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"The Ponz" tells his side
By Curtis Seltzer

BLUE GRASS, VA.—We're finally out of the 21st Century's Aughts, during which we ought to have behaved better.

We're close to entering the Century's adolescence. Its teen years are as likely to be as troublesome as its predecessors. In both the 1800s and 1900s, Teen wars were fought over which balance of power would prevail.

These rumbles every 100 years changed both the nations shedding blood and a number of outfits that were just hanging out, chewing their own political toothpicks.

The 20th Century showed that people don't like to be oppressed. Sooner or later, many of its dictatorships collapsed, lost wars of aggression or were overthrown by the political opponents their policies created.

China is my pick for the dictatorship that's most likely to fall apart from the inside out and get involved in a balance-of-power struggle during the coming decade. Runner-ups are North Korea, Iran and Cuba.

As much as anything else, images of American pop culture and prosperity undercut current dictatorships. They represent freedom. Amazon and the Internet may prove to be better ways to effect "regime change" than military interventions.

Who, then, is more qualified to explain the allure of American wealth than Bernie "The Ponz" Madeup, who is currently serving 150 years in federal prison for, it is said, getting rich by doing wrongful things with the money of others.

The Ponz doesn't come across as the biggest swindler in financial history. He looks like Uncle Morty who goes out for Sunday morning bagels. I was about to ask for a poppy seed with cream cheese when my keen journalistic senses returned.

Me: Why did you steal \$65 billion from your clients?

Him: Let's get our numbers straight. Sixty-five billion was said to have been missing from clients' accounts, but the court-appointed trustee estimated that only \$18 billion was involved in any real loss. And that number is just semantics. No money is ever lost in the sense of disappearing. Let's say that the money's ownership was rearranged.

I certainly didn't put \$65 billion in my own pocket. Most of it went to my clients.

Given enough time, all asset managers eventually lose money on some investments. They can trip up going long. I lost going...real short.

My methods produced steady above-market returns for my clients for almost three decades. I outperformed every other manager. I put the quants to shame.

Me: But you didn't manage assets. You didn't invest. You just took money coming in and paid it out after taking a cut. When the market tanked a year ago, you ran out of other people's money to pay other people.

Him: Yeah, that 2008 crash hit me like everyone else. It's unfortunate that my clients didn't have the long-term investment horizon that I always recommended.

Me: You didn't have any money in the market! You kept it in an account at Chase Manhattan Bank.

Him: More proof that I was a conservative, prudent money manager. I admit that I did put money to work, let's say, outside the normal investment box. I created a new business model.

Me: Bernie, you weren't in 'business.' You were running a scam.

Him: Scam, schmam. It's a matter of opinion...in my opinion.

Me: Did you steal from your clients?

Him: Steal? That's a loaded term. I paid myself and my staff well. But our compensation was right in line with other Wall Street firms. I wouldn't call honest compensation "stealing."

Me: You hot-footed money from one client to another. That's fraud, theft.

Him: I see that you're determined to make a hangman's rope out of split hairs. The truth is I managed a disciplined reallocation of private-sector resources. Some have argued that I should have been more transparent. But then I would have had to reveal proprietary analytical tools that took me years to perfect.

Me: You sent your clients phony statements each month that you were buying and selling stocks in their accounts when you weren't doing either. None of it was true.

Him: True, schmoo. I sent them real money. Isn't that the American bottom line? No client ever asked me about how I made money for them. They were interested in performance, not philosophy.

Me: Bernie, you weren't making money.

Him: Let me clue you in, kid. You make money on The Street in two ways. The hard way is to make it in the market. The easy way is to make it off your clients. My approach emphasized the second. I admit that I underweighted the first

Me: So you don't think you're a crook?

Him: Not in any ethical sense. Law is a creature of its time. I was ahead of mine, like many of our most famous entrepreneurs.

Me: Are you innocent?

Him: Largely, yes. But none of us are totally innocent.

Me: You pled guilty to every charge. Why are you in jail?

Him: The prosecutor needed a villain. He took me, and I gave myself willingly....

Me: ...to spare your family who worked with you?

Him: Draw your own conclusion. The enemy was about to overrun our position. I stayed behind and sacrificed myself so that others might live. I have a selfless quality that the media have deliberately ignored.

Me: Why'd ya do it, Bernie?

Him: Money, of course. You can do more good with a lot of money than you can with a little money. But to be honest, the money was a means to several ends. It brought respect. I stopped being a nobody. People paid attention to me; they thought I was smart. I was honored. I was on boards. I gave to charities. I was T. rex—The Street trembled where I walked. How cool was that? It was like a movie. It was fun.

Me: Do you think you're a scapegoat?

Him: Sure. The politicians needed to put a face on the Wall Street mess last year. The public doesn't understand credit default mumbo jumbo. But anyone can figure me out—a small hand in a large cookie jar.

I had nothing to do with subprime lending, derivatives or federal bailouts. Compare what happened to me with the guys on The Street who lost really big money. Nothing at all happened to them. And nothing's changed, because Bernie Madeup took the fall. In my own small way, I'm a hero.

Me: Really.

Him: I am a good person to whom...bad things became attached. I think I'm best described as a rising tide who tried to lift too many boats at once.

Me: So you see yourself as a role model.

Him: An inspiration. I showed nobodies everywhere -- China, North Korea, you name it -- how to break the system that holds them back. Not long after I'm gone, you'll see statues of me erected around the world. I'm as American as Rockefeller, Carnegie and Morgan. Bernie Madeup is as American as cherry pie. I am, The Ponz!

Me: Thanks for the interview.

Him: Now that we're friends, I have something that should interest you. Put \$100 in my commissary account, and I'll double it in a week. We'll split the profit. I'll use my share to buy toiletries for the have-nots in The Hole. Leave your appreciating capital with me, and I'll double it every week. You'll get a statement at the end of the month showing every penny you own.

Me: Still at it?

Him: Talent always has its way.

Me: It's a New Year.

Him: On the calendar, anyway.

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