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Ethics In Business
Case Study 1: Bernard Madoff

1: Discuss how greed and trust are intertwined in this case:

Greed and trust are connected in this case because so many investors, businesses and charities invested with Madoff and so many were destroyed because of his wrongdoings and fraudulent business. The meaning of greed, according to Oxford Language, is the intense and selfish desire for something, especially wealth, power, or food. Madoff was greedy in wanting his family operation to be the most successful and be the most financially stable. He didn't care about his investors like he claimed to do. The trust he instilled in them, by pretending to have their best interest at heart, made him wildly successful. By gaining their trust, he was able to make more money, which in turn turned his greediness into something bigger than his business itself.

2: Describe a Ponzi scheme and research another that has occurred in more recent years.

Ponzi schemes are pyramid schemes that are created by promising investors above average returns on their investments, when in actuality they're not turning much of a profit at all. According to our textbook, "the cycle of paying one investor (and pocketing a lot for himself) by collecting from other investors should only work for a short period before the "pyramid" of investors collapses under the weight of money owed. (Stanwick, page 278)

One recent Ponzi scheme was conducted on January 27, 2017. According to Wikipedia, the SEC filed charges against Joseph Meli, saying he defrauded more than \$97 million from 138 investors. He had allegedly promised double-digit returns re-selling high priced tickets to popular Broadway musicals such as Hamilton.

3: How likely is it that Madoff's own sons knew nothing of the fraudulent activity

I think that it is highly unlikely that they knew nothing going on. Madoff's family was too involved in the business and had too important of jobs to not be aware that there was something illegal going on. Any of their jobs could have led them to documents that would have sent a red flag that should have told them "hey, something wasn't right here".

4: Explain ethical issues associated with running a family owned business and were they present for Madoff's firm?

Having a business with family, creates waves in more than one area. It's hard to discipline family when needed, for example if your brother who works for you is habitually late. Do you reprimand him like you would any other employee or let it slide because he's your brother? I personally would hold him accountable because while at work, he is your employee. A business run solely by family creates way bigger issues than just routine employee conduct. It is much easier to be sneaky and hide things when you work closely and only with people you love and trust. You may not need to worry about them ratting to authorities on shady business you may be conducting. Madoff's firm definitely was not operating ethically. I think that they all knew what they were doing and were working diligently together to make sure they all were going to profit the best from the business they were doing.

