TELLS THE FACTS AND NAMES THE NAMES

# CounterPunch

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## Economics for a Full World

### By Paul Craig Roberts

The first two parts in this series deal with economics within the existing paradigm. This third and final part deals with the economics that is omitted from the paradigm. The omitted economics is so important that the omission indicates the need for a new paradigm.

The basic problem is that economics does not measure all the costs, and the omitted costs might be the most important costs. Since economics does not measure all the costs, economists cannot know whether growth is economic or uneconomic. The economist Herman Daly, for example, asks if the ecological and social costs of growth have grown larger than the value of the increase in production.

The costs that are left out of the computation of Gross Domestic Product are the depletion of natural capital, such as oil and mineral resources and fisheries, and the pollution of air, water and land resources.

Economists do a poor job of adjusting economic theory to developments brought by the passage of time. Just as capital theory originated prior to the income tax and free-trade theory originated at a period in history when capital was internationally immobile and tradable goods were based on climate and knowledge differences, economists' neglect of the ecosystem as a finite, entropic, nongrowing and materially closed system dates from an earlier "empty world."

In an empty world, man-made capital is scarce and nature's capital is plentiful. In an empty world, the fish catch is limited by the number of fishing boats, not by the remaining fish population, and petroleum energy is limited by drilling capability, not by geological deposits. Empty-world economics focuses on

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## The Complaisant Watchdog

### How the Wall Street Journal Buried the Madoff Scandal for at Least Four Years

### By Eamonn Fingleton

An old maxim has it that newspaper editors separate the wheat from the chaff, then print the chaff. By this standard, the editors of the *Wall Street Journal* have shown special deftness in their handling of the Madoff affair.

They used the occasion of whistleblower Harry Markopolos' testimony in Washington recently to address seemingly every minuscule detail of the scam. They even published an irrelevant, if lovingly crafted, floor plan of the Madoff firm's office in the Midtown Manhattan Lipstick building. Yet, in all their apparent desire to "flood the zone" (maybe they're angling for a Pulitzer!), one detail was missing. Not a word of explanation was offered about the curious role played by the *Journal*'s own Washington-based investigative reporter John R. Wilke.

As Markopolos' written testimony has made clear, Wilke long ago knew the score. As far back as 2005, he had been entrusted with Markopolos' now famous dossier raising no less than 29 red flags about Madoff. It is hardly an exaggeration to say that, on the strength of an afternoon's research, a good reporter could have worked up any one of Markopolos' points into a cracker of a front-page story. Taken as a whole, the dossier represented the biggest "career development opportunity" any journalist has been handed since Deep Throat delivered the goods on Richard Nixon to Woodward and Bernstein a generation ago.

There are differing accounts of what happened next. According to Markopolos, Wilke was hot to trot but needed the blessing of higher-ups. And, unfortunately, the *Journal*'s "news" operation is apparently run much like an Amtrak marshaling yard. As months turned into years, Markopolos' 29 red flags festered like so many rotten tomatoes in some desk jockey's in-tray. Other sources, however, place the blame firmly on Wilke's shoulders. Apparently, he started to dig but lost heart because there was so little publicly available information on Madoff's modus operandi.

It is all very puzzling. The question, of course, is why would Markopolos lie about something like this? And then there is the simple fact that his testimony on other, more weighty matters has already been resoundingly vindicated.

What is not in dispute is that, to the *Journal*'s eternal shame, the story eventually came out only after an avalanche of redemptions left Bernie with nowhere to hide and he turned himself in. In the interim, by remaining silent, the *Journal* played a devastatingly ignominious role in one of the biggest and most brazen scams in history.

If the *Journal*'s shame is particularly acute, virtually no one in wider American financial journalism profession emerges from this fiasco with much credit.

One dog that snoozed in its kennel was the *New York Times*. The Madoff scam was, of course, a local story for the *Times*, not least because *Times* editors undoubtedly knew many of Madoff's victims socially. It is surprising, to say the least, that no *Times* person ever seems to have sensed there was something fishy going on in the Lipstick building. The Upper East Side was buzzing with rumors about his apparently sensational investment returns. Many a New York socialite either had money invested with him – and boasted of it in a loud stage whisper – or at least wanted to do so.

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the sustainability of man-made capital, not on natural capital. Natural capital is treated as a free good. Using it up is not treated as a cost but as an increase in output.

Modern economic theory is based on "empty-world" economics. But, in fact, today the world is full. In a "full world," the fish catch is limited by the remaining population of fish, not by the number of fishing boats, which are man-made capital in excess supply. Oil energy is limited by geological deposits, not by the drilling and pumping capacity of man-made capital. In national income accounting, the use of man-made capital is depreciated, but the use of nature's capital has no cost. Therefore, the using up of natural capital always results in economic growth.

For example, the dead zones in the Gulf of Mexico from fertilizer runoff from chemical fertilizer farming are not counted as a cost against the increase in agricultural output from chemical farming. The brown clouds that reduce light over large areas of Asia are not included as costs in the production of energy from coal. Economists continue to assume that the only limits to growth are labor, man-made capital, and consumer demand. In fact, the critical limit is ecological.

Nature's resources cannot be replicated or regenerated like man-made capital. These real limits to growth are both neglected and denied by economic theory.

Modern economics is based on a "production function," associated with Robert Solow and Joseph Stiglitz, two Nobel prizewinners. A production function explains the relationship between inputs and outputs. The Solow-Stiglitz production function assumes that man-made capital is a substitute for nature's capital. Therefore, as long as man-made capital can be reproduced, there are no limits to growth. As the economist James Tobin (another Nobel prizewinner) and William Nordhaus put it in 1972, the implicit assumption is that "reproducible [man-made] capital is a near perfect substitute for land and other exhaustible resources."

Nicholas Georgescu-Roegen, one of the world's most distinguished mathematical economists (now deceased) destroyed the Solow-Stiglitz production function, dismissing it as a "conjuring trick," but economists have nonetheless kept this production function close to their chests, because it is a mathematical way of saying that ecological limits on economic growth do not exist. Nature has no role in the game. (See Herman Daly, *Ecological Economics and Sustainable Development*, U.K.: Edward Elgar Publishing, 2007).

Modern economics has turned economic growth into an ideology, just as free trade has become an ideology. The Solow-Stiglitz production function is a false explanation of how inputs produce outputs. In contrast with the Solow-Stiglitz absurdity, Georgescu-Roegen made it clear that production is the transformation of resources into useful products and into waste products. Labor and man-made capital are agents of transformation, while natural resources are what are transformed into useful products and waste products. Man-made capital and natural capital are complements, not substitutes. The Solow-Stiglitz production function, the basis of modern economics, is fantasy.

The real question is whether the world's remaining natural resources and the "sinks" for waste products are sufficient to sustain the continuation of economic growth as traditionally understood, and its expansion to underdeveloped countries.

Environmentalists and ecological economists are aware that today the limits to growth include the natural environment. Even politicians are aware, as they have imposed laws and regulations designed to limit pollution.

Over the course of American history, economic growth has made income inequality acceptable, because economic growth, as President Kennedy put it, is "a tide that lifts all boats." What becomes of a society based on the rise in real incomes when ecology imposes itlimits? Can statistics forever disguise that the costs outweigh the benefits?

Can a society based on children doing better economically than their parents survive when policy mistakes together with ecological limits disrupt this traditional outcome?

There are social costs associated with the failure of economics to account for the full costs of production and with the integration of all countries into a "global economy." For many countries, being integrated into the global economy means that the society loses control over itself. Entire occupations and ways of life are wiped away as specific countries are forced to forego diversification and to specialize in the products that globalism dictates, regardless of the needs and wants of the domestic population.

Economic globalism is far in advance of global government. As Herman Daly writes, globalism is the "space into which transnational corporations move to escape regulation by national governments." Economic globalism in the absence of global government permits transnational corporations to escape accountability.

This means that today corporations are escaping accountability for costs that they impose on the rest of the world. If these "externalized" costs were included in their cost of production, would there be any basis for CEOs to be paid 300, 400, or 500 times the pay of a production employee?

If ecology imposes limits on growth, ladders of upward mobility cease to function. How would society distribute income in order to ensure social peace? This new distribution would certainly require the end of the current large differences, but would people be locked into place, requiring luck and extraordinary ability to rise?

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It is possible that some new plague, natural or man-made, will resurrect an empty world, a world empty as well of natural capital. Just as plague destroyed the Mongol Empire, plague could destroy science and technology, making it difficult for humanity to recover economically from depleted and hard-to-reach natural resources.

In the founding days of the discipline of economics, Adam Smith and Alfred Marshall endeavored to explain reality in order that policy might improve the human condition. Whether they succeeded or failed, they were sincere.

Today, economists play games with assumptions and equations. Smith and Marshall were interested in truth and its discovery. Economists today are interested in money, and they provide apologies for "globalism" that bring grants to their departments from transnational corporations. Today a person who speaks economic truth has no future in the economics department of a university dependent on outside money.

If economics is to serve humankind, the limits imposed by ecological resources must be acknowledged. At a minimum, this requires junking the Solow-Stiglitz production function and substituting that of Georgescu-Roegen. Externalities are not very important in an "empty world," but in a "full world" ignored externalities can offset the value of increased output. When the last species is gone, how is it replenished? How are exhausted oil and mineral deposits refilled? How are destroyed rain forests replanted? How are polluted air, water, and oceans reclaimed?

Unless one believes in science fiction, the answer to these questions is only through the passage of time, in some cases millions of years. To treat resources created by nature over millions of years as devoid of costs other than the costs of extraction is absurd. If economics is to be of any use to humanity, it must cease being absurd.
**CP**

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Yet it was only on the day of Madoff's arrest that the *Times* condescended to inform its readers that mnay of his more alert peers had sensed he was a fake all along. For years, he had been pegged as an outright Ponzi artist by Goldman Sachs and Credit Suisse, for instance, and he was blacklisted also at Deutsche Bank, Merrill Lynch, and UBS. Indeed, as far back as 1991, *CounterPunch* contributor Pam Martens, in her capacity as a Wall Street broker had told him she was on to his game and had so advised a client. For thousands of aggrieved *Times* readers, who lost their life savings in Bernie's financial Bates Motel, the question is why they were the last to know.

To be sure, primary blame for dropping the Madoff ball lies with the Securities and Exchange Commission (SEC). But the fact that the SEC is a basket case is not news. Infected by the "greed is good" virus that has ravaged political discourse for nearly three decades, American financial regulation has now become so corrupt and incompetent that it would embarrass a Third World kleptocracy. What *is* news – at least to those who lack independent sources of information – is that top American editors and reporters now seem no more willing to tackle wealthy and well-connected crooks than their avowedly venal and cowed peers in, say, Jakarta or Harare.

Which journalists and publications have been most remiss? It is not just the *Journal* that would prefer you don't ask. Virtually the entire American media establishment has gone catatonic. Searches of Nexis, a news clippings database that includes many publications in the English language, indicate as much. As of mid-February, anyone who searched for, for instance, "Markopolos and Madoff and Wilke" found only eight results, of which only one came from the mainstream press (a brief note by Howard Kurtz of the *Washington Post*). The entire subject seems to be a no-go area even at the *New York Times*, which has yet to mention Wilke's name. Is this a case of people in glass houses not throwing stones? It sure looks like it. What is certain is that in one hitherto unpublicized email message included in his written testimony, Markopolos stated that various *Times* people, most notably assistant financial editor Gretchen Morgenson, were "pretty much in the know." It is not clear whether he had been in direct touch with any of them, but this would seem to be a reasonable inference. For the record, Morgenson, who in 2002 won a Pulitzer prize for her "trenchant and incisive" coverage of Wall Street, has told *CounterPunch* she can't recall ever hearing from Markopolos. She added: "If you could be more specific about when it was that he supposedly contacted me I would be grateful." As it happens, the date is not indicated in the correspondence and Markopolos is incommunicado.

As for the *Journal*, the closest it has come to acknowledging its own role has been in two sentences summarizing Markopolos' complaints about its inaction. In covering Markopolos' oral testimony in early February, it wrote: "Mr. Markopolos said that in December 2005, he contacted a reporter at *The Wall Street Journal*, resulting in a number of phone calls and emails. Mr. Markopolos said he thinks that senior editors prevented the reporter from the newspaper's Washington Bureau from flying to


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Boston to meet and discuss the Madoff issue."

Fair enough – but the *Journal* didn't leave it there. It went on: "A spokesman for Dow Jones & Co., publisher of *The Wall Street Journal*, said Mr. Markopolos was 'ill-informed and incorrect' but declined to comment further on Mr. Markopolos' statements."

Dow Jones' comment is a functional lie – an outrageous and deliberate distortion. Anyone who studies the full context can see that the "ill-informed and incorrect" epithets can only relate to the one implausible inference in Markopolos' testimony, his idea (unmentioned in the *Journal* report) that *Journal* staff may have feared for their personal safety. Markopolos feared for his own safety, but, as a lone whistleblower struggling to get the attention of the SEC, he had more to worry about than a major national institution. The main thrust of Markopolos' allegation – that the *Journal* wantonly ignored the biggest investment scandal in modern times – is in no way addressed in the Dow Jones comment.

The former executive editor of the *Journal*, Paul Steiger, who ran the paper in the relevant years, has disavowed personal responsibility for the fiasco. In an email message to *CounterPunch*, he wrote: "No mention of Markopolos's initiative, or indeed no mention of Madoff, came up the line to me, nor would it be expected to. Only if the Washington bureau had decided to pursue a story would that happen." He added that John Wilke was "an outstanding journalist" who at the time was producing "a string of deep, exclusive reports about such things as the misuse of earmarks." If Steiger's comments are meant to exonerate Wilke, by the same token they appear to spotlight Gerald Seib and Nikhil Deogun, who served respectively as the chief and deputy chief of the Washington Bureau in the years concerned. Asked to comment, Deogun referred *CounterPunch* to the *Journal*'s spokesman who, in turn, is not prepared to speak for attribution. Meanwhile, Seib flatly denies responsibility. Responding to *CounterPunch*, he wrote: "Your question appears to simply accept the premise that a Markopolos initiative was 'sidetracked,' and then asks me to comment on that. So let me try to be as clear as possible here: It is completely, absolutely, 100% incorrect to say that some reporting initiative was sidetracked. The notion is flatly wrong."

It may be worth noting that both men have prospered mightily since Rupert Murdoch took control of the Journal in 2007. Seib has rocketed to assistant managing editor and is a fixture on Murdoch's Fox Business News channel. As for Deogun, he was promoted to the plum assignment of foreign editor while still not yet 40. Given that the testimony of both Steiger and Markopolos seems fairly solid, it would appear that either Seib or Deogun or perhaps both are in the soup, with negative implications for Murdoch's efforts to rebuild morale at 200 Liberty Street. A fair inference is that Wilke may have had his calendar loaded down with busy-work chasing political minnows in Washington when, with leadership and the help of a numerate colleague, he could have reeled in a financial whale in New York.

How could any capable editor fail to see the possibilities in the Markopolos dossier? Ryan Chittum, a blogger at the *Columbia Journalism Review*'s website, has opined that the fault lay with – get this – Markopolos! Markopolos was not credible enough, apparently – this despite the fact that he was an acknowledged expert in options trading, the field where Madoff was ostensibly performing such alchemy.

Let's first note that Chittum may have an axe to grind. He is not only a former *Wall Street Journal* reporter, but his work has been published at *ProPublica*, a website that just happens to be run by Paul Steiger.

Was Markopolos really such a hopeless witness? Not in the eyes of Mike Garrity, head of the SEC's outpost in Boston, where Markopolos lives. Garrity was clearly impressed by Markopolos and did his best to help. Unfortunately, he could not do anything directly because jurisdiction lay with the SEC's New York branch. In a telling departure from the usual pattern of bureaucratic indifference in such circumstances, however, he repeatedly encouraged Markopolos to keep banging on New York's door.

Markopolos had a "credibility problem" only in the sense that some of his more sophisticated analyses may have gone over the heads of *Journal* apparatchiks (as it seems to have gone over Chittum's). The fact is that Markopolos front-loaded his lengthy dossier with his most technical and – to an intelligent, financially literate reader – most telling points. Big mistake. The poor fellow had not realized that, judged even by the indifferent standards set elsewhere, even senior financial journalists in the United States are notoriously mediocre. Virtually without exception, they cannot read a balance sheet – an ability that is to serious financial reporting roughly what eyesight is to driving a car. Moreover, financial knowledge at the *Wall Street Journal* seems to vary in inverse proportion to rank. *Journal* editors are "big picture" people, who are too busy spouting globalist claptrap or defending the bombing of Arab schools to try to sit down and read about a $50 billion fraud in their own backyard.

Yet the truth is that any intelligent young financial reporter with, say, two years experience should have had no difficulty understanding – and concurring with – even the most abstruse aspects of Markopolos' argument. For the rest, the case was so obvious that even a child could not have missed the point.

For a start, what inference is to be drawn from the fact that, as we have already noted, Madoff was blacklisted by some of Wall Street's top securities houses – and this despite a long record of producing ostensibly some of the highest returns of any fund manager in the world?

Then there is the fact that even as Madoff's investment business ballooned, he stuck with a three-person hole-in-the-wall auditing outfit run by his elderly brother-in-law (Red Flag 17). Anyone who manages $1 million of other people's money, let alone $50 billion, finds it a useful earnest of good faith to have his books audited by an independent and preferably well-known firm. As Markopolos pointed out, Madoff's eccentric choice of auditor became an explicit issue when European bankers, acting on behalf of an Arab client, requested an independent audit. Madoff showed them the door, thereby passing up the opportunity to rake in a large chunk of cash.

The journalistic significance of Red Flag 17 is that, like many of the other lower ranked flags in the Markopolos dossier, it was easy to check out. In fact, unless Madoff chose to stonewall, it could have been instantly confirmed with a single phone call. Although in itself it did not prove very much, it strongly suggested that further inquiries would be well worth the effort.

In his aversion to normal reality checking, Madoff ran true to the classic Ponzi type. Classic, too, was his excuse. His investment methods, he explained, were proprietary, and if he let independent auditors in, he risked losing his secrets to competitors. This was, of course, balderdash. Imagine how such an excuse might play in any other field. Suppose a golfer claimed his swing was a secret, so no one except a 78-year-old relative should be permitted to witness his play and check his score. The point is absurd, and in real life we know that Tiger Woods and Phil Mickelson have no problem with lesser mortals dissecting their play. The full absurdity of Madoff's excuse is obvious when you realize that no genuinely successful investor has ever had much fear of auditors. An auditor comes in after the fact – weeks, if not months, after the balance sheet date – to confirm that assets claimed to have been held at said date were actually there. They cannot outBuffett Buffett simply by knowing what stocks Buffett held three weeks ago. Still less can they hope to reverse-engineer the financial logic behind Buffett's stock-picking. Indeed, even though Buffett has gone to some lengths to explain his techniques, remarkably few of his disciples have had much luck emulating him. Madoff's talk of a secret investment method was one of the oldest and most transparent tricks in the fraudster's repertoire – a minimally disguised version of the imaginative scam, perpetrated during the South Sea Bubble in eighteenth-century London, in which a stock promoter announced the launch of "a company for carrying on an undertaking of great advantage, but nobody to know what it is."

Of course, defenders of the press's virtue point out that Madoff was widely trusted by society figures. Certainly, he had no trouble relieving the great and the good of their wallets. Not least of his victims were such familiar names as CNN talker extraordinaire Larry King and *Dangerous Liaisons* star John Malkovich. But in common with most of Madoff's other celebrity victims, neither King nor Malkovich is a economic sage. As any Wall Streeter can tell on sight, they fit in a different category, and there's one born every minute. (It is only fair to point out that celebrities seem particularly vulnerable to Ponzi schemes. Sir Isaac Newton was among countless bigwigs taken to the cleaners in the South Sea Bubble. Ever afterward, he had the vapors any time the subject came up.)

Of more forensic interest is the fact that some financial notables got their coattails caught in Bernie's wringer. One example was Henry Kaufman, a former top Salomon Brothers executive whose pessimistic commentaries on America's economic prospects in the Carter years earned him the soubriquet Dr. Doom. Then there is the ubiquitous Mort Zuckerman, publisher of the *New York Daily News*, a man who made his pile in Boston real estate and is thus presumably sensitive to scam artists. If Madoff's Ponzi act was good enough to fool Zuckerman, surely the press has a secure alibi? Actually, no.

**Any intelligent young financial reporter should have had no difficulty understanding Markopolos' argument.**

The point is that Markopolos' dossier was not available to Zuckerman. Had it been, his money would surely have been out of the Lipstick building in a New York minute.

Most of the facts unearthed by Markopolos were truly unexpected and were accumulated only after years of dogged sleuthing. Markopolos' interest had been first piqued as far back as the 1990s, when colleagues told him of this amazing fund manager who was ostensibly using a conservative options-based hedging strategy to generate consistently superlative returns. As an options expert, Markopolos quickly determined that what Madoff was claiming was impossible (in this conclusion, he was joined by many Wall Street authorities, not least analysts at Goldman Sachs). Either Madoff was faking or he was pursuing a quite different investment strategy, in all probability a shady one, known as "front-running" (more about this in a second). At a minimum, Madoff was a liar. This conviction inspired Markopolos to dig ever deeper and sustained him through many vicissitudes. The basic problem was that a highly secretive Madoff had structured his business so that statutory disclosure obligations were risibly light. After years of piecing together information from a wide variety of mainly private sources, however, Markopolos became convinced that front-running was not the explanation. That left only one possibility: Madoff was running the biggest Ponzi scheme in history. Markopolos' 29 red flags summarized the argument. Only the most obvious action required – and, in all probability, it would have been undertaken almost immediately had the press got on the SEC's case – was that Madoff's operations be subjected to a thorough, independent audit.

Although Madoff's investors knew nothing of the 29-flag dossier, the more sophisticated of them surely never swallowed his presentation of himself as a financial magician. As the author Michael Lewis has pointed out, it is a fair bet that they always assumed he was front-running. In other words they realized he was a crook but just not in a way that threatened their wallets. To understand this line of reasoning, one must first realize that Madoff was not only a fund manager but a broker/dealer, and a big one at that. Front-running refers to the practice by brokers of exploiting privileged knowledge about future buying and selling by large financial institutions to make private profits. A typical instance might start when a broker receives a big order from an institutional investor to buy shares in, say, IBM. This is more or less guaranteed to send the price shooting up, and if the broker can nip in seconds ahead with an order for his personal account, he or she is guaranteed an almost certain, risk-free, and instantaneous profit. Front-running is pandemic on Wall Street and, as Madoff's more sophisticated investors realized, almost no one was better placed to profit from it than Madoff. Basically, they assumed he was turbocharging his fund management performance, thanks to his brokerage knowledge. Of course, in theory he might have been prosecuted but, given what a shambles American financial regulation had become, the risk was slight. In any case, as Michael Lewis has argued, his investors may have reasoned that the worst that could happen was that "a good thing would come to an end."

Up until December, the financial press had virtually never taken a serious look at Madoff. The closest it had ever got to figuring him out was in two articles published in 2001. Written respectively by Michael Ocrant of *MARHedge* magazine and Erin Arvedlund of *Barron's*, these were both legally constrained accounts of the skepticism already then rife among Madoff's competitors. The conclusion an intelligent reader would have come to was that front-running was probably the explanation (Arvedlund's article, for instance, was coyly headed, "Don't Ask, Don't Tell").

Although Markopolos had yet to surface as a potential press source, he was already way ahead. As he realized, front-running only really works where the front-runner is small in relation to the institutional orders he exploits (otherwise, he can't get out of his own way). This is where Markopolos' sleuthing paid off. He knew that although Madoff tried to pass himself off as a small player who was merely investing on behalf of a few friends and relatives (an alibi that tended to reassure the sophisticates who believed he was front-running), by 2001 the amount of new money he was pulling in was already torrential.

As Markopolos went on to document, Madoff had structured his business to make it difficult for all but the most determined investigator to fathom its true scale. In particular, he relied on a slew of so-called feeder funds to bring in most of the new money. Investors in many of these funds never knew where their money ended up.

The conclusion from all this is that up until 2005, the press bears relatively little blame for its failure to spot an arch Ponzi artist at work. Yes, even before Markopolos surfaced, a capable reporter with a little knowledge of previous Ponzi schemes could have spotted the truth, but it would have taken some luck and considerable digging.

The real disgrace is the press's treatment of Markopolos. Although we have yet to find out how many news organizations he talked to, it is already clear that the *Journal*'s behavior was inexcusable. For the record, Paul Steiger is at one with the current Dow Jones establishment in implying that the problem was nothing more than a bureaucratic snafu. In his note to *CounterPunch*, he wrote, "Mr. Markopolos' suggestion that the *Journal* would have been intimidated from pursuing Madoff, or was somehow in cahoots with him, is fantasy. The *Journal* wrote tough stories about infinitely more powerful people, such as Dick Grasso and Hank Greenberg."

Perhaps. But the fact that the *Journal* went after Grasso and Greenberg does not mean that it could not be blown off-course in other cases. The most likely explanation is surely that Madoff pulled strings. As a big donor to politicians and charities, he undoubtedly had plenty of surrogates with access to relevant journalists. Then, there is the fact that cronyism is rife both on Wall Street and in Washington. On top of all this there was the problem that the most damning aspects of Markopolos analysis would have gone over many heads at an editorial conference.

One thing is for sure: it is about time the rest of the press held the *Journal*'s feet to the fire. Why should newspapers set the bar of public accountability any lower for themselves that they do for, say, General Motors or Exxon Mobil? **CP**

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