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Madoff Private Eye Has the Action -- Now All He Needs Are the Lights and the Camera

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By Dana Milbank
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Harry Markopolos, the derivatives whiz and private investigator who uncovered the Bernie Madoff scandal, came straight from central casting: geeky, with too-big glasses and a prominent comb-over. When he spoke, it was in the vocabulary of a man who had watched a lot of detective movies.

"My Army Special Operations background trained me to build intelligence networks, collect reports from field operatives," Markopolos told a House subcommittee yesterday. He delivered findings "to the SEC without signing my name." He "made copies such that my fingerprints were never on that package. I handled it only with gloves." He offered to wear "a disguise, as I was trained to in the Army," and do undercover work for the Securities and Exchange Commission "and have no one know where I was, except my wife, and I would have no contact with my family during this time."

Why the cloak and dagger? Some of Madoff's money "came from the Russian mob and the Latin American drug cartels," Markopolos explained. "If he would have known my name and he knew that we had a team tracking him, I didn't think I was long for this world."

"How were you compensated?" asked Rep. Gary Ackerman (D-N.Y.).

"There was no compensation," Markopolos answered. "We did it for the flag, the flag of the United States of America."

Thus did Harry Markopolos of Boston establish himself as a next-generation Dirty Harry -- a derivatives industry vigilante, part Lt. Columbo, part Adrian Monk, with a dash of "Dragnet" and "Lethal Weapon" sprinkled throughout his testimony.

Markopolos's demeanor could make it easy to dismiss him as an eccentric, and the SEC apparently did, paying him no attention as he presented evidence to them for years of Madoff's Ponzi scheme. But Markopolos was right, and now he's telling his story -- yesterday, to Congress, and soon, you can bet, at a theater near you.

Markopolos recounted how he figured out Madoff was a fraud ("It took me about five minutes") and how he proved it ("I did about four hours of modeling").

The lawmakers were impressed. "I would like to just say for the record that I see you as a modern-day Greek hero," said Rep. Jackie Speier (D-Calif.).

Markopolos had a knack for blunt and colorful language befitting an action hero. He recommended that the SEC hire industry veterans who "have gray hair or no hair." He looked up at the panel's chairman, Paul Kanjorski (D-Pa.), who is gray and mostly bald. "You'd be perfect," Markopolos said.

He used detective-movie phrases, such as "There is no light and only darkness." Wall Street, he said, has a "code of silence," and Madoff now is held "under penthouse arrest."

The sleuth's choicest words were reserved for the SEC, which he assaulted with a vengeance once directed at Madoff. "I gift-wrapped and delivered the largest Ponzi scheme in history to them, and somehow they couldn't be bothered," he complained.

The SEC did a good job of making Markopolos's case for him; after he left the table, he was replaced by a panel of agency lawyers who refused to say anything about the Madoff case. But even if they had spoken, they couldn't have offered anything to compete with the thriller plot the latter-day Dirty Harry outlined.

"Mr. Madoff was already facing life in prison if he were caught, so he'd face little to no downside to removing whatever threats he felt we posed," he testified. He said he worried that the SEC was corrupt. "The New York branch chief and the team leader knew my name," he said. "And if they were corrupt, I thought I was a dead man."

Ultimately, Markopolos said, he decided the SEC was not corrupt. "I'm living proof of that," he said.

"In what regard?" Kanjorski asked. "They saved your life some way?"

"I'm still standing," the detective said. "I don't think I would have been if they had taken money to look the other way and told Mr. Madoff my identity."

Markopolos said he remains blacklisted in the financial industry. "I've crossed the Rubicon," he said. "I can never go back."

Speier tried to probe the mysterious witness by asking him how to pronounce his last name. "I answer to all," he replied.

"Not using your name, handing over documents with gloves on -- you know, that's a bit of paranoia, one might say," she observed.

"I don't consider it paranoia," Markopolos said, mentioning that Madoff was "zeroing out mobsters."

Ackerman noted that the witness had spoken "seven or eight times about a fear for your life" and asked whether that had to do with the Russian mob.

"I want to make this perfectly clear to all those Russian mobsters and Latin American drug cartels out there," Markopolos replied, evidently still concerned. "I was acting on your behalf, trying to stop him from zeroing out your accounts. I'm the good guy here. Make that clear."

"Yeah," Ackerman said. "I think we registered that."

Indeed, they had all but given him a Hollywood contract.

"Who do you want to play you in the movie?" asked Rep. Dan Maffei (D-N.Y.).

"You want somebody with hair?" Kanjorski asked.

"Not necessarily," Dirty Harry answered. "Michael Chiklis is Greek and from Massachusetts, so I think he'd be perfect."

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