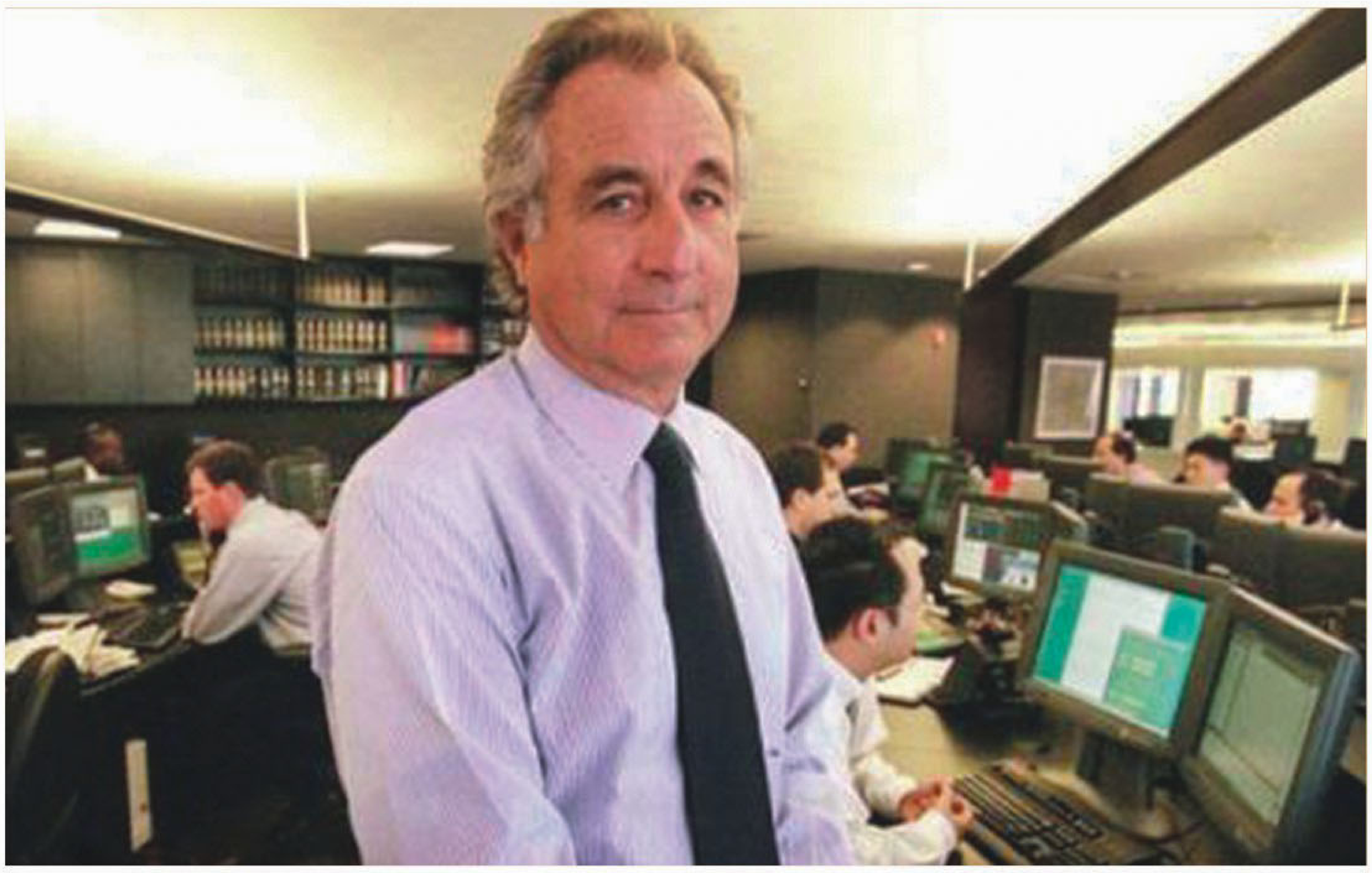
Madoff madness is our own

JOHN F WASIK



Bernie Madoff

Bernie Madoff's failings are not the mark of some isolated monster, although his crimes are heinous. He is so much like every one of us that failing to recognise this fact will imperil us at every financial turn.

This is one of many revelations in Diana Henriques's stunning new book The Wizard of Lies: Bernie Madoff and the Death of Trust.

The man who bilked $65 billion from friends, family, institutional investors and charities knew what he was doing. As far as we know, he wasn't incapacitated from bipolar disorder, substance abuse, schizophrenia or some gargantuan chip on his shoulder to prey upon the wealthy. He stole and lied consistently to all and told Henriques he was fully aware of his mammoth deceit every step of the way.

Madoff was not a man conspiring in a bunker. He went to countless high-society parties, gave to charities and was admired by most who encountered him. Yet when he finally admitted his fraud, it was a surprise that ruined individuals and charitable foundations. His own son, trying to escape the shadow of his father's foul deeds, committed suicide.

The scale of his crime can't be overstated. As the serial falsifier of whole portfolios, Madoff claimed to manage twice as much money as Goldman Sachs, Henriques states.

"He was faking everything," Henriques writes, "from customer account statements to regulatory filings, on a scale that dwarfed every other Ponzi scheme in history."

Next to the mavens of the 2008 meltdown, Madoff may be the Stalin of Ponzi villains (there are always other scamsters out there). Yet any attempts to personify him as a three-headed hydra will miss the main point of Henriques's masterful narrative. Here's the clincher, which Henriques saves for page 345:

"The Madoff case demonstrated with brutal clarity another truth that we simply do not want to face about the Ponzi schemer in our midst: He is not "other" than us, or "different" from us. He is just like us -- only more so."

This chilling revelation illuminates human nature itself. We want to believe that someone like Madoff is "taking care" of us -- and our money. When some negative vibe buzzes in our ear like Jiminy Cricket, we compartmentalize it in the part of our brain that is like a dead-letter file. We don't question the reality of outlandish claims and can't own up to our avarice.

I've seen so much investor denial in the past three decades of covering finance that I could spend the rest of my life writing about it. Some of it flies beneath the radar like high-yielding structured products that are loaded with risky and complex derivatives.

Most of the deception, though, lies in banal investments like variable annuities or overpriced 401(k)s. We're fleeced every day, but may not know it because of our trust in our advisers, a brand name or simply a bold promise.

Here's a short list of what we need to know about investing, but routinely fail to ask ourselves with any scepticism:

- If an adviser is pitching a six percent yield when most one-year certificates of deposits are returning one percent, what kinds of risks will you be taking to achieve that return? How much can you lose if the promise doesn't pan out?
- Can the adviser beat a broad-market index like the S&P 500 on a regular basis? Most can't. If they have a few good years, they are lucky, not skilful, and luck doesn't last long in investing. Most lag the market averages over time after management expenses, taxes and inflation. It's a fact of life.
- Is your principal really protected? Outside of low-yielding FDIC-insured product, you will pay dearly for any guarantees. How much will it eat into your principal? What are the commissions and internal fees?

How do we avoid the Madoffs of the world when we consistently trust people we shouldn't and fail to ask the right questions?

Henriques suggests that we need mandatory financial education in school and be required to get a license after we are tested on basic money skills.

While I agree that everyone needs this skill set -- and it should be taught beginning in middle school -- I'm not sure if licensing is the way to go. Plain-language, gob-smacking tobacco-like warnings on investments that state "this is hazardous to your wealth" are another alternative, although crooks always manage a way around disclosure.

Ultimately, we need to turn off our brain's belief and trust circuits to avoid hazardous investing. The truth is often not in our heads, but in our guts.

"That is the most enduring lesson of the Madoff scandal," Henriques concludes, "in a world full of lies, the most dangerous ones are the ones we tell ourselves."

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John F Wasik is a columnist for Reuters.com and author of The Audacity of Help: Obama's Economic Plan and the Remaking of America. The opinions expressed are his own.

Japan tsunami devastated Chilean scallop farms

AFP, *Tongoy, Chile*

Thousands of miles from the shores of Japan across the Pacific Ocean, Chilean shellfish farmers are facing an uncertain future after a giant wave traveled the seas and washed away their scallop beds.

"I don't think I can carry on. Too much has been lost. I had all the scallops I could wish for, and now, look," said fisherman Patricio, shaking his head in despair.

Tongoy, some 450 kilometers (290 miles) north of the capital Santiago, stands on part of the scenic Chilean coast which was put on alert on March 11 after a catastrophic earthquake in Japan triggered a massive tsunami.

The huge wave devastated entire towns in northeast Japan and left more than 27,000 people dead or missing. Nearly 131,000 people are still living in emergency shelters while many others are staying with relatives and friends.

In Chile, the alert was lifted after just 24 hours. Only a few relatively weak waves had come ashore and authorities confidently proclaimed that there had been no victims and no damage.

But despite its 17,000-kilometer (10,500-mile) journey from Japan, the strength of the wave remained very real here, packing enough force to toss aside blocks of concrete weighing nearly a tonne.

It was under these blocks that the Tongoy fishermen hung their nets holding the scallops in their fan-shaped shells until the shellfish reach maturity, a lengthy, time-consuming two-year process.

"Never did I imagine that this would cause so much damage," said Tongoy shellfish farmer Eduardo Briones. "We thought the wave would die out before reaching us, or that it would be a small wave."

"But it was an underwater current that tumbled everything, leaving it all upside down," he added, describing the tangled nets and shellfish which had been ready to harvest, now sitting at the bottom of the bay.

Local authorities have not yet estimated the value of the loss of the Tongoy shellfish, but the local press has put the figure at $6 million, and fishermen say between 50 and 100 percent of their total production was destroyed.

It's a devastating blow to this small village of Tongoy Bay which has been the center for scallop farming in Chile since the 1980s.

The rise of the scallop farms marked a turning point in the fortunes for the 5,000 inhabitants as local fishermen began to raise mollusks to meet growing world demand. Local fishing traditions, more risky and dangerous, fell into decline.

In 2006, one kilo (2.2 pounds) of scallops fetched as much as $15. But the price has dropped to $8.30 in recent years, pushed down by competition from neighboring Peru to the north, the principal supplier to hungry European markets.

The price of Peruvian scallops is kept low thanks to a cheaper labor force and better sea conditions for raising the shellfish, said Franklin Munoz, from the Sacmar shellfish company.

Two of his competitors were forced to close last year, with the loss of some 700 jobs. Now only five shellfish factories remain, compared with 11 during the height of the boom, supported in part by strong Chilean demand.

"But we can't continue," said Briones. Like his fellow fishermen, he sees no other alternative but to return to Tongoy's more traditional fishing customs -- taking their boats out to sea each day.

It may well be that a force of nature which swelled on the other side of the unpredictable ocean has sounded the death knell for the once lucrative scallop industry here.

AFP

A man shows scallops at Tongoy cove, 450km north of Santiago.

Android tablets don't impress, gap widens

REUTERS, *Toronto*

Google's Android platform has lost some allure for software developers still smitten with Apple, while Research In Motion and Microsoft have fallen further behind the two leaders, according to a survey on what devices new apps are likely to be developed for.

Developers seem to have tempered their enthusiasm for the onslaught of tablet computers being launched to try to rival the runaway success of Apple's iPad. Both Android for tablets and RIM's just-launched PlayBook have faded, the survey, released on Tuesday, showed.

Developer intent is a useful indicator of broader interest in a platform as consumers are drawn to devices that can perform specific tasks such as checking news or stock prices, tracking how far you've run or finding nearby restaurants.

Apple's iPhone has the attention of more than 90 percent of developers surveyed by research firm IDC and app platform Appcelerator, while 86 percent intend to develop for the iPad and 85 percent are "very interested" in Android phones.

It's a tough sell after that, even for Android's tablet software at 71 percent, which has developers fretting about fragmentation and the subdued interest in products, such as Motorola Mobility's Xoom, actually using it.

For developers, "it's becoming problematic to really put a foot down on Android tablets and know that you're standing on terra firma, at least as of today," Appcelerator's Scott Schwarzhoff said.

Microsoft's tie-up with Nokia would likely have the biggest impact in chasing down Apple and Google, the survey showed, while RIM's decision to support Android for its PlayBook tablet will help the BlackBerry maker.

Interest in both Microsoft's Windows Phone 7 and BlackBerry for phones fell from near 40 percent to below 30 percent, with Microsoft's shallower descent putting it slightly ahead.

RIM's PlayBook, which uses a new platform RIM plans to eventually migrate to its smartphones, dipped to 20 percent after heavy promotion among developers had piqued interest in the previous quarter's survey. PlayBook was launched in the United States and Canada after Tuesday's survey was conducted.

Schwarzhoff said a rival company's best bet would be to offer a unique experience Apple can't easily match, such as tight integration with business processes, or to make sure it is not a hassle for a developer to move programs to the platform.