**ECONOMICS**

***Madoff Affair* NAME \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Directions:**

* **Answer ALL SEVEN of the following questions** 
  + **If you prefer, you may answer in outline / list / bullet point form.**
  + **Furnish accurate and precise information.**
* **You may discuss the questions in small groups, but each individual must submit his/her own answers.**

1. **What is a Ponzi scheme?**
2. **What is a feeder fund?**
3. **What was the condition Mr. Madoff imposed on people marketing his investments? Why do you think he did this?**
4. **When investors received their statements, what responsibility did they have to review and understand them? What signs could they have picked up on to alert them to potential problems?**
5. **Starting in 2001, whistleblower Harry Markopolos alerted the SEC three times to the likelihood that Bernard Madoff was running a Ponzi scheme. Why do you think the SEC didn’t act on this information until 2006?**
6. **What was the final straw that uncovered the Madoff Ponzi scheme?**
7. **Ultimately, who do you think was responsible for the losses incurred by investors?**