation is stories third parties are telling one another'.⁷² Madoff grasped that positive gossip was essential to maintaining his reputational assets, from this perspective reputation is dependent on an individual's freedom to make judgments. In this hypotheses reputation is therefore transcendently motivated.⁷³ For illustration, Madoff was widely admired and much talked about as the former chairman of the NASDAQ stock market, as a friend of regulators, and as vice-chairman of the National Association of Securities Dealers, the industry's self-regulatory body. Madoff also understood the value of acts of kindness for spreading positive word of mouth, and consequently worked on his 'good guy' persona. For example, research suggests that employees loved working for the Madoff's and most stayed with them till the bitter end. For instance, in 2002 a rookie trader was seriously injured when he was hit by a car, while training for the New York City marathon. 'I passed out and woke up in the emergency room,' the trader remembers. When he came to, 'I looked to one side of my bed, and my mom and dad were there. On the other side was Bernie'.⁷⁴

Madoff further enhanced his reputation by cultivating highly respected network ties that could serve as a conduit to channel further victims into the fraud. In social capital literature Lin has noted that reputation is promoted by; '...recruiting actors with a reputation established elsewhere in society'.⁷⁵ For example, Madoff developed a close commercial relationship with Micheal Engler who ran a brokerage firm and enjoyed high status in his suburban community based on his exemplary war record. Engler recommended many

veterans to invest with Madoff, and these military ties also served to ensnare an extensive network of unsuspecting investors who were in turn connected to these veterans.

In Hebrew Madoff can be described as a Shidduch: a matchmaker; and in behavioural economics and Madoff can be termed as a ‘connector’.⁷⁶ In network syntax he cultivated ‘weak’ ties for ‘brokerage benefits’.

It is further relevant that Coleman’s view was that social capital is more likely to be created as an oppositional response, ‘...where one type of actor is weaker in a relationship...the actors of this type will be likely to develop social networks that have closure, in order to strengthen their position relative to the more powerful type of actor.’⁷⁷ This bonding capital has been analyzed in social capital literature by Coleman who noted that robust religious and community bonds enabled the Orthodox Jewish community to dominate the New York diamond trade, due to the advantages of high levels of trust and consequently low transaction costs.⁷⁸ The reverse side of this high trust context however, was that a skillful swindler could exploit this community resource, in part by emphasizing their ethnic ties. For example the Madoff’s stressed their allegiances to Jewish norms. Ruth Madoff, for illustration co-authored, ‘The Great Chefs of America Cook Kosher’ (1996) and the Madoff’s donated ostentatiously to Jewish charities and universities. Thus although Madoff was described at his sentencing trial as ‘an equal opportunities destroyer’⁷⁹ the Jewish community suffered disproportionately.

*‘The effect on the American Jewish community was viral: 39% of American Jews were affected in some way, either because an organization or charity they supported had been affected by the Madoff crimes (29%) or because someone they knew had been affected (17%)’.*⁸⁰

The second theme was the vehemence of the victim narrative, which was vituperative and ‘ad hominem’ in its focus. For example, ‘He’s an economic terrorist ‘ and there were a number of references comparing Madoff to the devil and to Hitler. ‘May god spare you no mercy.’⁸¹ One can speculate that this verbal viciousness was in part derived from the ‘narcs not being cooled out’.⁸² Madoff was described as a criminal of unheralded wickedness. These statements can be also viewed as an attempt to sway public opinion, which was divided with a number of reports being less than sympathetic to the victims.⁸³

The third theme was in attempting to apportion blame for the fraud onto the legal and regulatory authorities. Madoff had focused on cultivating trust-based relations with key stakeholders groups from the regulatory, legal and police authorities. He had also acted as chairman of the NASDAQ and as an advisor to the SEC on market structure and other issues. He would boast that he had married his family into SEC. His influence over the SEC was such that Markopolos well-founded warnings were ignored: ‘...it seemed that Madoff had cast a shadow over the SEC’.⁸⁴

Other closed networks were targeted because they offered the potential for rich pickings and low levels of financial probing, as the scam developed from an affinity to a more a more general investment fraud . For instance Madoff’s scheme targeted entertainers and European aristocrats with the pitch of an exclusive opportunity available to select few, but only available if they made a quick decision. This secretive word of mouth offer to the privileged was often orchestrated by Madoff’s father-in-law, Sol Alpern attracting investors through word-of-mouth that amassed an impressive client list, including stars such as Kevin Bacon,

Kyra Sedgewick, John Malkovitch, Steven Spielberg, Larry King, the estate of John Denver and the family trust of Henry Kissinger and various European aristocrats, including Lady Victoria De Rothschild.

The fourth theme stressed that the victims had suffered losses of unimaginable magnitude. For illustration one victim stated that, 'It is impossible to compare this crime to any past criminal act'.⁸⁵ This was an attempt to shape the narrative away from that of investor as being greedy and complicit, to being entirely innocent victims. Thus the sub-text was that the investors refused to take any responsibility for what had happened in the con.

The investors were also determined that they should be to be recognized as victims and not as collaborators. This is a common reaction to the exposure of affinity fraud from the investors' perspective; that is there was a complete denial of culpability at any level. Conversely, Madoff remained convinced of the investors shared culpability in the con.⁸⁶ A consequence of this refusal of the investors to acknowledge any culpability was a consistent theme in the victim statements to blame the SEC and other financial regulators for failing to identify and close down BLMIS, and implicitly to lay the grounds for appeals for recompense.⁸⁷

'There are many levels of government complicity in this crime. The SEC by its total incompetence and criminal negligence, has allowed this psychopath to steal from me and steal from the world'.⁸⁸

This accusation, moreover had validity as Madoff developed close ties with the SEC by training their newly appointed lawyers in the hard to codify, context specific insider knowledge of Wall Street,⁸⁹ resulting in a tie relationships that (quid pro quo) screened him from the concentrated gaze of investigators. This theme of refusing to accept responsibility or any level of collaboration in the fraud contributed to a wider narrative that the investors were

above all else victims, who had been betrayed not only by Madoff, but also by the financial regulators who had failed to discharge their regulatory duties and hence the authorities were in part culpable and therefore needed to recompense the investor/victims.

The fifth theme evident from the statements is that investors were determined to portray themselves as ordinary Americans. Thus they stressed that not it was not only the super-rich, but also the hard-working middle class, and even working class who Madoff had defrauded and impoverished. This claim was usually made with reference to being swindled out of their saving and hence to be consigned to an indigent old age. Whatever, the veracity of these claims, this theme further contributed to the narrative that the investors had not been collaborators in the fraud, but rather had been its victims.⁹⁰

The BLMIS Fraud in Historical Context

Each fraud is context dependent, and has its own history;⁹⁵ nevertheless the recurrence of white-collar crime suggests that explanations for this unacceptable face of capitalism are not entirely dependent on fleeting circumstances. In criminology, offender profiling has sought to produce characteristics and to theorize individual motivations and situational phenomena to explain the persistence white-collar crimes.⁹⁶ Criminologists have built on these foundations to develop a number of theories to explain white-collar crime⁹⁷ For example, Ponzi in the euphoria of the booming twenties and Madoff in the neo-liberalism or casino capitalism of the turn of the twentieth century can be understood with reference to 'Institutional Anomie Theory'. This theoretical lens explains white-collar crime with reference to a macro-level analysis, which contends that contemporary societal norms over-promoted values associated with financial success and materialism, while under-promoting ethical values and the legality. The

legitimacy of this theoretical perspective is illustrated by the ubiquity of investment Ponzi fraud that were running in parallel with BMLS.⁹⁸ This observation can be illustrated further with reference to earlier fraudsters such as Ponzi, and his inspiration 520% Miller who were merely the most infamous in a series of contemporary 'Get Rich Quick' con artists in the US who followed '... a three step playbook: splash, cash, and dash. That is make a big impression, grab as much money as possible and dash.'⁹⁹

White collar criminal profiling, akin to all criminal profiling is an inexact science, but the consensus is that these criminals do not exhibit a homogenous profile.¹⁰⁰ Thus there is no white-collar criminal archetype, though successful white-collar criminal do tend to exhibit a number of behavioural traits and Madoff possessed this 'grift sense', which enabled him to 'exploit inter-relationship weaknesses'¹⁰¹ for which there are historical antecedents. For example, John Law infamous for his 'Mississippi Scheme' resembled Madoff, in being a charismatic and immaculately dressed crowd pleaser (super-networker) who could inspire trust, as well as being an inveterate gambler, adept at the study of numbers.¹⁰² Madoff was an also an accomplished and disciplined performer¹⁰³ bonds with his investors, as individuals (ego-centric) and as an embedded member of a community (socio-centric). Typically, the investors would bond with Madoff, but this bond would never be reciprocated, though as a disciplined performer Madoff would give the impression that the bond was fully reciprocated. Moreover, this emotional bond both facilitated the fraud and protected Madoff, as the investors relied on it as a marker for trust, rather than a more orthodox financial approach of carrying out due diligence on their investments.¹⁰⁴

Conclusion

The article's conclusion is that white-collar crime in general, including investment fraud throughout the age's share recurring social capital characteristics, which include certain fraudster traits and operating strategies. Thus, while each fraud retains its own history, that is it has its unique character and contemporary features, there are also discernable recurring social capital characteristics. The article has also discussed Madoff with reference to other white-collar criminals to explicate whether he was the latest incarnation of a recurring criminal type, or whether as the victims' plea statements claim, he was 'the devil incarnate'.

Madoff resembled other fraudster as a master at exploiting the dis-utilities of social capital and hence his crimes were predicated on sophisticated socio-economic insights into social interaction, as well as human behaviours and characteristics. This article's social capital perspective complements criminology literature by examining crime's human factors and draws attention to the resources that inhered in the fraudsters social interactions and structures, in what remains the most heavily regulated industry in America. In consequence, the originality of this article has been to consider the recurring features of fraud from a social capital perspective, which expands criminology's SNA approach of investigating the exploitative and deleterious effects of social networks; but also presents an expanded perspective that emphasizes the persistent social (capital) realities of social interaction in white-collar crime. The article has also examined the more qualitative embedded, relational social realities that are built up over time, through reiterated interactions to create the social fabric of criminal network structures. From this perspective the article has demonstrated that social capital analysis can move beyond its theoretical orthodoxy of Montesque's 'doux commerce'.¹¹⁰ Thus the frequent criticism that social capital presents a soft and consensual view of benign capitalism has been addressed by examining how social capital processes are able to facilitate dis-utilities, such as white-collar crime.

The article's analysis suggest that although there were unusual features of the BLMIS case, for example to do with the length of operation, scale and scope of the fraud's reach, more striking though are its commonplace features. Madoff and his fraud was thus 'a product and agent of the historical process.'¹¹¹ In sum, Madoff was not 'sui generis' but more accurately can be thought of as personifying an epoch of unethical financial hubris that ended with the financial crisis that began in 2007, for illustration:

'Besides the Madoff saga, Marquet International, a consultancy, has identified more than 300 sizeable Ponzi schemes from the past ten years, with combined losses for investors of \$23 billion. It estimates that up to half of those were affinity-based. No one has a reliable number for smaller frauds over the same period, but guesses range from \$5 billion to \$20 billion. In all, affinity-fraud losses in America could be as much as \$50 billion' (Economist, 2012; 28th January).

To conclude, Madoff's willingness to embrace his notoriety, and the willingness and the ability of his investors to cast him as the 'devil' are the most unusual aspects of his fraud. In most respects he was just another con man.

Notes

1. Symbolic in terms of, retribution, deterrence and for symbolism as the victims came from all walks of life. "Sentencing Transcript dated June 29, 2009", p. 47. In, www.justice.gov/.../united-states-v-bernard-l-madoff-and-related-cases.
2. The amount of \$65 billion is based on fictitious BLMIS statements. Hurt, p. 952, states that it has been estimated that Madoff received \$20 billion from investor. Lewis, p.24, comments that Madoff may also have exaggerated the scale of the fraud to enhance his own notoriety.
3. 150 years was the total maximum for the maximum for the 11 counts for which Madoff was convicted, and three times as long as recommended by the federal probation office. There is debate as to how far Madoff was acting on his own or had collaborators, for instance Markopolos is convinced others on the 17th Floor of BLMIS were involved. Two long-time Madoff investors, Carl Shapiro and Jeffrey Piccower received a much higher return than other investors, see Arvelund, pp.235-241.
4. 'Affinity fraud refers to investment scams that prey upon members of an identifiable groups, such as racial, religious and ethnic communities, the elderly, professional groups, or other types of identifiable groups. The fraudsters who promote affinity

- scams frequently are –or pretend to be–members of the group (Perri and Brody, 2011, p. 34).
5. It is probable that Madoff always operated legitimate and criminal enterprises. Madoff however, stated that: ‘To the best of my recollection, my fraud began in the early 1990s.’ ‘Transcript of 03/10/09 guilty plea proceeding’ p. 25. Available at, *Bowling Alone*, p. p. 172-177.
 6. Probable origin when land belonging to St Peter’s Church in Westminster was sold to fund repairs as St Paul’s Cathedral. Earlier origins may be linked to paying St Peter’s in Rome and St Paul’s in London during the Reformation.
 7. See, Zuckoff, 2005, p. 113, who states that it is highly likely that Ponzi fraud was inspired by an earlier swindler, 520% Miller: ‘Honest Bill’s’ promise on what investors would receive over one year.
 8. The last swindler to achieve such notoriety was probably: ‘The Match King: Ivar Kreuger was the world’s biggest swindler. He would thrive today.’ *The Economist*, Dec 19th 2007.
 9. Reflected in magazine coverage including: Vanity Fair ‘The Madoff Chronicles’ which ran from January 2009 to September 2009.
 10. See Sunderland, who first used the term ‘White-Collar Crime’ in a 1939 article. Also see Smith et al, p. 7, for a discussion of the dispute between criminologist who define the area very precisely, as opposed to those who understand it as a broad inter-disciplinary subject focused on criminal behavior, and this article will take the latter, broad definition. This broad definition is detailed by Payne, 2012, p.p. 435-462.
 11. Criminal networks have been analyzed by Cressey, who created the influential ‘fraud triangle’ model and well as the orthodoxy that characterizes fraudsters as ‘trust violators’ (1979).
 12. Socio-centric refers to group level network analysis: ego-centric is at the individual level network analysis.
 13. De Tocqueville, A. *Democracy in America*, 1835/1956. For example, Putnam refers to de Tocqueville as the ‘patron saint of American communitarians’ and is his most cited historical source: fifteen references in the index of, ‘Bowling Alone’, (2000).
 14. Woolcock 2001, p. 194, contends social capital research has, ‘...coalesced around studies in (at least) seven fields-(1) families and youth behaviour problems; (2) schooling and education; (3) community life (‘virtual and civic’); (4) work and organizations; (5) democracy and governance; (6) general case of collective action problems; and (7) economic development.’ This paper will be limited to economic activity as described in point 4 as ‘work and organizations’.
 15. Coleman describes social capital as ‘...aspects of social structure that enhance opportunities of actors within that structure’ (1990, p. 302), while Putnam refers to generalized reciprocity quoting Tocqueville’s: ‘Self- interest rightly understood’ (2000, p. 135). According to Lin social capital is: ‘Investment in social relations with expected returns in the market-place’ (2001, p. 19), and Flap’s definition is, ‘...an entity consisting of all future benefits from connections with other persons’ (1988, p. 136).
 16. For example, Goshen has recently written scathingly of the deleterious effects of self-interested rational choice assumptions prevalent in business school pedagogy in terms of undermining business ethics (2005).
 17. Madoff targeted charities for his fraud, but he would never accept any investments from his favourite charity: ‘Lymphoma Research Foundation’. His son Andy suffered from lymphoma and the Madoff’ were generous donators, over \$1 million in 2007.

- See, Levensen, E. 2008. "One Madoff charity goes Unscathed" *Fortune*, December 17th. Available at: 'archive.fortune.com'.
18. See Putnam, 2002, p.p. 172-177, for comments on the net qualities. He quotes the Palo Alto Research Centre: 'that information itself needs a social context to be meaningful'. He also argues that the fluidity of cyberspace discourages the creation of social capital: 'If entry and exist are too easy, commitment trustworthiness, and reciprocity will not develop.'
 19. See Cohen and Prusak, 2001, for a holistic understanding of social capital, p. 9.
 20. See Cassell and Eraz, 2011, for a discussion of victim impact statements, and their potential to lengthen sentences, in part because the defense does not have the opportunity to cross-examine.
 21. One can speculate at the motives for not wanting publicity. For example, according to Lewis, 20, a common response to being defrauded is a state of denial. Perry and Brody, 2011, p35-38, discuss the difficulties of responding to 'A Betrayal of Trust'.
 22. Hurt 2009; Lewis 2012, and Cassell and Erez 2011, all note that the investors were consciously attempted to establish a narrative in which they were entirely innocent victims, perhaps to assist them in their 'clawback' aims to recover assets from the authorities. The alternative narrative favoured by Madoff was that the investors were complicit in the fraud and looked the other way rather than ask awkward questions.
 23. Vanity Fair April 2009, available at: www.vanityfair.com/news/2009/.../bernard-madoff, describes how Madoff never lost his outsider status or distinctive twang as someone from the Lower East Side among the wealthy elite.
 24. "New York V Madoff, sentencing transcript on stereotypes", p p.19-20. Available at: www.justice.gov/.../united-states-v-bernard-l-madoff-and-related-cases.
 25. Vanity Fair April 2009, available at: www.vanityfair.com/news/2009/.../bernard-madoff-
 26. See Lewis, 2012, p. 46.
 27. Perri and Brody, 2011, p. 46.
 28. See Perri and Brody, 2011, for a discussion of church- affinity based frauds and Ventura and Daniel, 2010, for religious frauds.
 29. Portes, and Sensenbrenner, 1993.
 30. Putnam, 2000, p.p. 362-363.
 31. Lin, 1999, p.p. 46-54.
 32. Shibutani, 1955, p.109. Shibutani defines reference groups as a, '...a group which serves as the point of reference in making comparisons or contrasts, especially in forming judgments about one's self.'
 33. See, Perri and Brody 2011, who note that social banter replaces due diligence.
 34. Burt, 2005, p. 5 and Fukuyama, 1996, p. 13.
 35. Arvedlund, 2009, p. 25.
 36. Arvedlund, 2009, p.p. 25-26.
 37. Lewis, 2012, p. 42. 'These are not unusual settings for con men to find people to swindle.'
 38. Polanyi, 1944/2001, p. 60.
 39. Jagpal & Craig, 2009.

40. Fukuyama, 1996, p. 13.
41. Granovetter, 1992, p.p. 43-44.
42. Arvedlund, 2009, p. 220.
43. Putnam, 2000, 135-137.
44. Fukuyama, 1996, p. 13.
45. Cohen and Prusak, 2001, p.30.
46. According to Fukuyama, 2001, p10: 'The economic function of social capital is to reduce transaction costs associated with formal coordination mechanisms like contracts, hierarchies, bureaucratic rules, and the like.'
47. Arvedlund, 2009, p. 275 states: 'The widow subsequently lost all of her savings.'
48. New York V Madoff, sentencing transcript on stereotypes, p p.19-20. Available at: www.justice.gov/.../united-states-v-bernard-l-madoff-and-related-cases.
49. Burt, 2006.
50. Arvedlund, 2009, p. 53. This evaluation contrast with the victim impact statements, which stressed the opulence of Madoff's lifestyle.
51. See Lewis, 2012, p.p. 225-255.
52. Burt, 2005, p. 196.
53. Ibid., pp. 219-220.
54. Pastoria et al, 2008, p. 335.
55. See, Arvedlund, 2009, p.p. 180-181, for how '...Bernie garnered the loyalty- and cooperation-of those around him.'
56. Lin, 1999, p. 154.
57. Gladwell, 2001, pp. 30-59.
58. Coleman, 1990, p. 319.
59. Ibid., p. 320.
60. Available at, www.justice.gov/.../united-states-v-bernard-l-madoff-and-related-cases. In, 'Transcript of 03/10/09 guilty plea proceeding' P. 29.
61. Arvedlund, 2009, pp. 272-273.
62. Available at, www.justice.gov/.../united-states-v-bernard-l-madoff-and-related-cases. In, 'Transcript of 03/10/09 guilty plea proceeding' P. 14.
63. Goffman, E., 1952.
64. Nocer, J., 2009, Madoff victims, Get Over It, *New York Times*, June 29th. <http://executivesuite.blogs.nytimes.com>.
65. Arvedlund, 2009, p 196. Also see Lewis, 2012, p. 73 for Madoff claim that every time a SEC investigator came to his office they would ask for a job application.
66. "Transcript of 03/10/09 guilty plea proceeding", p. 14. Available at, www.justice.gov/.../united-states-v-bernard-l-madoff-and-related-cases. "Transcript of 03/10/09 guilty plea proceeding", p. 14.
67. See, Gelles and Tett , 2011, *Financial Times*, 8th April. Madoff claimed that four of his earliest investors – Jeffry Picower, Stanley Chais, Norman Levy and Carl Shapiro – had helped recruit customers for his firm in the late 1980s, when Madoff was having difficulty unwinding positions in the markets. 'They were complicit, all of them. Which is why they are all settling'.
68. Hurt, 2009.

69. 'Transcript of 03/10/09 guilty plea proceeding' p. 9. Available at, www.justice.gov/.../united-states-v-bernard-l-madoff-and-related-cases.
70. Arvedlund, 2009, p. 195.
71. "Transcript of 03/10/09 guilty plea proceeding' p. 11. Available at, www.justice.gov/.../united-states-v-bernard-l-madoff-and-related-cases.
72. Ibid., p20.
73. Dickens fictional swindler, Mr Merdle operated a bubble banking fraud.
74. See, "Transcript of 03/10/09 guilty plea proceeding". Available at, www.justice.gov/.../united-states-v-bernard-l-madoff-and-related-cases.
75. Jonson, 1616/1987, p. 27.
76. White, 2003, p.19.
77. The discipline of criminology was established by Sutherland who first coined the term 'white collar crime' in 1939, and then developed by his protégé, Cressey, who created the influential 'fraud triangle' model as well as the orthodoxy that characterizes fraudsters as 'trust violators' (1979).
78. See Payne, 2012, pp. 435-462, who details theoretical explanations from criminology for white-collar crime including: cultural theory; deterrence and rational choice theory, strain theory, learning theory; control theory; and self –control routing activities theory.
79. See, Lewis, 2012, p.p. 41-42, details cases exposed from 2008-2010, involving Tom Peters, Robert Allen Stanford and Scott Rothstein. Also see Perri and Brody, 2011 who on the dramatic growth of affinity crime since 1998.
80. Zuckoff, 2006, p. 101.
81. Walters and Geyer, 2004, p. 280.
82. Perri and Brody, 2011, p. 40.
83. Mackay: 1852/1995: 1-38.
84. Lewis, 2012, p.p. 12-15.
85. Arvedund, 2009, p. 279, notes that the investors: '...even honored Madoff's bizarre request: not to tell anyone he was managing their money.'
86. See, MacKay, 2013, which details that Whitney was declared bankrupt in 1938 and was found to be \$6 million in debt. He pleaded guilty and was sentenced to five to ten years and served three years in Sing Sing and on his release found work as the manager of a dairy farm outside Boston.
87. "Fraud and Financial Innovation: The match King', *The Economist*, December 19th, 2007.
88. Introduction to *Kreuger Genius And Swindler* by Galbraith, available at: www.archive.org/.../kreugergeniusand006788mbp/kreugergeniusand006
89. Lewis, p. 189.
90. Ibid., 185.
91. This thesis is based on a good moral environment created by capitalism where society and the market will flourish. Montesquieu's *Doux Commerce* thesis was that 'commerce was a civilizing agent of considerable power and range...it is almost a general rule that wherever manners are gentle (moeurs douces) there is commerce, and wherever there is commerce, manners are gentle.'
92. Carr, 1985, p. 55.

References

- Adler, P. S., and Kwon, S-W. "Social Capital: Prospects for a New Concept." *The Academy of Management Review*, 27, 1 (2002): 17-40.
- Arvedluund, E., *Madoff, The Man who Stole \$65 Billion*, London: Penguin. 2009.
- Baker, W. E. & Faulkner, R. R. "Social networks and the loss of capital." *Social Networks*. 26 (2004): 91-111.
- Baron, R. A. and Markman, G.D. 'Beyond social capital: the role of entrepreneurs' social competence in their financial success'. *Journal of Business Venturing*. 18 (2003): 41-61
- Bourdieu, P. (1985). "The forms of capital." In: J. G. Richardson (Ed) *Handbook of theory and research for the sociology of education*. Greenwood. New York: 241-258.
- Briggs, X., d., S. "Social Capital: Easy Beauty or Meaningful Resource." *Journal of American Planning Association*, 70, 2 (2004): 151-158.
- Burt, R. S. *Brokerage and Closure*. Oxford: Oxford University Press, 2005.
- Carr, E. H., *What is History?* London, Penguin, 1961/1985.
- Cassel, P.G. and E. Erez, "Victim Impact Statements and Ancillary Harm: The American Perspective." *Canadian Criminal Law Review*, 15, , (2011): 149-196. doi: <http://ssrn.com/abstract=1838731>
- Cohen, D. & Prusak, L. *In Good Company. How Social Capital Makes Organizations Work*. Boston: Harvard Business School Press, 2001.
- Coleman, J. S. *Foundations of Social Theory*. Harvard: Bellknap Press of Harvard University Press, 1990.
- Coleman, J.S. "Social Capital in the Creation of Human Capital." In, *Knowledge and Social Capital: Foundations and Applications*, ed, Lesser, E.L., 17-41. Butterworth and Heinemann. Oxford, 2000.
- Cressey, D. R. *Other People's Money*. Montclair: Patterson Smith. 1973.
- De Tocqueville, A. *Democracy in America*. London: Signet Classics, Penguin, 1835/1956.
- Economist. *Fleeing the flock-The big business of swindling people who trust you* 28th January. Available at: <http://www.economist.com/node/21543526>. 2012.
- Dicken, C. *Little Dorrit*. London, Wordsworth Edition, 1857/1996.
- Etzioni, A. *The Moral Dimension: Towards a New Economics*, New York: The Free Press, 1988.
- Fairfax, L, M. (2003) The Thin Line Between Love and Hate: Why Affinity-Based Securities and Investment Fraud Constitutes a Hate Crime. *U C Davis Law Review*, 36: 1073-1100.
- Fitzgerald, S. F., "*The Great Gatsby*." London, Penguin, 1925/ 2004.
- Foley, M. W. & Edwards. B. (1997) "Is it time to disinvest in Social Capital? ", *Journal of Public Policy*. 19: 141-173.
- Fukuyama, F. *Trust: The Social Virtues and the Creation of Prosperity*. New York: Simon Schuster & Press, 1995.
- Fukuyama, F., Social Capital, civil society and development. *Third World Quarterly*, 22, No 1, (2001) p.p. 7-20.
- Galbraith, J.K. *The Age of Uncertainty*, New York: Houghton Mifflin, 1979.
- Gelles D. and Tett G. "From behind bars, Madoff spins his story", *The Financial Times*. April 8, 2011.
- Ghoshal, S. 'Bad Management Theories are Destroying Good Management Practices'. *Academy of Management Learning and Education* 1, (4) (2005): 75-91.
- Gladwell, M. *The Tipping Point*, London: Abacus. 2001.
- Goffman, E. On cooling the mark out: some aspects of adaptation to failure. *Psychiatry*,

(1952) 15, 4: 451-463.

Granovetter, M. 'Economic Action and Social Structure: The Problem of Embeddedness'. *American Journal of Sociology* 91, (3) (1985): 481-510.

Granovetter, M. 'Problems of Explanation in Economic Sociology'. In: Nitin, N. & Eccles, R.G. (Ed), *Networks and Organisations; Structure, Form, and Action*. Harvard Business School Press. Boston. Massachusetts (1992): 25-56.

Hurt, C. "Evil has a New Name (and a New Narrative): Bernard Madoff" *Michigan State Law Review*, (2009): 947-987.

Jagpal, N and Craig, J. "Learning from Madoff: Lessons for foundations Boards." *National Committee for Responsive Philanthropy*. 2009.

Jonson, B. *The Alchemist*. London; Methuen. 1612/1987.

Laird, P.W. "Putting Social Capital to Work." *Business History*, 50, 6 (2008): 685-694.

Lee, R. 'Social capital and business and management: Setting a research agenda'. *International Journal of Management Reviews*. 10, (3) (2008): 1-27.

Lewis, L. S. *Con Game: Bernard Madoff and his Victims*. London: New Brunswick, 2012.

Lin, N. "Social Networks and Status Attainment." *Annual Review of Sociology*, 25 (1999): 467-487.

Lin, N. *Social Capital, A Theory of Social Structure and Action*. Cambridge: Cambridge University Press, 2001.

Mackay, C. *Extraordinary Popular Delusions and the Madness of Crowds*. Hertfordshire: Wordsworth Reference, 1852/1995.

MacKay, M. *Impeccable Connections: The Rise and Fall of Richard Whitney*, New York, Black Tower Press, 2013.

Madoff, R. *The Great Chefs of America Cook Kosher*, New York: Vital Media Enterprises, 1996.

Melville, H. *The Confidence –Man: His Masquerade*. London, Constable, 1857-1923.

Nahapiet, J. and Ghoshal, S. "Social Capital, Intellectual Capital and the Organizational Advantage." *Academy of Management Review*. 23, (2) (1998): 242-266.

Nash, R., M. Bouchard, & A Malm, "Investing in people: The role of social networks in the diffusion of a large scale fraud." *Social Networks* (2013): 1-13.

Paldam, M. "Social Capital: One or Many? Definition and Measurement". *Journal of Economic Surveys*. 14, No 5 (2000): 629-653.

Pastoriza, D., Arino, M., A. & Ricart, J.E. (2008). Ethical Managerial Behaviour as an Antecedent of Organisational Social Capital. *Journal of Business Ethics*. 78: 329-341.

Payne, 2012, *White Collar Crime, The Essentials*, London: Sage, 2012.

Perri, Frank. S, and R. L. Brody. "Birds of the same Feather: The Dangers of Affinity Fraud." *Journal of Forensic Studies in Accounting and Business*, 10, no. 3 (2011): 33-46.

Polanyi, K. *The Great Transformation*. (2nd Ed). Boston: Beacon Press, 1944/2001.

Ponzi, C. *The Rise of Mr Ponzi*. Accessed 23 February 2015. <http://pnzi.com/>

Portes, A. 'Social Capital: Its Origins and Applications in Modern Sociology'. *Annual Review of Sociology*, 24 (1998): 1-24.

Portes, A., and Sensenbrenner. 'Embeddedness and Immigration: Notes on the Social Determinants of Economic Action'. *American Journal of Sociology*. 98, (1993): 1320-1350.

Putnam, R. D. *Making Democracy Work. Civic Traditions in Modern Italy*. Princeton University Press: Princeton, 1993.

Putnam, R. D. *Bowling Alone*. New York: Simon Schuster. 2000.

Putnam, R. D. "Using Social Capital to Help Integrate Planning Theory, Research and Practice." *Journal of American Planning Association*, 70, (2004): 142-192.

Prusak, D., and Cohen, L. *In Good Company*. Boston. Harvard Business School Press. (2001).

Reed, T.E. 'Affinity Fraud', 2007, available at: <http://colonendparenthesis.blogspot.com/2007/05/affinity-fraud-by-trevor-e-reed.html>

Runyan D. *Guys and Dolls: The Stories of Damon Runyan*. New York: Penguin Putnam Inc, 1992.

Sandefur, R., L. and Laumann, "A Paradigm for Social Capital, Rationality and Society." In *Knowledge and Social Capital*, ed. Lesser E. L., 69-88. Oxford: Butterworth Heinemann, 2000.

"Sentencing Transcript dated June 29, 2009." p.31. In, www.justice.gov/.../united-states-v-bernard-l-madoff-and-related-cases.

Shibutani, T. "Reference Groups as Perspectives." In: *Symbolic Interaction: A Reader in Social Psychology*, ed. Manis, J.G. and Meltzer, B.N., (3rd Ed), 105-115. Massachusetts: Allyn and Bacon, 1955.

Shaplen, R., *Kreugar, Genius and Swindler*. New York, A. A. Knopf, 1961. Accessed at: www.archive.org/.../kreugergeniusand006788mbp/kreugergeniusand006.

Schoenheimer, I., MacNeil, K and Madoff, R. *The Great Chefs of America Cook Kosher*. New York: Vital Media Enterprises. 1996.

Somaiya, R. 'Bernie Behind Bars: Madoff's Plush Prison Life'. *Newsweek*: 2010, 7th June

Smith, G, M Button, L. Johnnston and K. Frimpong. *Studying Fraud as White Collar Crime*. London: Palgrave Macmillan, 2011.

Sutherland, E. H. *Principles of Criminology*. Philadelphia: J. B. Lippincott. 1939.

Sutherland, E. H. *White Collar Crime*, New York: Holt, 1949.

Twain, M. *The Adventures of Huckleberry Finn: (Tom Sawyer's Comrade)*. London: Collins, 1884 /2010.

Ventura, M., and Daniel, S.J. 'Opportunities for fraud and Embezzlement in Religious Organizations: An Exploratory Study'. *Journal of Forensic & Investigative Accounting*, 2 (1) 2010: 1-35.

Walker, P. 'Putting Social Capital to Work'. *Business History*, 50 (6) 2008: 685-694.

Walters, G.D., and Geyer, M. D., "Criminal Thinking in identity and in male white collar-crime offenders." *Criminal Justice and Behavior*, 31, no. 3 (2004): 263-281.

White, R. "Information, Markets, and Corruption: Transcontinental Railroads in the Gilded Age." *The Journal of American History*. 90 (2003): 19-43.

Woolcock, M. "Microenterprise and social capital: A framework for theory, research, and policy." *Journal of Socio-Economics*. 30 (2001)193-198.

Zuckoff, M, *Ponzi's Scheme*. New York: Random House. 2005.