Trustworthiness and Jurisdiction in the Stanford Financial Group Fraud

by

Camilo Arturo Leslie

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Doctoral Committee:

**Professor Margaret R. Somers, Co-Chair
Professor George P. Steinmetz, Co-Chair
Professor Donald J. Herzog
Associate Professor Greta R. Krippner
Associate Professor Geneviève Zubrzycki**

DEDICATION

I dedicate this dissertation to the memory of my father, Camilo Antonio Leslie, and to the love, good humor, and perseverance of my mother, Lourdes Leslie.

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This grueling, absurd, intermittently wonderful journey began a very long time ago, and I've racked up a list of debts appropriate to its duration. I arrived in Ann Arbor in the early 2000s without a plan or a clue, and promptly enrolled in a social theory course co-taught by George Steinmetz and Webb Keane. Both professors, and several graduate students enrolled in that course (Mucahit Bilici, Hiroe Saruya, John Thiels), were more welcoming than I had any right to expect, and my application to the sociology program the following year was largely in response to their generosity of spirit.

Before long, I was enrolled as both a 1L at the University of Michigan Law School and as a doctoral student in the Department of Sociology. For their many forms of support and indispensable friendship during these trying first few years, I wish to thank the entire Horwitz family (Beth, Jeremy, Larry, and Tobi); Marco Rigau and Alexandra Carbone; and Ryan Calo and Jean Brownell. Thanks too to Michael Steinberg and Sarah Zearfoss for making my transition into law school a pleasant one.

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In 2011, I was awarded a LSA/ABF/NSF Law and Social Science Dissertation and Mentoring Fellowship, which allowed me to relocate to Chicago and join the incredible intellectual community at the ABF. I cannot imagine a more convivial setting in which to have researched and written up my dissertation. I owe a huge debt to Bob Nelson and Laura Beth Nielsen for not only welcoming me to the ABF, and making my formal tenure there a thoroughly enjoyable one, but for allowing me to stay on for two additional years after it ended, providing me with office space, computing, and much needed interpersonal and intellectual continuity. Thank you!

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List of Abbreviations

ALP Antiguan Labour Party, the party of Antigua's Bird family.

BDO BDO International, a multinational accountancy, currently the world's fifth largest.

BMB Bowen, Miclette & Britt, an insurance agency and insurance brokers, which procured many of SFG's policies.

BoA Bank of Antigua, a commercial bank on Antigua, servicing locals, also owned by Allen Stanford.

BSW Breazeale, Sachse, and Wilson, an influential Louisiana-based law firm, pivotal to Stanford's success in that state.

CD Certificate of Deposit—in the U.S., a bank-insured financial instrument promising a fixed rate of return for a defined period of time.

CNV Comisión Nacionál de Valores (National Securities Commission), the old name for SUNAVAL, Venezuela's rough equivalent to the SEC.

CONATEL Comisión Nacionál de Telecomunicaciones (National Telecommunications Commission), Venezuela's telecom regulator.

DISIP Dirección de Servicios de Inteligencia Policiál (Police Intelligence Services Directorate), Venezuela's secret police.

FDIC Federal Deposit Insurance Company, the U.S.'s bank deposit insurance scheme.

FINRA Financial Industry Regulatory Authority, the U.S.'s largest "self-regulatory organization" for securities dealers.

FOGADE Fondo de Protección Sociál de los Depósitos Bancarios (Social Protection Fund for Bank Deposits), Venezuela's version of the FDIC.

GIBL Guardian International Bank, Ltd., the Montserrat- (1985-90) and then Antigua-based (1991-1994) precursor to SIBL.

GIIS Guardian International Investment Services, a group of mostly Texas and Florida-based "feeder" offices for GIBL and later SIBL; a precursor to SFIS.

IAEC Inter-American Economic Council, a "policy"-oriented non-profit, entirely funded by Allen Stanford for the purpose of gaining access to politicians.

IRA Individual Retirement Account.

KPMG One of the so-called "Big Four" auditing companies.

OFCs Offshore Financial Centers, a capacious term that includes not only tax havens but also full-service banking centers, catering to non-residents.

OFI Louisiana Office of Financial Institutions, that state's financial regulator.

SBV Stanford Bank Venezuela, the group's commercial bank in Venezuela, founded in 2004.

SEC Securities and Exchange Commission, the U.S.'s largest federal financial regulatory body.

SFG Stanford Financial Group, the label used to refer to the full complement of Stanford-owned companies. SFG, however, was not itself a firm but merely a registered trademark.

SFIS Stanford Fiduciary Investors Services, the Miami-, Houston-, and San Antonio-based representative offices of SIBL, used to sell its CDs to (mostly) non-resident Latin Americans.

SGC Stanford Group Company, Stanford's U.S.-based stock brokerage and investment adviser, primary purveyor of CDs to U.S. clients.

SGVAI Stanford Group Venezuela Asesores de Inversión, Stanford's Venezuelan brokerage, through which most Venezuelans bought SIBL CDs.

SIBL Stanford International Bank, Ltd., the offshore CD-issuing Antiguan "bank" at the heart of this story.

SIPC Securities Investor Protection Corporation, a congressionally-created, industry-funded insurance scheme, ostensibly for the protection of U.S. stock brokerage customers.

SENIAT Servicio Nacionál Integrado de Administración Aduanera y Tributaria (National Integrated Service for Customs and Tax Administration), the Venezuelan revenue service, roughly equivalent to the United States' IRS.

STC Stanford Trust Company, the Louisiana-based trust company, bought by Stanford in 1998, that invested U.S. clients' IRA funds into SIBL CDs.

STCL Stanford Trust Company, Ltd., Stanford's Antigua-based trust company, a kind of corporate antechamber to SIBL.

SUDEBAN Superintendencia de las Instituciones del Sector Bancario (Superintendency of Banking Sector Institutions), Venezuela's primary bank regulator.

SUNAVAL Superintendencia Nacional de Valores (National Securities Superintendency), the successor to the CNV and Venezuela's version of the SEC.

TDB Texas Department of Banking, that state's primary bank regulator.

TSJ Tribunál Supremo de Justicia, Venezuela's Supreme Court,

TSSB Texas State Securities Board, that state's securities regulator.

CHAPTER 1

INTRODUCTION

On February 17, 2009, more than 20,000 investors around the world received terrible news. That morning, U.S. Marshals and SEC officials had raided the offices of the Stanford Financial Group, a financial services conglomerate to which those investors had entrusted their savings. Barely two months after the collapse of Bernard Madoff's wealth management firm, Stanford stood accused of a Ponzi scheme involving the theft of $7.2 billion of depositor funds.[1] Stanford's fraud consisted in the sale of high-yield "certificates of deposit," or CDs, issued by its offshore bank, Stanford International Bank, Ltd. (SIBL), on the Caribbean island of Antigua. Investors had been told the CDs were backed by a "globally diversified portfolio" of highly liquid securities.[2] In fact, their deposits had been used to pay out previous customers, to keep the business empire running, and to fund both the profligate lifestyle and the numerous, often bizarre business ventures of the Group's eponymous founder, Robert Allen Stanford.

During its 23-year run, Stanford courted a mostly Latin American and U.S.-based clientele. My research centers on its dealings with U.S. and Venezuelan depositors, its two largest investor groups, in terms of both population and dollar losses. The firm hid the truth from

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[1] *SEC. v. Stanford International Bank, Ltd. et al.* [henceforth: *SEC v. SIBL*] - *Second Amended Complaint,* 6-19-2009. This $7.2 billion figure contains roughly $1.3 billion in fictitious interest and roughly $400 million in cash and liquid assets in Stanford's coffers at the moment of implosion—hence variations in popular descriptions of the case.

[2] *USA v. Robert Allen Stanford - Trial Transcript* [henceforth: RAS], pp. 1025-6, 1049-50.

investors behind a jurisdictionally complex corporate structure, luxuriously appointed offices, high-gloss marketing materials, the endorsements of celebrities and politicians, a stable of established investment advisors poached from other firms, and an insular company culture (Burrough 2009; Elfrink 2009). In both countries, Stanford also nurtured a shallow but broad reference network, in which clients would recommend the firm to friends and family, as well as affinity networks centered around various axes of identity (e.g., Venezuelan Jews, oil sector workers, retirement community residents, and mega-church attendees). However, despite the firm's efforts, signs of its wrongdoing were abundant—hiding somehow in plain sight. From the beginning, a staggering number of regulatory and law enforcement agencies took notice of Stanford, and whispers that the CD program might be a Ponzi scheme circulated as early as 1997. Particularly in the U.S., both state and federal court filings teemed with signs of Stanford's malfeasance. From early on, the firm's own employees harbored, and sometimes voiced, suspicions about Stanford International Bank, Ltd. (SIBL). What is more, major news outlets published damning pieces about SIBL, its CDs' high interest rates, Stanford's corrupting influence on lawmakers and regulators, and multiple scandals in which the bank was involved. Prominent banking and insurance firms with which Stanford did business expressed serious misgivings about the company. And finally, investors themselves suffered nagging doubts about the firm's probity. How, in the midst of such worrisome clues, did so many investors entrust their material well-being to the firm? This is the puzzle that motivates this dissertation.

The topic of "trust" has come to occupy ever broader swaths of sociology and political science, especially since the 1970s. Although varied and wide-ranging, such scholarship generally poses the same basic question: "what causes trust?" However, as our answers grow out of the questions we ask, this project poses a slightly different one. Rather than inquire "why did

Stanford's clients trust the firm?," I ask "how and from whom did Stanford gain the advantage of being deemed *trustworthy*?" Stated more conceptually, the dissertation shifts our focus away from "trust" and toward the explication of "trustworthiness." The "trustworthiness" of a given social actor, I submit, does not describe an inner property or the true "character" of that actor. Neither is it an attribute that trustors impute to, or discern in a trustee. It is, instead, an emergent social effect—a construction of multiple actors working together, if unwittingly—that attaches to that trustee. I define the "trustworthiness" of a given trustee as: *the balance of worth claims in circulation regarding the ability and the normative posture of that actor in matters relevant to a class of actual or potential trustors.*

Given this definition—and, as evidenced by the Stanford firm—a trustee may display trustworthiness without being, in the usual normative sense, "worthy" of trust. Reimagining trust as entailing the construction of trustworthiness broadens and sharpens our analytical vision. Moreover, by defining trustworthiness as the totality of evaluative statements about a given trustee—i.e., the "balance of worth claims"— circulating in a specific social space, the analyst is compelled to account for the particular composition of positive and negative statements in circulation. Where possible, this involves reconstructing why particular claims were formulated or not, circulated or not, and lent credence or not. Almost inevitably, this will reveal the involvement of actors outside the trustor-trustee pair. Individual psychology and dyadic exchange thus no longer mark the bounds of our analyses. Rather, trustworthiness situates those elements within a temporally and relationally broader analytical terrain. As such, the concept unites insights concerning the informational and cognitive bases of trust with more structural accounts' attention to time and the role of third-party actors and institutions. What results, I aim to demonstrate, is a more processual, relational analysis, in which trust emerges not only from the trustee's and trustor's actions but also from various other actors working within, and constituting, a dynamic interactional space. More concretely, it suggests too that the credit—or blame—for the instantiation of trust relationships extends to such third parties.

The rest of this introduction proceeds as follows. First, I provide needed background to the Stanford case, paying particular attention to the many kinds of damning information—or "negative worth claims"—that circulated about the firm, even in its years of greatest growth. In doing so, I challenge popular understandings of the scheme that would make an absence of information or an abundance of cunning the "answer" to the question of what made the Stanford scheme possible. I review existing approaches that would use concepts such as "legitimacy," "reputation," and both micro- and macro-structural conceptualizations of "trust" to explain the Stanford phenomenon, acknowledging both their insights and their limitations. I then turn to the dissertation's central concept, "trustworthiness," and explain at length the "jurisdictional" logic that governs it. Though clearly related and indebted to the preceding approaches, my approach, grounded in the concepts of "trustworthiness" and "jurisdiction," compels us to ask different kinds of questions *and* to ask them of a different collection of actors. The concepts, I argue, provide the framework necessary to understand how *so much* suspicion and doubt could, in fact, surround Stanford yet still fail to have a deterrent effect. Finally, I describe the dissertation's data and methodology, then provide a brief preview of the chapters to come.

Stanford Financial Group: Hiding in Plain Sight

In 1986, R. Allen Stanford, a recently bankrupt fitness club owner from Mexia, Texas, founded an offshore bank on the Caribbean island of Montserrat.[3] Four years later, under

[3] Except where supplemented with other specified sources, the following case history draws from Burrough (2009) and *Ralph Janvey, the Official Stanford Investor Committee Case, et. al v. Greenberg Traurig ,LLP, et.al - Plaintiffs' Original Complaint* [henceforth, *Greenberg*].

pressure from regulators, he moved the firm to Antigua & Barbuda (henceforth, Antigua), where he would rename it Stanford International Bank, Ltd. (SIBL) (Hetherington 1991a, 1991b). During that time, he began peddling his signature product, a self-styled certificate of deposit, or CD, issued by the bank. For a decade, Stanford targeted well-to-do Latin Americans, promising them discretion, attractive interest rates, and the refuge of dollar-denominated accounts (Goldstein 2009; Hetherington 1991b). In 1995, with his eyes on the U.S. market, he founded Stanford Group Company (SGC), a federally- and state-regulated "broker dealer," headquartered in Houston, with offices throughout the U.S. South and beyond. At first the firm offered the usual gamut of investment advisory and brokerage services, until 1999, when it started selling the offshore CDs to U.S. investors under an SEC "Regulation D" exemption. The principal pieces of the Stanford Financial Group were now in place.

The firm's final decade (1999–2009) was marked by aggressive expansion and a flood of new depositors. Its stateside efforts were a startling success due to Stanford's zealous recruitment of established investment advisors, robust public relations efforts, and the legal-regulatory imprimatur that the U.S. brokerage lent the offshore CDs. A review of SEC Regulation D filings for SIBL illustrates the firm's alarming growth in its last decade.[4] An early 2002 filing boasts sales of $37 million to U.S. customers, with projected sales of $150 million, whereas the firm's final filing in 2007 shows sales of nearly $900 million, with a projected offering of $2 billion. At its implosion, the firm owed its U.S. CD-holders roughly $1.5 billion in principal. The firm's international sales grew apace. During an especially frenzied stretch in early 2006, SIBL's

[4] See SEC Regulation D filings, under "Stanford International Bank, Ltd. Certificate of Deposit Program (for U.S. Accredited Investors only)": 01-29-2002, 03-01-2004, 11-26-2004, 11-20-2007; see also Stanford Victims Coalition (2013).

overall deposits swelled from $3.76 billion to $4.04 billion, an average daily theft of over $3 million.[5]

In 2008, the financial crisis prompted $2 billion in CD redemptions[6], forcing the firm to sell its liquid holdings and redouble its sales efforts. That summer, the years-old murmur about the firm among regulators, law enforcement personnel, and journalists became a roar. The collapse of Bernard Madoff's securities firm in late 2008 amplified it. On February 17, 2009, federal marshals and SEC officials set upon SGC's Houston headquarters and placed the firm in receivership. Securities and banking regulators across Latin America followed suit, freezing Stanford's brokerage activities and barring withdrawals at its commercial banks. As of 2014, Allen Stanford and four of his five named co-conspirators have been convicted for their roles in the fraud. Stanford is serving a 112-year sentence at a federal prison in Florida.

The Stanford Financial Group was comprised of over 100 separate entities, but its business revolved almost entirely around the sale of SIBL's CDs. In one crucial sense, it was a classic Ponzi scheme: the firm was insolvent from inception, dependent on new depositors to pay off earlier ones (KVT Declaration, pp. 4–11; RAS Tx., pp. 2786–89). However—and notwithstanding Allen Stanford's theft of hundreds of millions of dollars for his personal use—the firm did in fact make investments. Its fraudulent nature lay in the fact that only a sliver of customer deposits (<10%) were ever invested in the manner represented to clients (KVT Declaration, p. 10). Most of the rest was spent on overhead—upwards of $30 million per month toward the end—and on highly speculative private equity and real estate deals (*Greenberg*, pp. 119–26). Moreover, customers were misled to believe that their deposits were protected by a latticework of public and private insurance and oversight. Thus, rather than investing in actual

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[5] Stanford Financial Group, Internal Audit of Stanford International Bank, Ltd. for 1st Quarter of 2006, in *In Re Stanford International Bank, Ltd., Debtor in a Foreign Proceeding*.

[6] "Declaration of Karyn Van Tassel," [henceforth: KVT Declaration] in *Ralph Janvey v. James R. Alguire, et.al.*

bank CDs—the iconic low-risk financial instrument—the late-career professionals, retirees, and widows that made up Stanford's customer base were propping up a shoddily-run hedge fund and its founder's dissolute lifestyle. That Stanford could steal untold billions over a 23-year period appears all the more astounding when one considers the maelstrom of damning claims that circulated about the firm, essentially from its founding. I describe how various groups contributed to these negative worth claims in the sections that follow.

Financial Regulators and Criminal Inquiries

From its early days in Montserrat, the bank drew skeptical looks from of a bevy of regulators. In 1987 Stanford established "unlicensed 'feeder' sales offices" in Texas, Florida, and California, at which Latin Americans visiting from abroad could buy the offshore CDs (*Greenberg*, p. 22). This prompted both the Texas Department of Banking and the U.S. Office of the Comptroller of the Currency (OCC) to investigate and shut down the bank's U.S. satellites (*Greenberg*, p. 22; Tex. Dept. Banking 1990, 1991). Suspecting Stanford of money laundering, Montserratian authorities revoked Allen Stanford's banking licenses in late 1990, forcing his move to Antigua (*Greenberg*, pp. 23–24; Montserrat Min. of Fin. 1990, 1991).

For much of the decade, regulatory interest in Stanford simmered. But in 1997, the Securities and Exchange Commission's (SEC) Fort Worth office took notice of CD sales at Stanford's new Houston-based brokerage, discerning in these a probable Ponzi scheme.[7] Fort Worth SEC officials would conduct similar investigations in 1998, 2002, and 2004, each time reaching the same damning conclusion. In 2005, they even mailed questionnaires to hundreds of Stanford investors concerning their investments (SEC OIG, pp. 29–85). Overlapping in part, the

[7] Securities and Exchange Commission, Office of Inspector General, "Investigation of the SEC's Response to Concerns Regarding Robert Allen Stanford's Alleged Ponzi Scheme," Case No.OIG-526 [henceforth: SEC-OIG], released 03-31-2010.

Dallas office of the Financial Industry Regulatory Authority (FINRA), a private body with oversight of most U.S.-based securities brokers, conducted four investigations from 2003 to 2007, which from the start painted a portrait of fraud.[8] Moreover, throughout that period, the SEC and FINRA were in steady contact regarding Stanford, holding numerous meetings and sharing findings with one another and other agencies (FINRA SRC; SEC-OIG)[9]. Thus, from at least the late 1990s, the consensus view among financial and banking regulators was that Stanford's CD sales constituted a fraud. They were hardly alone.

Law enforcement personnel suspected Stanford of money laundering almost from the moment the bank started taking deposits. In 1989 the FBI and Scotland Yard jointly investigated its role in laundering proceeds for the Cali and Medellín drug cartels, eventually contributing to Stanford's ouster from Montserrat (*Greenberg*, pp. 23, 38).[10] One well-publicized case in the late '90s saw Stanford forced to surrender $3 million to the DEA from accounts belonging to Amado Carrillo Fuentes' Juarez drug cartel (Allen 1998; Fineman 1999).[11] Awareness of Stanford's shady dealings extended to other sectors of government, with the bank's host country receiving especially barbed criticism. From the mid-90s to the early 2000s, several federal agency reports designated Antigua a money laundering hub. More importantly, they made thinly-veiled references to Allen Stanford's role in worsening the island's anti-money laundering and bank

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[8] FINRA, "Report of the 2009 Special Review Committee on FINRA's Examination Program in Light of the Stanford and Madoff Schemes" [henceforth FINRA SRC].

[9] Among the latter, the Texas State Securities Board (TSSB) was a key participant, suspecting Stanford of fraud as early as 1995 (FINRA SRC, p.19; SEC-OIG, pp. 57-60), but the New York Stock Exchange (NYSE), the U.S. Postal Inspector, and the Federal Reserve were also parties to the conversation (FINRA SRC, p.29; *Greenberg*, pp.134-5; SEC-OIG, pp. 35,60-3). Finally, Louisiana's Office of Financial Institutions (OFI) and Florida's Office of Financial Regulation (OFR) conducted their own investigations of Stanford between 2006 and 2008 (*Greenberg*, pp.128-34; see also: *Lillie et al.. v. Stanford Trust Company et al*.

[10] The FBI, DEA, U.S. Customs, and even Allen Stanford's hometown police department would press the issue in subsequent years (*Greenberg*, pp. 23, 37-8, 49).

[11] See also *U.S.A. v. $3 Million in SIBL Accounts of Zepeda and Gallardo*, Complaint for Forfeiture In Rem.

secrecy laws.[12] Even the U.S. Congress had its say, investigating a $50 million hospital construction boondoggle, financed by Stanford, which featured rampant bribery of Antiguan officials (*Greenberg*, pp. 41–42). Finally, U.S. ambassadors in the Caribbean were loath to be seen with Allen Stanford, well apprised of his bank's toxicity (*Greenberg*, pp. 55–56; Wikileaks 05-03-2006). Thus, among law enforcement personnel, and sundry other state actors, Stanford's malfeasance and dubious connections were the most open of secrets.

Court Records and 'Whistle-Blowers'

Unsurprisingly, the firm's activities and its founder's litigiousness left troubling traces in the public record, notably in court and arbitration filings. Some of these are ugly but ordinary in the securities context.[13] Others pointed ominously to Allen Stanford's personal financial fecklessness.[14] Worse yet, rackets and scandal often seemed to find the bank.[15] I've mentioned one such episode, involving Stanford's disgorgement of drug cartel profits. Following the criminal proceedings, two cartel bagmen separately sued SIBL for its forfeiture of their accounts.[16] Another case involved a Miami-based Ponzi scheme by, and targeting, Venezuelan expatriates. Known as "La Vuelta," the scheme was notorious in Venezuela (González and

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[12] See, e.g., U.S. General Accounting Office (GAO) (1996) "U.S. Interdiction Efforts in the Caribbean Decline"; U.S. Dept. of Treasury (1999) "FinCEN Advisory"; U.S. State Dept. 1993, 2000; "International Narcotics Control Strategy Report (INCSR)."

[13] See, for example, suits by ex-employees alleging gender-based terminations (*Alban v. Stanford Financial Group Company*; *Bohorquez v. Stanford Financial Group Company*) and claims against brokers for fleecing older customers (*Guynes v. Stanford Group Company; Shave v. Stanford Coin & Bullion*;)

[14] Most worrying to prospective clients would have been Allen Stanford's bankruptcy filings from the early 1980s (*Greenberg*, pp. 19, 83 n.28) and a pair of IRS proceedings: in 1997, a half-million dollar underpayment suit (*Stanford v. Commissioner*) and, a decade later, a tax lien against Stanford and his wife for $104 million (IRS Tax Lien).

[15] Lesser known examples include the Oklahoma doctor who conspired with pharmacists to illegally peddle hydrocodone (*U.S.A. v. Nelson*) and a multi-state plot to defraud Eastman Kodak of $14 million through bogus tax assessments (*Kodak v. Camarata*). Both frauds' authors sought refuge in offshore Stanford accounts.

[16] *Kadir Overseas, Ltd., and Jorge Gallardo v. Stanford International Bank, Ltd. et al.* and *Zepeda Mendez v. Stanford International Bank, Ltd. et al.*

Jiménez 2005). In the U.S., Stanford's links to it came to light when the scam's victims sued SIBL for helping the fraudsters store their stolen gains.[17]

However, it was Stanford's own legal pugilism that often caused damaging stories to be preserved in dispute records. So it was that a long line of "whistle-blowers," of varying grades of credibility, had their grievances aired. For instance, when Stanford fired its brokers, it would frequently follow the move with a claim in FINRA Dispute Resolution, the regulator's massive arbitration forum. Sued by Stanford for the return of their "signing bonus," brokers would often strike back with allegations of fraud. FINRA's public records are cryptic in this regard (e.g., NASD Cases No.: 02-01758; 03-04250, 07-03093), but at least one refers unequivocally to Stanford as "a Ponzi scheme to defraud its clients" (NASD Case No. 03-02025, p.2). Four suits in state courts follow a similar arc, with spurned employees alluding to fraud at the Stanford-owned Bank of Antigua, SIBL, and SGC, with one explicitly calling Stanford a "Ponzi scheme."[18] Finally, although Stanford left few marks in Venezuelan court records, a bitter row between Allen Stanford and his head of Venezuelan operations was a spectacular, drawn-out exception, featuring mutual accusations of fraud and involving the highest levels of government Burrough 2009; CREW 2013). In short, the "space" of public legal text was awash in negative claims about Stanford. This was doubly true of print media.

The Media

Stanford was plagued by bad press for most of its corporate life. At first it was indirect, a kind of guilt by geographical association, as both Montserrat and Antigua were known for harboring dodgy activities (Muir 1984; Coram 1993). In 1991, however, a British journalist fired a direct shot, mocking Stanford's business model—hawking offshore CDs from outposts in the

[17] *Guizzetti and Rojas v. Manzano, et. al.* See also: Marchant (2005)
[18] See, e.g., cases: *Errol William; Goldberg and Doerr*; *De Maria*; and *Tidwell and Rawl.*

U.S.—as a jurisdictional bait-and-switch (Hetherington 1991a, 1991b). By the mid-1990s, the Antiguan press soured on the firm. A construction loan from Stanford to Antigua's government prompted journalists there to ask whether the deal was backed not by Stanford's Bank of Antigua, as claimed, but rather by SIBL—intimating that Stanford had handed its hosts $40 million in CD depositors' money (*Greenberg*, pp. 41–48). From then on, local newspapers and activists would scrutinize Stanford's links with Antigua's ruling clan, the Birds, repeatedly condemning the bribery and graft that sustained their relationship (*Stanford v. Emmanuel*; *Greenberg*, pp. 79–80, 89–90). It was not long before the U.S. press noticed Stanford's outsized influence in that country. Following a rash of stories about Russian mafia banks on the island (e.g., Davison 1996; Katz 1997; Rohter 1997), Prime Minister Lester Bird formed two committees tasked with cleaning up its banking sector and revamping its laws. Bird not only appointed Allen Stanford to each, but allowed Stanford to pick their other members (*Greenberg*, pp. 52–55). U.S. authorities were predictably unamused at the resulting "reforms" (FinCEN 1999), which included the formation of a new financial regulatory body—with Allen Stanford as its head. Major U.S. newspapers responded with damning accounts of Stanford's regulatory meddling, and penchant for gift-giving, in Antigua (Allen 1999; Farah 1999).

The Mexican drug money forfeiture case won Stanford more unwelcome coverage (e.g., Allen 1998; Fineman 1999). Meanwhile, stories about Stanford's corrupting influence in Antigua grew in number (Fritsch 2002; Dow Jones Newswire 2003). In Venezuela, Stanford employees were implicated in a multi-million dollar theft of tax revenue, an episode that darkened for Stanford when its local chief denounced its CD sales as a Ponzi scheme. Ensuing litigation would last several years, receiving extensive press coverage (e.g., Lopez 2008). In the U.S., Stanford enjoyed several years of quiet, save for a pair of reports about its founder's deceitful habit of claiming shared lineage with the founders of Stanford University (Forsythe and Fitzgerald 2006; Wykes 2006). In mid-2008, however, Bloomberg News reported on an SEC investigation into Stanford's CD sales, quoting a pair of ex-employees regarding the firm's fraudulent practices. In the time between that report, in July of 2008, and the firm's implosion, next February, Stanford would sell upwards of $100 million in new CDs. Finally, in November of that year, a mysterious raid on Stanford's Venezuelan offices by that country's military intelligence was covered by the British, U.S., and Venezuelan press.

The Stanford fraud: a challenge to theory

As the preceding discussion shows, Stanford was able to perpetrate its fraud, and attract tens of thousands of investors over its 23 year life, despite the significant variety and number of authoritative negative claims that were produced and circulated regarding its activities. Put differently, the firm's trustors, its clients, met with an overwhelmingly positive picture of the firm. However, as subsequent chapters demonstrate, this was hardly all the firm's doing. Rather, Stanford's trustworthy appearance was a collaboratively produced effect, involving not only the firm and its clients, but a wide variety of institutional actors. In the following pages I consider the strengths and weaknesses of existing theoretical frameworks for understanding such a case. As this work revolves around a novel conceptualization of "trustworthiness," I begin by looking at two close cousins of that concept, legitimacy and reputation. I then turn to existing micro- and macro-structural approaches to trust, noting in each case how they have informed my thinking and how my concept of trustworthiness combines their relative strengths

Theoretical And Methodological Background

Organizational Legitimacy

Since the 1970s, the scholarship on organizational legitimacy has been a key site for the analytical coupling of organizational outcomes with processes of collective judgment or evaluation (Bitektine 2011; Deephouse and Suchman 2008). Scholars generally define the concept as the acceptance of an organization's activities by its "social system," indicating a normative congruence between them (e.g., Dowling and Pfeffer 1975, p. 122; Meyer and Scott 1983, p. 201; Suchman 1995, p. 574).[19] Over time, legitimacy scholars' rendering of the "social system" has gained in nuance, identifying a greater variety of "stakeholders"—e.g., customers, peers, support firms, regulators—positioned to grant or deny organizations specific kinds of legitimacy. This focus on collective evaluation, issued from multiple audiences, thus gives legitimacy a broad-brush resemblance to the account of trustworthiness offered here. It also offers useful general principles.

For example, it is axiomatic to legitimacy scholars that positive—or, at least *not negative*—external evaluation is crucial to an organization's survival. Thus, by default, it presents firm perdurance as a phenomenon in need of explaining. This informs my approach to trustworthiness, according to which trust relationships of long standing should prompt the analyst to question what had to happen—and not happen—for that relationship to persist. I have also emulated legitimacy scholars' general concern with signaling and information. In my account, evaluative statements, or what I call "worth claims," not only are the bricks that make

[19] This definition, however, belies the complexity of this scholarship, where various two-, three-, and even 12-part typologies (e.g., Bitektine 2011; Suchman 1995) vie to categorize different modes of legitimacy, and the various constituents to whom firms must appear legitimate. See, for instance, Suchman's scheme of *pragmatic*, *moral*, and *cognitive* legitimacy (1995); Scott's *regulative*, *normative*, and *cognitive* legitimacy (1995); and various scholars' comparison of *cognitive* and *evaluative* legitimacy (e.g., Aldrich and Fiol 2004; Archibald 2004; Golant and Sillince 2007).

up a given social actor's trustworthiness but are the concrete phenomena that permit one to reconstruct the web of relationships pertinent to that outcome. Lastly, and relatedly, legitimacy scholarship has amply demonstrated the analytical benefits of situating firms within specific institutional settings. As will become apparent, the concrete specification of Stanford's institutional setting and interactants forms the bedrock of the approach taken here.

A closer look, however, reveals that "legitimacy" is less than ideal for unwinding a case like Stanford's. To begin with, that scholarship almost invariably assumes that firms strive toward actual, and not just apparent, legitimacy. The use of "legitimate" means for "illegitimate" ends, mimicry, and deception—long thematized in information economics, impression management theories, and trust scholarship—remain at best fringe topics in legitimacy scholarship (cf. Elsbach 2004; Elsbach and Sutton 1992). Related to this are the dual problems of risk and information. To the small degree that uncertainty and risk are even addressed, it is the risks that a protagonist organization faces by falling out of normative alignment with its host society. Although legitimacy scholars often discuss firms' links with an array of evaluators, the risks to those *other actors* of transacting with a firm are rarely considered. This leads us to the role of information in the scholarship. Determinations of legitimacy both respond to and consist of information. An organization receives cues from its environment, responds with signs of compliance, and comes in for a new round of evaluation. And yet in legitimacy theory, these processes are largely presumed to proceed from good information. That such communication is fraught with contingency and peril—e.g., from the muddling, misrepresentation, or obfuscation of fact—rarely intrudes upon the analysis.

The particular model of evaluation posited by legitimacy presents more problems. First, as critics of that scholarship's "ecological" bent have hinted, there is a tendency for a firm's evaluators to appear not as a dynamic grouping of individuals but as a faceless, undifferentiated "environment." But, even when divided according to the mode of legitimacy they impose, they are nevertheless presented as conferring it more or less unilaterally. Legitimacy, in other words, is something that an audience grants when an organization meets its expectations. However, a central claim of this dissertation is that Stanford's clients—the "stakeholders" with most to lose and with whom we're most concerned—cannot be said to have imputed or conferred trustworthiness on that company. Rather Stanford's "trustworthiness" was a collectively produced effect, the bulk of whose construction predated most clients' interactions with the firm. What is more, even a legitimacy scholar attempting to think outside the firm-client dyad would tend to approach the case by asking "how did Stanford stay in good standing, for so long, with each of its constituents?" The answer, of course, is that it didn't. That various of Stanford's "publics" actually assessed the firm negatively, for years on end, with little of that negativity ever reaching clients is precisely why we need an approach that examines the traffic of information among and within these various actors. Yet, "legitimacy" would tend to look at the firm's relationship with each of these actors one at a time, as discrete dyadic pairs, in a kind of "hub and spoke" approach. Finally, it may be the case that legitimacy's influences—a mix of phenomenological, Parsonian, and Durkheimian thought (Dobbin 2009; Ruef and Scott 1998; Deephouse and Suchman 2008)—orient it at too high a vantage point to be effective in a case like this. Its principle point of reference—that of a collectively woven normative fabric, with which firms' behaviors either match or don't—is an awkward and static setup from which to identify and analyze a field of interacting parts. For one actor to appear trustworthy to another, I argue, some very concrete things need to (or not) happen. Compared with legitimacy, the eliciting of trust is, for lack of a better term, a much more *specific* phenomenon. I turn now to theories of reputation which gesture promisingly toward such specificity.

Reputation

Both as a colloquial and theoretical idea, reputation is a closer cousin to trustworthiness. Much of reputation theory originates in studies of organizational reputation, mostly by management scholars, and in a smaller trove of sociological research. Reputation scholars take a social actor's appearance to be a vital aspect of its being and agency, and as a product of collective processes. In addition, "reputation" is an inherently temporal, relational construct that moves us to ponder how information circulates. In management scholarship, early works frame reputation as an "intangible asset" of organizations, with many stressing the role of signaling in its creation (Feldman and March 1981; Fombrun and Shanley 1990; Rao 1994; Rindova and Fombrun 1999; Weigelt and Camerer 1988). Whereas "legitimacy" denotes the degree of congruence with an abstract standard—and thus, a static state—the depiction of reputation as an asset situates it within circuits of exchange and competition. Moreover, in adopting information economics' idiom of "signaling" (and implicitly the themes of mimicry and deception) reputation scholars problematize information.

Nevertheless, management scholars construe "reputation" very narrowly, as the rank ordering of organizations relative to their peers (e.g., Deephouse and Suchman 2008; Fombrun 1996; Rao 1994). Certainly, some trace a firm's rank to the sum total of judgments levied by its various "publics," thus gesturing toward the sort of kinetic, multi-party account advocated here (e.g., Fombrun and Shanley 1990; Fombrun and Van Riel 1997; Rindova and Fombrun 1999). Like legitimacy, however, these tend to address a firm's relationship with its "others" one at a time, as dyadic pairs, in the same hub-and-spoke fashion. The communication that transpires among or within such third-party actors—for instance, among and within regulatory bodies, in the Stanford case—thus receives less attention than it might.

For its part, the sociology of reputation focuses more on cultural objects and natural persons, tracing the institutional supports that help their reputations take root. The closing of Becker's *Art Worlds* (1982), the genre's high-water mark, sketches the outline of a dynamic, processual study of the topic.[20] His contention that the entire institutional ecology that allows art works to be produced also, by definition, helps produce artists' and artworks' reputations influences my approach to trustworthiness. Later works, however, turned to the study of "historical reputation" (e.g., Lang and Lang 1988; Fine 2001), a perspective that, while insightful, hews closer to theories of collective memory and celebrity, and tends to vacate the agency of the actual "reputee".[21] Laudably, such works acknowledge that there is a politics and process to reputation-making involving varied institutional actors, but these insights are neither fleshed-out nor systematized.[22]

It is useful here to consider some more basic features of reputation that set it apart from trustworthiness. First, like legitimacy, reputation implies a certain degree of social aggregation,

[20] Becker's book also dismantles what he calls the "lay theory of reputation." He notes that, like trust, reputation is a resource for tempering uncertainty. However, he hints, its deeper power lies in its capacity to mask its origins. As a collective evaluation built atop extensive material and practical supports, reputation is indelibly social. And yet, we act *as if* it reflects a reputee's true character. Just by relying on it, we partake of, and performatively reinforce, its individualizing epistemology. What is more, we often go the extra step of misrecognizing this communal verdict as our own. Such behavior, in the aggregate, sustains the lay theory of reputation, a faith that whatever acclaim or opprobrium a person attracts merely indexes their genuine abilities or moral standing.

[21] The works of Fine and collaborators are the engine of this effort (e.g., Barker-Nunn and Fine 1998; Fine 1996; Fine 2001). Their accounts typically pit rival groups against each other to show how the efforts of competing "reputational entrepreneurs" determine the social standing and commemoration of a given reputee: usually someone linked to one or the other faction. These and consonant works (e.g., Lang and Lang 1990) usually seek to explain why particular historical figures or objects are loved or disparaged today. However, even *living* reputees in these stories have little agency, functioning more as symbols to which the warring parties strive to give a positive or negative valence. Given my aims—to demonstrate how an actor's social being is constituted partly in interaction with her (or its) contemporaries—this approach is less pertinent than it might at first appear.

[22] See e.g, Fine's invocation of "institutional base" (Fine 1996:1182,1186), "political and social structure" (Barker-Nunn and Fine 1998:97), "structural constraints" (Bromberg and Fine 2002:1135), "interactional arenas" (Sauder and Fine 2008:700). They make clear that having loud advocates and propitious circumstances matter to the creation of good or lasting reputations, but these arguments are not developed further.

that is, a tacit minimum number of actors that need be involved for the term even to apply. Moreover, such actors are usually depicted as existing in a space of mutual regard (e.g., where actors A through E have some inkling, however mediated, of each other's feelings regarding actor F, whose reputation is in play). Imagine that a new tenant has moved in next door, and that, on a whim, you have looked up the person online. Even if your search yields nothing negative (or nothing at all), it would be odd for you to make any pronouncements regarding her "reputation" based on this. Even if a mutual acquaintance were to weigh in on the neighbor, this would probably not meet the tacit threshold for a reputation. This point is illustrated in the experience of using online reputation sites such as yelp.com. In deciding where to dine in an unfamiliar city, given the choice between a restaurant with a 5-star average but only two reviews and another with a 4.5-star score based on 400 write-ups, most people would opt for the latter. Not only might one wonder whether the former restaurant's high or low rating was based on biased reviewers (e.g., family members or competitors), but we might also doubt its epistemic value *as a reputation* solely on the basis of those small numbers. By contrast, the view of "trustworthiness" I advance is not definitionally dependent on the trustee's having achieved a particular level of social visibility. The institutional approach I take to the Stanford case could apply with equal force to explain why one might perceive a neighbor to be trustworthy even though they appear to lack a "reputation."

A second key difference: although it often does involve questions of risk, risk is not among reputation's defining traits. Of course, we often take recourse in another's reputation as a way to manage the risk of transacting with them. However, trustworthiness is but one of countless traits one can be reputed to have (e.g., a piano teacher could have a reputation for kindness or gruffness, with no bearing on "risk"). The management literature's depiction of reputation as rank supports this point. It would be strange to claim, for example, that a prospective law student deciding between two closely ranked schools is primarily (or even at all) concerned with managing the *risk* those schools pose to her. Rather, their reputations allow her to decide between competing goods (well…let's pretend). This disjuncture between reputation and risk is even more evident in the works of Fine and collaborators, where what is at issue is not any risk faced by the reputee *or* her transactants, but rather the survival and valence of the reputation itself.

Reputation also implies a certain horizontality of assessment. Again, Yelp aggregates the opinions of regular restaurant-goers; it does not blend them with those of professional food critics, a restaurant's creditors, health inspectors, and kitchen staff. This issue of horizontality is also illustrated by another online reputation site, the movie review aggregator rottentomatoes.com. On that site, users are shown two distinct ratings: the percentage of professional film critics and the percentage of ordinary movie-goers who liked a given film. It is up to the site's users to choose which reference group's collective judgment they value more. In each case, however, that judgment is produced by a set of actors arrayed horizontally with respect to one another (i.e., the community of experts or the laity). This seems typical of how we think about reputation generally. By contrast, since the risk trustors face makes relevant the opinions of a more diverse mix of actors, "trustworthiness" assumes that such actors may be related both horizontally *and* vertically.[23] And indeed, as the Stanford case shows, the range of actors making authoritative claims about the firm included clients themselves, investment experts, the press, regulators, and even high-ranking politicians.

[23] A related point: notwithstanding some dismaying exceptions (e.g., climate change and vaccine skeptics), it is rare for someone in a trustor's role to dismiss another's opinion *because* that other actor is possessed of expertise. As the Rotten Tomatoes example indicates, however, reputation may involve very low-stakes determinations that permit us to discount one community of assessment in favor of another, based on little more than aesthetic considerations.

Microstructural Approaches to Trust

The loose confederation I've termed the "microstructural" approach to trust makes up the dominant paradigm today. Though a full unraveling of its strands is not possible here, this orientation is the result of a historical convergence of exchange theory, social capital and embeddedness theories, and the "encapsulated interest" view. Taken as a whole, the approach has much to recommend it and, as later chapters show, I draw on it insights to analyze Stanford investors' relationships with their financial advisors. Nevertheless, two related traits limit its purchase on the Stanford case: a marked preference for horizontal analysis and an indifference to the role of institutions in fomenting trust.

Exchange theory's roots have largely determined the slant of its insights on trust. In his programmatic piece, Emerson (1976) describes the genre's founding texts (e.g., Blau 1964; Homans 1958; Thibaut and Kelley 1959) as evincing a variable mix of behaviorist and microeconomic commitments, but united in a faith that social structure finds its building blocks (and purest expression) in the "exchange relation." Emerson saw that analytical unit as having an "integrity" irreducible to psychology (p. 345). Nevertheless, he leveled a forceful critique. Though adjustable in principle to "large numbers of people," he wrote, exchange theorists' "basic concepts […] incline one to reduce the social situation to a set of dyadic transactions" (p. 356). And yet, that Emerson himself called for more research on supra-dyadic "generalized" exchange networks and value-aggregating "productive exchange" (pp. 356–59) was not without irony.

As Molm (2003) writes, the late '70s research program of Emerson and protégé Karen Cook was largely responsible for narrowing exchange theory's focus, over the next two decades, to the problems of power and dependency in "negotiated" exchange. Of the three classic exchange structures (reciprocal, negotiated, and generalized), negotiated exchange, due to its privileging of contractual, synchronic transactions, lends itself most to dyadic setups and least to considerations of risk and thus trust (Molm 2003). In the late '90s, however, the affect-centered research of Lawler (e.g., Lawler and Thye 1999; Lawler 2001) and, in particular, Molm's elaboration of "reciprocity theory" (e.g., Molm 2003; Molm, Schaefer, and Collett 2007; Molm, Takahashi, and Peterson 2000) would reacquaint exchange theory with trust. The turn was doubly salutary. First, both programs held that there is a subjective or expressive potential intrinsic to the exchange structure that helps account for the durability of exchange bonds (Lawler 2001; Molm 2008). Second, this line of thought would lead Molm to a rapprochement with embeddedness theory (Molm 2010; Molm, Schaefer, and Collett 2009), from which the latter stood to gain[24]. Such efforts, however, remain decidedly "micro" in outlook. Even reciprocity theory, the most structurally complex and trust-focused of exchange theory's offshoots, still portrays network members as "subinstitutional" actors (Emerson 1976, p. 356) transacting on a basically horizontal plane, oddly abstracted from social context.[25]

It was the drive to specify the context of strategic action that initially sparked social capital and embeddedness research, efforts best viewed in tandem given their braided histories and concepts (Portes 1998; Somers 2005). For its runaway success, throngs of detractors, and the cottage industry of "social trust" studies it spawned, Putnam's *Bowling Alone* (1995, 2000) is social capital's most visited monument, although Bourdieu (1986) and Coleman (1988, 1990) had already seeded the concept among sociologists. While Bourdieu saw it as enabling *and* constraining (Somers 2005), he and Coleman both conceived of social capital as advantage-

[24] "Reciprocity theory," as Molm came to call it, offered the embeddedness paradigm (by then losing momentum) a much more detailed explanation of the interactional *process* that yields trust from the mingling of proximity and time.

[25] This is true even of now-standard experimental designs (and their attendant diagrams) stipulating three- and four-person reciprocal and generalized exchange networks. See Molm, Melamed, and Whitham (2013, p. 76) for a typical example.

conferring social ties. Coleman was soon charged with conceptual vagueness, circular reasoning, and having normative blind spots. However, it was when Putnam repurposed the concept—to explain regional and national differences in "civicness"—that wide swaths of sociologists took up positions on it. Putnam had taken an idea that promised to explain individual outcomes *socially* and refashioned it to depict macro-political attributes as the results of individuals' aggregated "choices." Two criticisms are pertinent here. First, Putnam renders social ties and the goods they transmit—notably, trust—analytically indistinct. Second, although his "civic associations" hint at verticality, critics rightly assailed him for ignoring how institutions (e.g. the welfare state, regulation, and unions) mediate individual behavior and political outcomes (Somers 2005, pp. 273, 254–55; Edwards and Foley 2001, p. 230).

Cut from similar cloth, Granovetter's "embeddedness" paradigm began as an attempt to steer a course between "under-" and "oversocialized" views[26] of economic behavior. A core tenet is that trust—from which both cooperation and malfeasance stem—is produced in "concrete personal relations" (1985, p. 490). However, both Granovetter and those he inspired would be criticized for their "hard-structuralist" portrayal of those relations (Krippner 2001, Krippner and Alvarez 2007). Critics wrote that the program's network-centered methods disclosed too little of the content or mechanics of such personal ties (Powell and Smith-Doerr 1994, p. 371; Krackhardt 1995). As a result, embeddedness scholars seemed simply to impute trust wherever social proximity persisted over time.[27] More problematic for our purposes was all that Granovetter's notion of "concrete personal relations" left out. First, it dismissed "institutional

[26] Embeddedness is a concept comprised of two strands (Krippner 2007), one originating in Karl Polanyi's mid-century political-economic works (1944; 1957), the other flowing from Granovetter's seminal "Economic Action and Social Structure" (1985). As his is an explicit attempt to theorize trust, it is Granovetter's version that occupies us here.

[27] At the far end of this tendency sit network-centric works by Baker (1990) and Burt (1995), whose accounts have memorably been likened to a mechanistic, "circuit board" view of the social (Uzzi 1997:63).

arrangements"—e.g., regulation, insurance, legal representation—as "functional substitutes for trust" rather than as agents or partners in its production (1985, p. 489; 2002, pp. 38–40). In addition, he implicitly cut out anything one might categorize as "culture," such as the scripts and schema actors draw on when judging an exchange partner. In short, embeddedness assumed that everything relevant to trust is endogenous to the narrowly construed "concrete relationship" under review.

The "encapsulated interest" approach espoused by Russell Hardin (2002, 2006), arguably the most influential view today, offers a yet more austere picture of trust's microstructural production. Part of its austerity rests in Hardin's and collaborators' emphasis on a rational choice-inflected model of "cognitive" judgment. In that, they echo other influential streams of trust theory from the '80s and '90s (e.g., Coleman 1990; Gambetta 1988a). For instance, in a landmark volume, Gambetta and contributors (e.g., Dasgupta 1988; Williams 1988; cf. Luhmann 1988) concur that trust is one actor's estimate of the "subjective probability" that another "will perform [a desired] action" (Gambetta 1988b, p. 217). "Real" trust thus requires a careful weighing by the trustor of the trustee's interests, such calculation marking the line between "trusting someone" and the colloquial "trusting someone blindly" (Dasgupta 1988, pp. 50–51).

Similarly. Hardin and company's "encapsulated interest" view holds that "I trust you because I think it is in your interest to take my interests in the relevant matter seriously in the following sense: You value the continuation of our relationship, and you therefore have your own interests in taking my interests into account" (2002, p. 1; 2006; Cook, Hardin, and Levi 2007). To trust another is, thus, to judge that she "encapsulates" one's interests in formulating her own. Borrowing from philosopher Annette Baier (1986), Hardin insists too that trust is a "three part relation" (2002, p.7): A trusts B but only with respect to issue X.[28] Hardin's definition boasts clarity and parsimony. He pointedly rejects "vernacular" definitions of trust, which he claims are plagued with imprecision and sentimentality. And to its credit, the encapsulated interest view acknowledges that trust ultimately consists in the traffic of meaningful information. Nevertheless, as Tilly writes of it, "[s]ome of the polemic comes across as special pleading: if you adopt our definition of trust, these competing approaches do not make sense" (2007b, p. 1294). Trust that is between strangers, directed at organizations or collectivities, motivated by normative commitments, or grounded in love are defined off the analytical slate.

Moreover, whereas exchange, social capital, and embeddedness theorists look closely at how trust accretes over time, "encapsulated interest" depicts trust synchronically, as a stylized, goal-oriented judgment. Partly as a result, even the trustee can sometimes seem less a flesh-and-blood interlocutor than a set of weights on a balance scale in the trustor's mind. Indeed, that works in this camp are so adamant about their "relationality" may hint at a fear of lapsing into the sort of psychologism they partly define themselves against. However, the approach is nowhere more problematic than in its treatment of institutions. Like Granovetter, but more radically, Hardin and colleagues deny that institutions have much to do with the production of trust (Cook, Hardin, and Levi 2009; cf. Shapiro 1987; Zucker 1986). Rather, they write, regulators, insurance, courts and the like exist to foster *cooperation* even where trust is absent or, by their narrow definition, impossible. Institutions, in this telling, are only relevant to the extent

[28] It bears noting that Baier's work exhibits more subtlety and prudence than Hardin's adoption of it would suggest. She cautions, for example, that the three-part relation cannot capture trust networks, does not account for brief trust encounters between strangers, and ignores the fact that some generalized feeling of trust often obtains between people before any specific form of trust (i.e. 'with respect to X') is instantiated (1986:258-60). Pace Hardin, and like Baier, I believe that 'generalized trust'—i.e., trust between two actors that is trans-situational and trans-topical—is clearly possible.

they allay trustors' subjective concerns. That they might independently structure the informational landscape within which trustors and trustees cross paths is scarcely considered.

Macrostructural Approaches to Trust

It is this notion—that there exists an arena of consequential institutional action that exceeds, relationally and temporally, the scope of the trustor-trustee encounter—that leads us to macrostructural theories of trust. The "macrostructural" banner gathers a medley of concerns, but as the label implies such works share a macroscopic and historical tilt, illustrating trust's role, as both cause and effect, in large-scale cooperative activity and political-economic transformations. We can arrange such works, if somewhat arbitrarily, on a spectrum based on whether they're more concerned with locating trust within late modernity or providing a detailed picture of its institutional scaffolding. Closer to the first pole are classic statements by Luhmann (1979), Giddens (1984, 1990), Misztal (1996), and Seligman (199X). Nearer the second are canonical works by Freidson (1970), Barber (1983), Zucker (1986), and Shapiro (1987). Common to both, however, is a basically functionalist approach to the "problem" of trust that views late-modern, trust-producing institutional innovations as a societal reaction to increased social distance and role differentiation.

Thus, for instance, in her field-defining piece, Zucker (1986) shows that exogenous social shocks (migration and mass business failures) in the 1840s-to-1920s U.S. created the need, and called into being, trust-producing institutions and organizations. These included new bureaucratic forms, a spike in managerial work, the growth of professions, an explosion in banking, insurance, and legal services, and an expanding regulatory state (pp. 89–100). In the same vein, Carruthers reveals a gradual shift from personal to highly complex, impersonal forms of trust by tracing the evolution of the credit industry over the past two centuries (2009). The “impersonal” is also the object of Shapiro’s classic piece, in which she identifies the “ironic” impulse to “respond to [trust’s] failures by bestowing even more” of it (1987, p. 649; cf. 2012) in the form of second- and third-order trustees like credit, rating, and insurance agencies. As Heimer notes, the root purpose of all such organizational trust forms is the mitigation of uncertainty and vulnerability (2001[1976]).

Macrostructural works have focused too on the nexus of professionalization, expertise, and trust. As societies become more differentiated, trust comes to rest in organizationally and epistemically defined roles rather than in persons-qua-unique-individuals. The hopes that define personal trust—that a trustee be both able and inclined to keep her word—thus become expectations of “technical competence” and “fiduciary responsibility” (Barber 1983).[29] Trust in such “competence” itself hangs on the apparent systematicity and impartiality of professional and expert knowledge (Luhmann 1979, pp. 52–53; Giddens 1990; cf. Parsons 1978). Conversely, by policing the “responsibility” of their members, the professions safeguard the operational and disciplinary autonomy that defines them (Freidson 1970, p. xvii). The sociologies of medicine, science, and technology all show how various vocations have gained, and sometimes lost, their aura of epistemic privilege and moral rectitude (e.g., Imber 2008; Shapin 1994).

In short, the macrostructural camp depicts trust as a generative social force, a midwife to industries and practices without which recent history would look very different. These, in turn, produce the trust that spans those distances of culture, knowledge, geography, and even time that typify modernity (Giddens 1990; Shapiro 1987; Zucker 1986). As a whole, however, the macrostructural view goes farther than that. It is not only, as Granovetter (1985) or Hardin

[29] A more radical, and tendentious, position holds that personal trust as we understand it is a specifically late-modern functional reaction to the shattering of circumscribed ,community-based social roles. In this telling, even the sorts of trust we associate with the intimate bonds of friendship merely index the loss of robust social roles of kinship and place that, in previous eras, were conduits for shared values and expectations (Silver 1989; Seligman 1997; also, Giddens 1990).

(2006) claim, that institutions provide to trustors some of the assurances that trustees would otherwise have to furnish. Rather, credentialing, credit, rating systems, insurance, regulation, courts and other institutions help both create the world, and constitute the participants, of trustor-trustee encounters. Such actors, in other words, are at least partly expressions of an institutional and ideational architecture that precedes them. This insight is an invaluable corrective to microstructural perspectives on trust.

Nevertheless, whereas in microstructural theories one rarely loses sight of a subjectively engaged trustor, that subjective experience very often drops out of view in macrostructural accounts. Such accounts are indispensable for grasping why certain sorts of firms arose in particular historical circumstances. All the same, they tend to treat risk and trust almost as substances, collective social emissions whose air concentrations vary according to the institutional landscape. If microstructural approaches show us trust in an abstracted close-up that crops out its institutional determinants, the macrostructural view puts us at too high a remove, and at time-scales too broad, for untangling the *specific* relationships and sequence of events that could have led a given firm to appear trustworthy to its clients. For that we need a framework that both locates actors in their concrete institutional contexts *and* allows us to make sense of the subjectively meaningful communication that binds them.

A Jurisdictional Theory of Trustworthiness

In the sociology of trust, the modal approach to the facts of this case would be to ask "why did Stanford's clients trust the firm?" I argue that a more fruitful question is "how and from whom did Stanford gain the advantage of being deemed trustworthy?" However, I must distinguish "trustworthiness" in the sense offered here from its colloquial use. Ordinarily, we say someone is trustworthy when we believe their moral character or normative commitments will lead them to honor an actual or implicit promise (or, for the more rational choice-minded, when we judge that their situational incentives militate against "defection"). In contrast, rather than define trustworthiness as either a property of the trustee or a quality that trustors impute, I propose that we use that word to describe the *situation* in which a trustee appears to others as trustworthy. To that end, I define trustworthiness as "the balance of worth claims in circulation regarding the ability and normative posture of a trustee in matters relevant to one or more actual or potential trustors."

This definition requires some unpacking, starting with the actors involved. A "trustee" is a person or organization whose actions are of consequence to actual or potential trustors. "Trustors" can be specific individuals or members of a class (e.g., "constituents," "customers," or "patients"), but what defines them is that they either do or may come to depend on the trustee for something, and, in doing so, assume some risk stemming from their inability to predict the trustee's behavior. By "worth claims" I simply mean positive or negative evaluative statements about the trustee. When I write that such statements concern the "ability" and "normative posture" of a trustee, I'm following a line of trust theorists who argue that trustors, at base, are concerned with whether a trustee is first, logically able, and second, normatively or affectively disposed to keep her promise (e.g., Barber 1983; Luhmann 1979). By "in matters relevant" I acknowledge that the range of information that trustors regard as pertinent is often circumscribed by the substance or topic of the trust relationship.

That brings us to the definition's crux, "the balance of worth claims in circulation." "Balance" here neither denotes a numerical value nor implies that trustors undertake a "weighing" of evidence. Rather, trustworthiness functions as an aggregative, probabilistic social fact. Trustworthiness attaches to a given trustee when its trustors are appreciably more likely to encounter positive worth claims about the trustee than negative (i.e., when the objective "balance" is overwhelmingly positive). A "trustworthy" social actor, by this logic, is one about whom positive claims preponderate in a given social milieu. "Trustworthiness" names that preponderance.

Trustworthiness: A Multiplicity of Actors Producing Worth Claims

Having tamed some ugly verbiage, let us consider its implications. What does it mean for trustworthiness to be composed of "worth claims"? Niklas Luhmann proves useful here. He writes that when trustors encounter potential objects of trust (whether a love interest, a beckoning investment opportunity, or a candidate for office), those objects "become symbol complexes, which are especially sensitive to disturbance and which […] register every event in terms of the question of trust" (1979, p. 28). That is, trustees appear before trustors as tangled sets of informationally-fraught and affectively-charged indicia of trustworthiness. What I call "trustworthiness" simply frees this "symbol complex" from the trustor's perception and acknowledges its broader facticity. Additionally, it recognizes that those indicia—what I term "worth claims"—originate not just from within the trustor-trustee dyad, but from multiple authors.

This is not to cheapen the communication that happens within the dyadic pair. In many, perhaps even most, instances the trustee and trustor do the heavy lifting. Trustees make positive claims about themselves, either directly or by tending to their public appearance, which trustors then interpret by drawing on familiar schema. In addition, as I explain below, the trustor may make claims *to herself* about the trustee in the course of their relationship, for example, to justify the ongoing risk she assumes. She is not, in other words, a passive bystander to the scenario but, by definition, an interested party. Suffice it to say, however, that even this trustee-trustor communication should not be abstracted from its institutional context, as both the normative standards that underwrite worth claims and the schema used to perceive claims are likely drawn from without.

But it is one of this dissertation's main contentions that trustworthiness very often does—and for analytical purposes, should always be assumed to—involve multiple third parties. It is a commonplace of the sociology of late modernity that individuals and organizations alike are often enmeshed in multiple and complex social and institutional relationships. The production of worth claims about a given trustee is thus bound to involve not just the dyadic pair but a host of other actors. Certainly, where the trustee is an organization, it is likely to come under the normative (e.g., political) or epistemic (e.g., professional or expert) authority of many. On the former side, organizations' activities frequently fall within the purview of licensing bodies, law enforcement agencies, regulators, courts, and politicians themselves. On the latter, an organization's doings may come under the authoritative gaze of peer, competitor, and support firms; experts (e.g., accountants or engineers) with specialized knowledge of the firm's activities; credit raters; institutionalized systems for reputation management and "due diligence" (e.g., public relations and corporate intelligence firms); and, journalists, analysts, and pundits of various stripes.

What is more, contact with such actors is not incidental to the trustee's social being. Rather, interacting with these authoritative others, public and private, is largely what constitutes the trustee as such. In order simply to exist, many organizations must, for example, file articles of incorporation, periodic reports detailing their compliance with regulatory standards, and various taxes. The economic transactions from which they subsist are consecrated in legal contracts, and their inevitable disputes mediated by courts or arbitrators. So too, in filling professional job vacancies, in bookkeeping, in soliciting financing, in making and dissolving partnerships, and in providing or obtaining goods or services, a trustee gives many actors opportunities to formulate authoritative claims about itself. There are, in short, a great many actors poised to formulate and put into circulation worth claims about a given trustee. Crucially, sometimes such actors *don't* formulate or else *withhold* from circulation worth claims, often for discoverable reasons. A given trustee's trustworthiness, thus, emerges from a multi-actor tangle of voice and silence, action and forbearance. Such a setting presents the analytical challenge of accounting for why and how worth claims get formulated or not, disseminated or not, and validated or not.

Jurisdiction: An Ordering Logic in the Economy of Worth Claims

I've described "trustworthiness" as a kind of emergent social effect—a production of many actors working in mostly unwitting collaboration—that attaches to a trustee when trustors meet with an overwhelmingly positive ratio of worth claims about that trustee. Moreover, I've argued that our analyses should assume that for any trustee, there are multiple actors poised to formulate authoritative claims about her. Although anarchic at first pass, this collective emission of worth claims is anything but. Rather, such claims' production, circulation, and reception are governed by a "jurisdictional" logic.

Since "jurisdiction" means different things to different audiences, it is important to be clear here. In American jurisprudence, the term is associated with "choice of law" theory, normative statements about how best to match legal disputes with different bodies of legal and judicial authority, often where federal, state, and local power compete or conflict (e.g., Beale 1913, 1923; Brilmayer et al 1988; Hills 2005). In contrast, sociolegal scholars, particularly of late, have characterized jurisdiction as a performative sleight-of-hand in which, by focusing on the technicalities of its application, the law defers thornier questions about sovereignty and political legitimacy, and thus entrenches itself (Cormack 2009; Richland 2013; cf. Ford, Valverde 2009). Finally, for sociologists, jurisdiction immediately evokes classic statements in the scholarship of professions (especially, Abbott 1988 and Freidson 1970). In Abbott's definitive tome, for example, the term refers to the socially recognized claim a profession makes on a particular sphere of social life.

I am using "jurisdictions" in a more general sense to mean something like "distinguishable zones of normative or epistemic authority." This broad rendering includes, of course, legal and political bodies—e.g., courts, regulatory agencies, even entire nation-states—but also commercial, professional, and civic ones—e.g., private firms, media outlets, entire professions, and non-profits. You'll note that the definition groups together public and private bodies as well as actors that appear to operate at distant "scales" (e.g., private firms and nation-states). To invoke jurisdiction so encompassingly may seem strange; haven't I criticized legitimacy theory for operating at such abstract heights that the field of interacting parts falls out of focus? The purpose of categorizing such varied entities as "jurisdictions," however, is not to flatten them out but rather to reveal how these differently constituted, differently situated actors actually perform very similar functions in the production of trustworthiness. The category, in other words, acts as a filter that allows us to see how these seemingly disparate actors jointly produce a particular outcome. But what does it mean that a jurisdictional logic governs the economy of worth claims about a given trustee? Jurisdiction bears on the production of trustworthiness in two distinct ways, one "logistical" the other "discursive."

The "Logistical" and "Discursive" Power of Jurisdiction

First, jurisdiction has a powerful "logistical" effect on the production and circulation of worth claims. Because jurisdictions are zones of normative or epistemic *authority*, jurisdictional actors are key producers of consequential claims about trustees. As I wrote above, both individual and organizational actors often come within the evaluative purview of a great many others, simply by virtue of existing. Financial regulators and the business media, for instance, are typically well-positioned to make influential claims about an investment firm, as they did in Stanford's case. However, it is in the circulation of worth claims that jurisdiction's effects come into sharp relief. For that reason, where a trustee plies its trade matters as much as what it consists in. Is there, for example, a high degree of coordination among the political, legal, and regulatory actors to whom it is subject? Are there protocols in place for them to share and collate information about the trustee? How responsive are they to complaints from a trustee's trustors or other evaluators? Moreover, is the authority of such actors to assess the trustee clear-cut? As I will discuss at length in Chapter 3 , ambiguity and disagreement as to the jurisdictional reach of the SEC and FINRA hampered those regulators' ability to both process outside tips and to make and put into circulation their own worth claims about Stanford. Even where jurisdictional actors are well-coordinated, are they immune to trustee influence? Are private actors (e.g., clients, ex-employees, other firms, or independent analysts) free to make and disseminate claims? Or are they, rather, cowed into silence by defamation statutes or the threat of retaliatory lawsuit? In these ways and more, jurisdiction can logistically affect the production and circulation of worth claims from which trustworthiness ultimately consists. As a concept, moreover, jurisdiction helps us perceive how heterogeneous, sometimes vertically arrayed actors can both enhance and impede the flow of worth claims about a given trustee.

Second, jurisdiction affects trustworthiness via a "discursive" or interpretive logic. As zones of normative or epistemic authority, jurisdictions not only steer the production and circulation of worth claims, they are also meaningful social locations in themselves. The connotations that attach to them are rich resources for communication between trustees and trustors. This manifests itself in how such actors routinely employ folk ideologies or schemas about the location of their transactions. As Stanford did, trustees may select specific countries or regions for their dealings—or pretend to—based on widely-held beliefs about those places. For instance, some regions of the world are more associated with the "rule of law" trope than others. Stanford took considerable pains to present itself as a U.S. firm (with hazy British embellishments) rather than the offshore scheme it actually was. Transactions, however, take place not only in political (i.e., normative) space but also in professional (i.e., epistemic) space. Thus, an activity conducted or sanctioned by well-credentialed professionals will look differently to trustors than an informal, fly-by-night alternative. However, it is not just that jurisdictions are fraught with trust-relevant overtones. Rather, trustees, trustors, and the other actors who collaboratively produce trustworthiness, are products of their environments. In choosing with whom to transact, what goods or services to barter, or what safeguards to look for, they often bring to bear complex, history-laden, autochthonous ideologies about trust, risk, and morality.

For instance, as I will detail in Chapters 4 and 5, Stanford's U.S. and Venezuelan trustors exhibited patterned biases, tied closely to those countries' legal and regulatory cultures, in how they perceived the firm. Thus, not only may a trustee make claims about itself via its jurisdictional associations, speaking, as it were, through the real or purported sites of its conduct; but trustors' embeddedness (and their view of a trustee's embeddedness) within various forms of authority structures how they perceive a trustee. This is especially important given that so many trustee-trustor relationships transpire across a gulf of expert knowledge. Abbott, for example, writes that a profession depends partly on "public jurisdiction," that is, successfully securing a grant of legitimacy from the public for its professional claims (1988, pp. 60–62). Largely lost in that discussion, however, is how little the public understands the technical side of the work they entrust to various trustors, and thus how much of trustee-trustor communication actually takes place in this discursive-jurisdictional register. Moreover, as later chapters will show, trustors actively marshal these same schema when representing the trustee *to and among themselves*. Indeed, all of the following chapters are taken up with demonstrating both trustworthiness as a multi-actor production and the jurisdictional ordering of that process. I turn now to a discussion of my data and methods.

Case Selection, Data Sources, and Methods

This dissertation's argument starts from the uncontroversial premise that trust is built atop *information.*[30] In the following pages, I'll describe the research design, data, and methodological choices that shaped my efforts to map out the complicated traffic in evaluative information—or "worth claims"—about Stanford, both within the firm-client dyad and among the many institutional actors surrounding them.

Case Selection

My choosing the Stanford Financial Group fraud as a dissertation topic was a matter of luck, if of the bad variety. My personal ties to and acquaintanceship with several defrauded Stanford investors made salient to me a case that for most Americans passed unnoticed (likely

[30] Even the question of whether trust depends primarily on "cognitive" (e.g. Cole 1990; Hardin 2006) or "affective" information is not a real controversy. I throw my lot in with a majority of trust theorists who recognize that trust can encompass both calculative and affective experiences (e.g., Barbalet 2009; Giddens 1990; Jones 1996; Luhman 1979; Pixley 2002; Simmel 1950)

because the story broke mere weeks after the disclosure of Bernard Madoff's much larger investment fraud). The choice of the U.S. and Venezuela as research sites presented itself somewhat naturally, as early news reports and official accounts identified those countries as host to the fraud's two largest investor groups, in terms of both population and dollar losses.[31] And, although much of my theoretical argument developed inductively in the course of gathering and analyzing various sorts of data, the countries seemed to offer, on their face, a host of contrasting institutional and political characteristics that promised to be analytically generative.

I discussed many of them above, but I wish to clarify that although the countries' differences offer me analytical leverage, I do not present their side-by-side analysis as a "comparison" in the classic Millsian sense familiar to comparative-historical sociologists (e.g., Kimeldorf 1988; Skocpol 1979). Rather, the U.S.'s and Venezuela's relationship to Stanford, and each other, calls for the analytical orientation humanists and social scientists in recent decades have termed *histoire croisée* or "entangled history" (see, e.g., Haupt and Kocka 2009; Steinmetz 2014; Werner and Zimmerman 2006). Indeed, even a partial review of the countries' entanglements, with and through Stanford, shows this is so. In the 1980s, California, Florida, and Texas aided Allen Stanford's early efforts by allowing him to incorporate feeder offices there for Guardian International Bank (see, e.g., *Greenberg;* Hetherington 1991a). The illusion of U.S.

[31] Unsurprisingly, such figures shift according with whom one asks. One forensic accountant, hired by the U.S. court-appointed receivership tasked with winding down Stanford's affairs, puts the population of U.S.-based claimants at 7,072, with investment losses of $2.7 billion, and the number of Venezuelan Stanford victims at 2,686, with losses of $402 million, numbers 1 and 3, respectively, with Mexican investors at number 2 (see *In Re Stanford International Bank, Ltd., Debtor in a Foreign Proceeding*, Document 115-1, pp. 34-6). In contrast, the Antigua-appointed Joint Liquidators, employees of the accounting giant Grant Thornton, put the number of U.S. victims at 3,409, with losses of $1.6 billion, and estimate 9,278 Venezuelan customers with dollar losses of $2 billion, numbers 3 and 1, respectively (see Press Release of Coalición Víctimas de Stanford América Latina [CoViSAL] 6-29-12). For reasons that I'll explain in later chapters, the U.S. receiver's methodology was somewhat politicized, geared toward establishing the U.S. as the proper venue for bankruptcy proceedings in the fraud's aftermath. The Joint Liquidators' estimate not only drew on SIBL's original, Antigua-based customer records but also roughly coincided with both early press accounts and statements by Venezuela's chief bank regulator, Edgar Hernandez Behrens (see "Behrens," under "other" sources). For these reasons, I find their placement of Venezuela within the top two largest groups the more credible.

domicile helped the offshore bank gain an early foothold in Venezuela and elsewhere (*Greenberg;* RAS Tx.). In turn, it was overwhelmingly Latin American deposits, and a purported track record of "success," that allowed Stanford to break into the U.S. market in earnest in the mid-'90s, with the opening of its Houston-based broker-dealer, Stanford Group Company. Other links were much stranger. Perpetrators of an infamous Venezuelan Ponzi scheme ("La Vuelta") stored their loot in SIBL accounts based in Miami. Around 2005, Gonzalo Tirado Yepez, head of Stanford's Venezuelan investment brokerage, had a bitter falling out with Allen Stanford after the latter sued Tirado for presiding over a massive tax fraud at the brokerage. When Tirado countersued, an irate Stanford sent Gregory Meeks, U.S. congressman for New York's 5th district, on an errand to Caracas to convince Hugo Chávez to initiate criminal proceedings against Tirado. After being linked with several more frauds, Tirado would be granted asylum in the U.S.

This is all to say that treating the U.S. and Venezuela as "independent" observations makes little sense. Also, as will become evident, an asymmetry in available data, sharply favoring the U.S., makes standard "comparison" untenable. In particular, Venezuelan judicial records, regulatory documents, and even media coverage were thinner than I would have liked. To be sure, this relative lack is itself a form of data, symptomatic of the institutional deficiencies many Venezuelans cited in narrating to me their decisions to invest abroad. Nevertheless, as I aim to demonstrate, it is partly the entanglement of these sites—and the richly varied zones of authority they bind together—that will permit me to illustrate the power of jurisdiction to shape the informational economy from whose fragments trustworthiness is cobbled. I turn now to a discussion of my data and methodologies.

Interview Data

Composition of Interviews

My interview data are based on 109 interviews with 124 respondents (the difference due to the fact that 15 interviews were with couples). I conducted these in two stages. The first, yielding 54 interviews, took place in Venezuela, from September to December 2010, in the capital city of Caracas (45); in the Andean city of Merida, the capital of Merida state (5); and, in Valencia, the capital of Carabobo state (4). The second stage, yielding 55 interviews, took place in the southern United States, from April to June 2011, in the cities of Houston, Texas (24); Baton Rouge, Louisiana (27); and Miami, Florida (5).

I conducted interviews with three categories of respondents. The first and largest group was Stanford investors (42 interviews with 44 respondents in Venezuela; and 46 interviews with 59 respondents in the U.S.). The second category consisted of Stanford employees (5 Stanford financial advisors and 1 employee of the firm's commercial bank in Venezuela; and, 6 Stanford financial advisors and 1 employee of the firm's marketing wing, in the United States). The third category was a miscellany of lawyers, financial services professionals, journalists, and others with a connection to the case (6 in Venezuela, and 3 in the U.S.).

With Stanford investors, I conducted semi-structured interviews that loosely tracked a questionnaire. These covered: investors' educational and professional backgrounds; their ideation and experiences around money and investment; the specific sequence that led to their learning about and investing with Stanford; their experience with the firm and its personnel for the duration of their relationship; to what degree and how they tracked their Stanford investment; the size and composition of their investment, and the percentage of their net worth it constituted; how they found out about the firm's collapse and allegations of fraud; their cognizance of other investors before and after the collapse; what steps they took in the immediate aftermath and in the months that followed; whether and in what ways they'd kept in touch with their Stanford financial advisors; whether they sought legal counsel or joined any victims' advocacy groups; whether and how being defrauded had colored their interactions with family, friends, or associates; their familiarity with and feelings regarding the Stanford receivership, recovery efforts, and the legal and regulatory fallout of the case; with whom they placed blame for the situation; and, if applicable, whether their current approach to money and investing had changed.

With former Stanford financial advisors, I also conducted semi-structured interviews loosely following a questionnaire.[32] These covered: advisors' educational and professional backgrounds; their ideation and experiences around money and investment; the specific sequence that led to their learning about and gaining employment with Stanford; the Stanford-specific training and socialization process; their experience with the firm and its personnel for the duration of their relationship; what about Stanford resembled or differed from other financial services firms they'd worked at; how they understood Stanford's proprietary products, in particular the CD; their general approach and philosophy to financial advisement; their approach to building and retaining a client base; whether, and how much, they invested their own funds in Stanford CDs or recommended the product to family and friends; how they found out about the firm's collapse and allegations of fraud; whether they feared criminal prosecution or faced civil suits; whether they'd retained legal counsel; whether they'd ever noticed anything amiss at the firm; whether, why, and how they'd kept in touch with former Stanford clients in the fraud's aftermath; who they blamed for the situation; how much they'd followed the legal and regulatory

[32] Here I describe only my interviews with Stanford financial advisors, because these comprised 10 of the12 interviews I conducted with Stanford employees. The remaining two--one with an employee of Stanford Bank Venezuela and the other with a Houston-based employee of the firm's marketing division--were much less structured affairs.

fallout from the case; and how they saw the experience affecting their present and future in financial services.

The third, miscellaneous grouping did not follow a fixed structure or instrument, precisely because of its heterogeneity. Nevertheless, in Venezuela, these interviews included conversations with[33]: a former member of Stanford Bank Venezuela's advisory board; Roberto León Parilli, head of the consumer advocacy firm ANAUCO; an attorney with an international firm representing a sizable group of defrauded investors; Miguél Octávio, a Harvard-trained physicist-turned-bond-trader and fixture of both the Caracas financial services world and the anti-Chavista blogosphere; José María Nogueroles, a prominent Caracas banker and majority owner of Banco Naciónál de Crédito, the bank that bought Stanford Bank Venezuela in the fraud's wake; and, an associate of Gonzalo Tirado, infamous former head of Stanford's Venezuelan brokerage. In the U.S., I discussed the case with: a Houston-based financial advisor who had refused an offer of employment with Stanford; Phil Preis, a Baton Rouge attorney representing a large contingent of defrauded investors; and, JR Ball, then a journalist with the Baton Rouge Business Report.

Process of Recruitment

The nature of the topic dictated that I take a varied, opportunistic approach to recruiting interviewees. Before leaving for Caracas, a personal acquaintance, employed at a Florida-based securities law firm, sent a recruitment text for my study to the firm's clients and contacts in Caracas. This yielded a handful of interviews. In addition, Alex Dalmady, a Florida-based Venezuelan transplant, bond trader, and financial blogger, secured several interviews for me, and, crucially, put me in contact with several individuals in Caracas who helped me immensely. These

[33] I have left some of these individuals' identities unspecified to protect their anonymity.

included Miguel Octavio, named above, as well as Robert Bottome, editor of the Caracas-based financial monthly *Veneconomia/Veneconomy,* and an éminence grise of the moneyed, anti-Chávez right. The latter was a font of information and secured several important interviews for me, but most importantly, he put me in touch with Jose Manuel Puente, a professor at the Instituto de Estudios Superiores de Administración, or IESA, Venezuela's best-known business school, which resulted in my being invited there as a visiting scholar. My stint at IESA not only provided me an institutional home and resources but instantly boosted my local credibility.

An email to Francisco Toro, of the esteemed Venezuelan politics blog *Caracas Chronicles*, resulted in his suggestion that I contact the author of *Venepirámides,* a widely-read muckraking blog about financial scandals and government corruption, a mysterious figure writing under the pseudonym…Bernardo Madoff.[34] My exchange with Madoff resulted in his offering to post my study description and recruitment text on his blog. This would become my most fruitful source of Venezuelan interview volunteers. I also contacted Roberto Leon Parillí, head of the consumer advocacy group ANAUCO, after hearing his name from various quarters. He, in turn, put me in touch with the head of the local branch of an international law firm, representing defrauded investors. This too resulted in a handful of interviews. The preceding represent the initial entry points to my "study population." Snowball sampling resulted in a great many more interviews, though it rarely extended past one degree of referral.

In the U.S., my same contact at the securities law firm helped me reach several respondents, mostly in Miami. An academic colleague and native Houstonian put me in touch with a Stanford victim in that city, which led to several referrals. In Houston and Baton Rouge, I directly contacted several people, both defrauded investors and financial advisors, whose names were

[34] The consensus among other Venezuelan financial professionals and bloggers I spoke to was that Madoff was almost certainly a banking insider, given the specificity of his knowledge and evident high-quality contacts. He wrote under the pseudonym due to repeated threats from government- and government-allied sources.

listed on widely disseminated litigation documents. However, the vast bulk of my initial U.S. interviews resulted from the help of Angela Shaw Kogutt, founder of the Stanford Victims Coalition, who emailed an introductory note and my recruitment text to the group's extensive member lists in Texas and Louisiana. The Louisiana branch of the group (the Louisiana Stanford Victims Coalition) also helped spread news of my study. As in Venezuela, snowball sampling accounted for a significant portion of my interview total.

The Circumstances of Fieldwork: Challenges and Advantages

Studying victims of and participants in financial fraud is a delicate matter, and each country presented its own challenges. In Venezuela, there were few avenues for independently identifying and locating SIBL CD investors. In contrast to the U.S., where newspaper stories sometimes mentioned victims by name or linked to PDFs of data-rich court filings, few Venezuelan news stories were helpful that way. What lists *were* circulated, often in blog posts or on disreputable news sites, were dubiously sourced and highly politicized, either trying to paint opposition figures as tax cheats or Chavistas as kleptocrats.

People who have been defrauded may suffer feelings of shame and guilt (e.g., Goffman 1952; Harrington 2012). In addition, they may fear being exploited again. Neither of these is propitious for fieldwork. Some of my interview prospects expressed an acute distaste for rehashing a painful "lost cause." Such was my luck with a prominent Caracas rabbi and gatekeeper to the local Jewish community—I was ultimately not able to access its members. Other Venezuelans commonly (and reasonably) expressed the sentiment of "what's in it for me?" Many times, I was promised an interview only to be stood up. Still others would grant me interviews but balk at my requests for referrals to other Stanford investors. A subtle fear—of compounding their own shame by importuning friends or acquaintances—threaded its way through these exchanges. Venezuelans, however, also expressed fear of a less abstract kind. Interviews would often start and end with personal anecdotes about the country's endemic street crime and kidnappings. Respondents lavished on me worries and warnings about my own safety[35] to a morbid (though endearing) degree. Many clearly saw these daily threats and the institutional rot that influenced their investment choices as not-terribly-distant points on a continuum.

Once agreed to, our meetings would take place at a location of my respondent's choosing, though two interviews, both in Venezuela, were conducted on the phone. Perhaps reflecting both shame (e.g. of being overheard by family members or co-workers) and fear (e.g. of making themselves vulnerable to a stranger), a high proportion of my interviews with Stanford's Venezuelan investors and financial professionals took place in cafes, food courts, and restaurants (21 of 48 or 44%, compared with 11 of 51 or 22% for U.S. respondents). Conversely, relatively few took place in interviewees' homes (11 of 48 or 23%, compared with 30 of 51 or 59%, for their American counterparts). The remainder[36] were conducted mostly at respondents' places of work, in closed offices (11 of 48 compared with 10 of 51 in the States). I captured my exchanges with the firm's investors and financial personnel using a small, digital audio recorder, with only two respondents opting out (one in each country[37]).

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[35] Ironically, of two gun incidents I was subjected to during fieldwork, neither happened in Venezuela. The first involved one man shooting up another's truck directly outside my window at an extended stay motel in Houston, following a soured drug deal (I made the 911 call). The second occurred during an interview with an elderly, white Stanford investor in Baton Rouge, who, for dramatic effect in the middle of a racist rant, pulled a .44 Magnum from under his couch cushion and started waving it (crazily, I thought) two feet from my face.

[36] In addition, two took place at my IESA office, two on the telephone, and one at a law firm.

[37] In both cases, I hand-transcribed the conversation in real time as best I could, and transcribed other statements from memory immediately upon returning to my lodging. I conducted an additional interview with a Stanford financial advisor, in the U.S., which I haven't included in my figures: he attended the interview with a lawyer (who was also a family member) and insisted that I copy the digital audio file to his desktop and delete it from my device, so that he could listen to it later and decide then whether to turn it over to me. My repeated attempts to convince him to do so fell flat. The typed notes I took during that meeting were of such poor quality that I've discarded the interview.

In the U.S., the challenges were somewhat different. Of course, some expressed a similar wariness of being duped again. The sentiment of “what’s in it for me,” though, was more pronounced, especially among investors and financial advisors to whom I’d had no direct introduction. However, one factor was unique to the U.S.: the shadow of litigation.[38] By the time I arrived, Stanford’s financial advisors were all facing civil suits, and the threat of criminal prosecution had not yet receded. Several advisors consulted with an attorney before speaking to me (others declined after doing so). Additionally, many investors, especially in the Baton Rouge area, had already filed individual suits or joined incipient class actions. What is more, a schism had developed pitting ordinary victims of the fraud against so-called “net winners” (persons whose withdrawals, over the life of the investment, exceeded their original principal). At the time of fieldwork, it still was not clear whether “clawback” suits against the latter would be allowed to proceed. This made for a climate of subtle paranoia and sometimes tense interviews. More ominously, several lawyers warned me that my interviews could be subpoenaed.

With all that said, I carried some distinct advantages into the field. A combination of high-value personal contacts and, especially, the fact I could count family members among Stanford’s victims seems to have won my respondents’ trust and mitigated many of the aforementioned problems[39]. My university affiliation, bolstered by official-looking forms, lent my efforts an unearned gravitas. In Venezuela, my association with not only the University of Michigan but also IESA was certainly a boon. Even having my study publicized on *Venepirámides* raised my credibility in some respondents’ eyes. I benefited from a sort of

[38] This is not to say that Venezuelan investors and Stanford personnel were not involved, or hoping to get involved, in litigation. Rather, litigation colored my interactions with interview prospects in the U.S. in a way, and with a frequency, that it didn't with Venezuelans. For the latter, litigation had a more far-off, theoretical, and sometimes wistful quality.

[39] For example, a recurrent feature of pre- and post-interview conversation was the mutual expression of sympathy. Interviewees would often open our interactions with questions like "so, you have family members who were mixed up in this?" Respondents could assume a measure of care and understanding on my part that they would probably not have imputed to a differently positioned researcher.

"stranger effect" at both field sites. In Venezuela, being a Spanish-speaking foreigner with both personal and professional stakes in the case gave me a useful combination of familiarity and social remove. In the U.S., this pairing benefited me most in Baton Rouge, which, as I was told repeatedly, socially resembles a small town. Finally, for many of my respondents, our interview was the first opportunity they'd had to walk through the case step by step and vent their feelings.[40]

Court Documents

In addition to interview data, this work draws on a variety of court documents, mostly from the United States but also from Venezuela and, to a lesser degree, Antigua and Barbuda. The U.S. materials originate in both civil and criminal suits, at both federal and state levels, that both pre- and post-date Stanford's collapse. Such materials are crucial for my historical reconstruction of the case and for mapping Stanford's place within a web of institutional relationships. Within these, trial transcripts are uniquely useful for the range of testimony they gather. In particular, I have relied on transcripts from *USA v. Robert Allen Stanford*, the Allen Stanford criminal trial that concluded in 2012; *USA v. Lopez and Kuhrt*, the 2012 criminal trial of the Stanford Group's chief accountants; and *USA v. Raffanello and Perraud*, the 2009 trial of Stanford corporate intelligence personnel accused of destroying documents. Together, these transcripts comprise roughly 10,000 pages of testimony. I procured them by purchasing them directly from court reporters, by requesting them from a U.S. attorney, and via the Bloomberg Law database.

Other U.S. court documents I examine include indictments, complaints, plea agreements, various sorts of briefs, court judgments and opinions, and an array of evidentiary documents

[40] Two widows, close friends, with whom I conducted consecutive interviews one afternoon in Caracas, likened the experience to confessing to a priest.

attached to court filings. Among pre-collapse materials, IRS claims, Allen Stanford's bankruptcy filings, employment and defamation suits between Stanford and various parties, and suits involving third party SIBL account-holders are well represented. Among post-collapse cases, I draw on both civil and criminal suits against Stanford and conspirators; suits by the Stanford receivership (ostensibly representing the fraud's victims) against a nearly endless assortment of actors accused of aiding the fraud[41]; class action suits by defrauded investors against similar targets; a protracted jurisdictional contest between the U.S. receivership and its Antiguan counterparts, the so-called "Joint Liquidators"; and a bitter battle between the Securities and Exchange Commission (SEC) and the Securities Investor Protection Corporation, over the restitution of defrauded investors.

I collected U.S. federal and state court materials through a variety of means. These include the legal databases LexisNexis, Bloomberg Law, and PACER, and various state court websites (e.g., of the Miami-Dade County Recorder, the 11th Judicial Circuit of Florida, and Harris County Court, in Texas). In addition, I found other documents via ordinary and file-specific Google queries (e.g., "'Stanford International Bank' filetype:pdf"). I have continued to collect these materials as post-fraud litigation lurches forward.

Venezuelan court materials were much harder to come by. Although the country's highest court, the Tribunál Supremo de Justicia (TSJ), keeps a public online database, lower courts do not. Using a temporary subscription to the international legal database VLex, I collected and sorted through roughly 300 legal filings whose text mentioned SIBL, SGVAI (the firm's Venezuelan brokerage) or Stanford Bank Venezuela. A sliver of these shed new light on the acrimonious split between Allen Stanford and his Venezuelan protégé, Gonzalo Tirado, an affair

[41] These include Stanford personnel, such as financial advisors and compliance staff; insurance agencies and insurance brokers; both law firms and specific lawyers; several accountancies; securities clearing firms; banks; corporate intelligence firms; foreign governments; and, political figures and celebrities.

that involved the upper tiers of both U.S. and Venezuelan government. No others, however, point an accusing finger at the firm. As I argue in a later chapter, the striking absence of suits in Venezuela that even hint at wrongdoing by Stanford is itself a valuable datum that points to the legal and regulatory free pass that the firm enjoyed for most of its duration in that country. Finally, I have examined a small number of court documents from the Eastern Caribbean Supreme Court, the tribunal with jurisdiction over Antigua and Barbuda.

Regulatory Materials

Besides interview data and court documents, this dissertation examines a range of regulatory materials. Nearly all of it comes from U.S. federal and state bodies. Chief among these, at the federal level, is the SEC. From that body's Electronic Data Gathering, Analysis, and Retrieval system, or EDGAR, I've collected several iterations of SIBL's "Reg D" form, the public filing required of a firm when it wants to offer securities through a "private offering exemption," that is, without having to register them with the SEC[42]. From EDGAR, I've also collected the annual audit reports of SGC (Form X-17A-5) as well as various form-types tracking the private equity transactions of SIBL, SGC, and another Stanford affiliate, Stanford Venture Capital Holdings, Inc.[43] I acquired SGC's "Form ADV," the standardized "investment adviser registration" filing, from a different SEC site. Together, these forms allow one not only to chart Stanford's expansion and structural elaboration but also to appreciate, more generally, how firms

[42] Specifically, Stanford International Bank took advantage of Rule 506 of Regulation D of the Securities Act, among whose provisions is the requirement that the company not engage in "general solicitation or advertising to market the security" and that purchasers be "accredited investors," a term of art with several stipulations of its own, most of which are proxies for investor "sophistication." Both of those provisions were routinely violated by the firm.

[43] See http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001073171&type=&dateb=&owner=include&count=40, http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001001017&type=&dateb=&owner=include&count=40, and http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001160414&type=&dateb=&owner=include&count=40.

use such filings, and the attendant production of documentation and paperwork, as performative acts of legitimation.

Also at the federal level, though in a hybrid semi-private capacity, the Financial Industry Regulatory Authority (FINRA) is another important source of information. On FINRA's BrokerCheck database, I found the Broker Check Report for SGC, which includes a summary of "disclosure events," that is, adverse regulatory findings against the firm for securities rule violations. The report also lists arbitration decisions involving SGC. Like many aspects of the Broker Check Report, the list is woefully incomplete. Thus, I also collected Broker Check Reports on a handful of Stanford financial advisors whose names cropped up in interviews; "award letters," or the arbitration decisions meted out by FINRA Dispute Resolution, on its FINRA Awards Online database; and, the long-form versions of the above disciplinary rulings, on the regulator's Disciplinary Actions Online website.[44] The difficulties and annoyances I experienced while combing through FINRA's databases and "investor education" resources demonstrated too well the fragmentary nature of regulatory information and the compilatory zeal required of anyone (including actual investors) hoping to piece it together.

At the state level, I've collected an array of documents from, and about, the Florida Department of Banking and Finance, the Louisiana Office of Financial Institutions, the Texas Department of Banking, and the Texas State Securities Board. Each in its turn played an important role in Stanford's development. The Florida and Louisiana regulators controversially allowed Stanford to open novel enterprises in those states (a "trust representative office" for SIBL in Miami, and a trust company in Baton Rouge). For their part, the Texas bodies were

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[44] See: http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/,
http://finraawardsonline.finra.org/Search.aspx?CaseNum=01-04607,
http://www.finra.org/Industry/Enforcement/DisciplinaryActions/FDAS/,

aware of Stanford's dubious dealings from at least the 1990s, though they had few tools to combat them.

Tying these materials together are two post-fraud audit reports by the SEC and FINRA. The SEC report, issued by that regulator's Office of the Inspector General (SEC-OIG), is a scathing and meticulous history of the SEC's failures to stop the Stanford fraud despite suspecting it as early as 1997[45]. The FINRA report, issued by a Special Committee convened for that purpose, serves a similar function, detailing the regulatory havoc occasioned by FINRA's uncertain jurisdiction over Stanford's offshore CDs[46]. Because they reveal the intricacies not only of the SEC's and FINRA's internal workings, but also their dealings with one another (from quite different angles), *as well as* some crucial points of interaction with a few of the above-named state bodies, the importance of these reports to my regulatory analysis cannot be overstated. I have supplemented these with data from several lawsuits and a Government Accountability Office (GAO) report on the SEC's relationship to SIPC.

On the Venezuelan side, the pickings are regrettably slim. Nevertheless, I have gathered a combination of filings, press accounts, and blog-based analyses about Stanford's relationship with several Venezuelan regulators. The latter include Venezuela's counterpart to the SEC, the Superintedencia Nacionál de Valores (the National Securities Supervisor) or SUNAVAL; Venezuela's principle banking supervisor, the Superintendencia de las Instituciones del Sector Bancario (the Supervisor of Banking Sector Institutions) or SUDEBAN; and, Venezuela's equivalent of the IRS, the Servicio Nacionál Integrado de Administración Aduanera y Tributaria (the National Integrated Service for Customs Duties and Tax Administration) or SENIAT. As for

[45] See: FINRA, 2009. "Report of the 2009 Special Review Committee on FINRA's Examination Program in Light of the Stanford and Madoff Schemes" (henceforth, FINRA-SRC), released September 2009.
[46] See SEC, Office of Inspector General, 2010. "Investigation of the SEC's Response to Concerns Regarding Robert Allen Stanford's Alleged Ponzi Scheme," (henceforth, SEC-OIG), (Case No.OIG-526), released 03-31-2010.

the main Antiguan regulator tasked with monitoring SIBL, the Financial Services Regulatory Commission (FSRC), there is precious little to be found on its website, likely due to the fact that during the relevant years, its head, Leroy King, was in Stanford's pocket. As a result, what I've learned about Antigua's regulatory process, I've culled from a combination of trial transcripts, criminal complaints, civil lawsuits, and press accounts.

Miscellaneous Sources

This brings us to "miscellaneous sources," a catch-all category that contains some of my most useful data. It is comprised of three main groups: marketing materials and propaganda generated by Stanford and its business partners; accounts about the firm by journalists, watchdogs, and pundits; and, lastly, a variety of non-regulatory government materials. I have included in the first group founding documents like articles of incorporation. As with routine regulatory filings, these are important as much for what they do as for what they reveal. We know that firms are partly constituted in these banal interactions with the state. However, the mere fact of incorporation can also be a potent form of speech. Indeed, the decision to incorporate in one place rather than another is among the most valuable worth claims a trustee can make of itself. This is easy to miss when looking solely within one legal or regulatory sphere. However, a benefit of studying a firm whose operations cut across several such spheres is that the mundane operation of jurisdiction—here, its performative potential—comes into relief.

This first group of data also includes Stanford's marketing materials: its brochures, disclosure forms, annual reports, the company's glossy *Stanford Eagle* magazine, its philanthropic efforts and cultural sponsorships, endorsements by celebrities and "notables," its corporate videos, and both print and television advertisements. Among Stanford's more complex marketing schemes was its purchase of a well-respected think tank, the Washington Research

Group, and its secret founding and funding of a policy NGO focused on Latin America, the Inter-American Economic Council (IAEC). I discuss both in Chapter 2. Finally, Stanford benefited, particularly in Latin America, from the unscrupulous help of some business partners. Several now stand accused, in civil suits, of sending deceitful letters to Latin American clients affirming Stanford's solidity and rectitude. Among these are a subsidiary of the Swiss bank Société Générale as well as the insurance and risk management firms Bowen, Miclette & Britt and the Willis Group. I discuss such letters, including several provided to me by a pair of Venezuelan respondents.

The second group consists of "journalistic" depictions of Stanford, construed broadly. I draw here mostly on major U.S., British, and Venezuelan newspapers[47] and magazines, starting in the early 1990s and continuing well into the post-fraud years. I have also compiled televised news stories and press conferences, preserved on sites like YouTube and Daily Motion. The investigative work of watchdog NGOs like the Project on Government Oversight (POGO) and the Center for Responsive Politics have also proven useful. In addition, I have relied on a segment of the Venezuelan political blogosphere. Since blogs are of notoriously variable quality, and still looked at askance by sociologists, this requires a bit of context. First, the population of blogs that I consult—the Devil's Excrement, Caracas Chronicles, Setty's Notebook, Infodio, Venepirámides, and Caracas Gringo—constitutes a fairly cohesive network of mutual esteem and citation. There is, in other words, general agreement among these writers that the others produce insightful and well-sourced writing. However, this could be said of the standard [virtually any?] online echo chamber of cranks or lunatics.

[47] Though I don't discuss it in this work, Stanford made wily use of newswire reports, a genre that essentially presents press releases--that is, corporate propaganda--in a news-like visual and textual format.

For that reason, and for what it's worth, I point out that these writers are nearly all legitimated from without. For example, Miguel Octavio of devilsexcrement.com[48] is a renowned authority on Venezuelan finance, regularly quoted by the likes of *The Wall Street Journal*, *The Guardian*, *Financial Times,* and *Investor's Business Daily*. Similarly, the founders of caracaschronicles.com, Francisco Toro and Juan Cristobal Nagel, are, respectively, a political science Ph.D. and an economics Ph.D., who have parlayed their blogging into frequent writing assignments for *The New York Times*, *The Guardian*, and *Foreign Policy* magazine, among others. Steven Bodzin of Setty's Notebook (https://settysoutham.wordpress.com) is a journalist for the Christian Science Monitor and Bloomberg News, and an expert on South American energy politics, who uses that blog to publish his own investigative work and opinion pieces. Finally, Alek Boyd (infodio.com) and the pseudonymous Bernardo Madoff (http://venepiramides.blogspot.com/) and "Gringo" (https://caracasgringo.wordpress.com/) are brilliant, polemical muckrakers. Boyd conducts corporate intelligence and due diligence investigations, mostly around Venezuelan political corruption. And both Madoff (reputedly a banking insider) and Gringo (an ex-U.S. intelligence operative) are respected by others on this list for the quality of their scoops and analyses. Above all, though, these writers fill a need. It is the insistent opacity of Venezuelan banking, financial regulation, and justice, particularly during the Chávez years, that has made such sources indispensable to understanding a case like Stanford's. I hope the reader will agree that I have drawn on them judiciously and without lapsing (too badly) into a kind of tropical Kremlinology.

Rounding out these miscellaneous sources are an assortment of non-regulatory government materials. This includes various agency reports (e.g., by the State Department);

[48] This phrase refers to a quote by Juan Pablo Pérez Alfonso, a Venezuelan lawyer and politician instrumental in the creation of OPEC, who dubbed oil "the devil's excrement" for all the political-economic distortion and misery he predicted it would visit on that country.

congressional hearings on the Stanford fraud; materials related to a bitter dispute between the SEC and SIPC over whether to restitute Stanford's victims; and, finally, legislative history and debates around the passing of the Securities Investor Protection Act (the law that birthed SIPC).

Plan of the Dissertation

This work proceeds as follows. In Chapter 2 ("The Stanford Financial Group: a Creature of Jurisdiction"), I begin by discussing some of the key positive worth claims that Stanford made and circulated about itself to convince investors of its profitability and probity. For the remainder of the chapter, however, I discuss the three jurisdictional spheres—the Caribbean microstates of Montserrat and Antigua & Barbuda; the United States; and Venezuela—in which the firm took root, and whose characteristics and resident institutional actors allowed Stanford to constitute itself as an agent in the world, capable of disseminating positive claims for itself. In Chapter 3 ("Courts and Regulators: Tracing the Careers of Worth Claims"), I consider the institutional topographies in Venezuela and the United States that helped to inhibit the flow of negative claims about Stanford, focusing in particular on their legal and regulatory systems. In Chapters 4 and 5 (respectively, "Stanford's Venezuelan Investors: Structural Coercion and Jurisdictional Schemas" and "Stanford's U.S. Investors: Structural Coercion and Jurisdictional Schemas"), I draw on my extensive interview data and consider the Stanford fraud from its investors' perspective. First, I consider the forms of structural coercion that made it necessary for my respondents even to participate in "investment." Second, because lay investors are in some sense jurisdictional "outsiders"—excluded from those zones of normative and epistemic authority that might afford them a clear view of market dangers—I then consider the jurisdictionally-informed folk schemas that my subjects marshaled to make sense of Stanford. Finally, in the concluding chapter, I reflect on the argument as a whole, discuss the weaknesses and limitations of the theoretical framework I've advocated, and suggest directions for future research.

Chapter 2

The Stanford Financial Group: A Creature of Jurisdiction

Introduction

Lay and scholarly views on the abuses of trust converge to a striking degree, especially with respect to financial frauds. Media post-mortems, for instance, tend to portray fraud as a chain of increasingly brazen acts by the perpetrators and a trail of botched opportunities for those tasked with detecting them. The emphasis, however, usually falls on a fraudulent mastermind's skill for exploiting human weakness. CNBC's popular "true crime" television series "American Greed" is an exemplar of this approach. Indeed, the title itself gives the game away. Each episode is framed to highlight the singular moral rot and titular "greed" of the offender. Since little attention is paid to the institutional settings (national or otherwise) from which such schemes sprout, "American" is rendered an empty descriptor. This personalizing tendency is even on display, however, in scholarly approaches to trust, ostensibly committed to socially "embedding" the trustee and giving a nuanced account of her or its agency. Certainly, this is the case for studies of social capital and embeddedness. While such works rightly stress the connectedness of trustees to others (where such others serve as conduits for information or other goods) the trustee is nevertheless cast in a protagonist role, largely credited with having cultivated the connections from which she benefits (and to which she is only theoretically subordinated).

I take a different tack. Of course, given narrative conventions, we cannot totally avoid painting the Stanford Financial Group (SFG) in a protagonist light. Nevertheless, I aim to show that it is analytically preferable to treat the trustee's agency as an outcome rather than the architect of its institutional contexts. Toward that end, this chapter asks how SFG's situation within and across various zones of authority—or what I'm calling "jurisdictions"—not only influenced the economy of worth claims about the firm (their production, circulation, and reception) but, more fundamentally, enabled SFG to even constitute itself as such. The firm, I will demonstrate, was a consummate creature of jurisdiction.

The rest of this chapter proceeds as follows. First, I will review some of the key positive claims that SFG made about itself to its U.S. and Venezuelan audiences. Because Chapters 4 and 5 take up this topic in depth and, more importantly, from the clients' jurisdictionally inflected points of view, our present discussion of these claims will be somewhat cursory. My objective here is simply to index the kinds of statements that Stanford's broader contexts made possible and effective. Following that, I turn to those very institutional contexts. In the previous chapter, I specified that jurisdiction shapes trustworthiness in two ways: first, by exerting a "logistical" influence on the production and circulation of worth claims; and second, by furnishing much of those claims' semantic content, shaping their production and reception by a "discursive" logic. Chapters 3 (on courts and regulators) and 4 and 5 (on Stanford's clients) concentrate, respectively, on the logistical and discursive effects of jurisdiction on trustworthiness. Here, however, I will discuss both modes simultaneously. Specifically, by looking closely at three spheres—the Caribbean microstates of Montserrat and Antigua; the U.S.; and Venezuela—I will show how jurisdictionally-specific institutional arrangements and constellations of actors, which both pre-dated and outlived Stanford, allowed that firm to assume the form and make the claims it did.

PUTTING A GILDED FOOT FORWARD: STANFORD'S POSITIVE CLAIMS FOR ITSELF

Like any trustee, Stanford sought to signal competence and goodwill to its actual and prospective trustors. It did so with a dazzling array of positive worth claims. Although the distinction is not always sharp, we can sort these into two broad categories. The first are claims of a primarily substantive and direct nature. These tend to concern the firm's financial savvy and experience, and the safety of its offerings. The second group consists in signals of a more aesthetic and connotative kind. Though less direct, these are nonetheless very powerful, since they are meant to reflect not only the firm's but its clients' moral qualities and social worth. I'll address these in reverse order.

As journalists, court briefs, and my own respondents remarked nearly ad nauseam, SFG put great care into its material self-representation. The firm's brochures, disclosure forms, annual reports, rate sheets and other written materials conformed to a unified aesthetic. They were printed on expensive paper stock and professionally designed by Stanford's in-house marketing firm, Idea Advertising.[49] The documents were festooned with Stanford's golden heraldic eagle logo, but also featured marble motifs, and complex visual overlays of neo-classical architecture, self-consciously sober office interiors, snapshots of Stanford personnel at work, different forms of paper currency, maps or globes, and stock ticker imagery. The firm's investment allocations and track record are rendered in a numbing series of bar and pie graphs and historical portfolio performance charts. If one looks past their textual content—and many, perhaps most, investors did—these documents overwhelm the viewer with conventional signs of financial probity. Without a doubt, however, the jewel in Stanford's paper crown was its annually-produced

[49] Pamela McElvogue, an employee of IDEA from 1999-2002, writes on her LinkedIn page, "My first job out of college was working for Stanford Financial's in-house marketing group - IDEA Advertising (2 years). At IDEA, the sky was the limit for printing and design. Incredible paper, varnishes, metallic inks, die cuts, you name it - we could use it! I [...] As Allen Stanford (yes, THE Allen Stanford [...]) was incredibly hard to work for, I began to seek other employment opportunities." https://www.linkedin.com/pub/pamela-mcelvogue/92/ba9/693

Stanford Eagle magazine. The 2007 and '08 versions merit special mention. Like many of Stanford's materials, both feature sepia-toned photographs of the firm's purported patriarch and Allen Stanford's grandfather, Lodis B. Stanford, bespectacled and nattily dressed. The 2007 edition superimposes his image over the firm's anodyne motto (credited to Lodis himself): "Hard Work, Clear Vision, and Value for the Client." Like most issues, these also feature Allen Stanford's "Letter from the Chairman." Articles about the firm's market expansion and research, its analysts' global investment acumen, and the group's philanthropic efforts occupy the remainder of their pages. At trial, Leonel Mejia and Lula Rodriguez, early- and late-year Idea Advertising employees, respectively, portrayed Allen Stanford as involved in the most minute details of these materials' design and content (RAS Tx., pp. 576, 599,646,804-5, 1063; 4296-8).

His personal aesthetic and attention to detail were certainly in evidence in the firm's real estate, architectural, and interior design choices. SFG's offices were always placed in high-prestige locations. SFG's Houston headquarters, for example, were located across from the Galleria, a renowned shopping destination for wealthy Houstonians.[50] Its Miami brokerage and trust office took up an opulent 21st story high-rise space overlooking Biscayne Bay. Likewise, it chose for its plush Caracas offices an imposing building in the wealthy El Rosal district. SIBL's headquarters in Antigua too have been described as "a palatial building atop a hill and against a backdrop of impeccable tropical landscaping".[51] From the firm's early days in Montserrat (RAS Tx., p. 577) Stanford also made sure its office interiors were built of such materials, and stuffed with such objects, as to create an almost satirical tableau of "old money" virtue and stability. References to mahogany, green marble, gold and brass fixtures, and expensive paintings (mostly

[50] "Stanford Financial's posh Galleria-area spot for sale," Nancy Sarnoff, *The Houston Chronicle,* 2-2-10
[51] "Sir Allen's Antigua, or the curious case of Stanford International Bank," Stacy-Marie Ishmael, *The Financial Times,* 2-17-09.

English hunting scenes) in the press are too numerous to list.[52] A select few high net worth clients were even flown to Antigua to visit the firm's luxurious headquarters, cricket ground, and restaurants, an experience meant not only to lend the offshore idyll a reassuring concreteness, but, like all the firm's efforts, to let clients know that they had "arrived."[53]

The simultaneous stroking of client egos and burnishing of Stanford's image took other forms. SFG instilled in its financial advisors (FAs) a cultish devotion to round-the-clock, affectively-charged customer service. One after another, U.S. respondents recalled the thrill and pomp of dining at the Houston headquarters' famed "five star" restaurant, at their FA's invitation. Many wistfully described the personal closeness—shading into friendship—that they'd enjoyed with their FAs. In some cases, these relationships were built from the ground up, with clients arriving at the firm via a peer's or loved one's referral, after attending a "free lunch" seminar, after viewing an advertisement, or through a simple walk in. Other clients followed advisors to Stanford from previous brokerages. Although it permitted SFG to quickly purchase client relationships, the frequent poaching of its competitors' "talent" triggered the ire of those firms, as chronicled in a stack of FINRA arbitration and court suits. FAs, however, were well-positioned to both vouch for SFG and to encourage in clients a subtly inflated sense of status, a tacit perk of switching to the firm. Finally, Stanford used the time-tested tool of philanthropy and sponsorships to build up its name while also giving clients the satisfaction of dealing with a socially engaged company. Among the beneficiaries were St. Jude's Children's Hospital, a long list of cultural programs, youth basketball camps, and a wide range of charities. As an ex-editor of Stanford's *Antigua Sun* newspaper put it, this largesse was clearly "a method not a charitable

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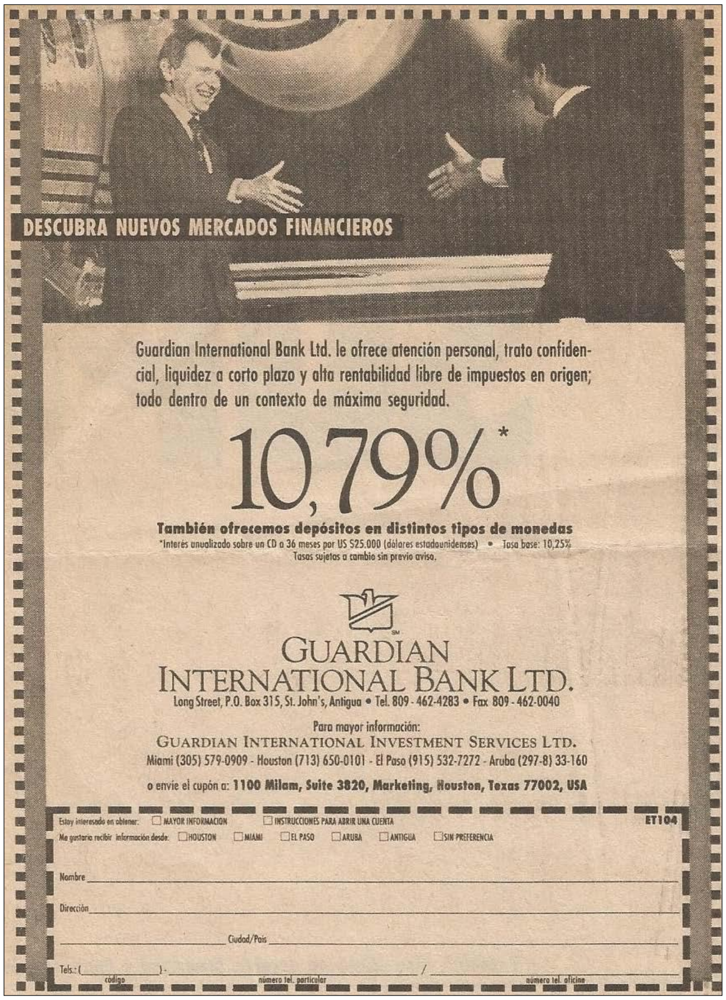
[52] A typical passage: "Well-worn, brass-studded leather couches rest on rich Oriental rugs, conjuring images of an old-money British banker in his study. Leather-bound volumes and yellowed globes line polished mahogany bookshelves next to huge impressionistic oil paintings." From "The Rise and Fall of the Stanford Financial Group," Tim Elfrink, *The Houston Press*, 4-09-09

[53] See, e.g., Allen Stanford "Hangar Speech," 2011; RAS Tx., pp. 678-9.

impulse" (Hoffman 2009, p. 156).

SFG also made very direct, substantive claims about itself and its products. These began in its offshore bank's first days. From roughly 1986 to 1996, the bank dealt almost exclusively with investors based in Latin America, a region then convulsed by a debt crisis that would come to be known as "the lost decade." To such investors, Guardian International Bank, later Stanford International Bank, presented itself in cleverly ambiguous terms that encouraged them to assume it was essentially a U.S.-based institution, and thus a refuge for their wealth. An early advertisement in a Colombian newspaper, typical for the time, exhorts readers to "discover new financial markets," offering them "personal attention, confidentiality, short-term liquidity, and high yields, tax free, all within a context of maximum security" (GIBL Advertisement 1991).



[54]

The advertisement boasts, in huge font, an annualized return of "10.79%," "based on a $25,000 deposit (U.S. dollars) in a 36-month term CD ." To learn more, readers are asked to call one of four informational phone numbers (in Miami, Houston, El Paso, or Aruba) or to return an enclosed coupon to a Houston address. As early critics noted, the U.S. addresses, the denomination of investments in dollars, and the designation of its main product as a "certificate of deposit" (an archetypically safe, American financial instrument) were clearly meant to coax readers toward faulty conclusions, a strategy that grated on U.S. state bank and financial

[54] Thanks to Tony Hetherington for this image.

regulators (Hetherington 1991a and b; Texas State Securities Board).

Similarly, a promotional CD-ROM video from the mid-'90s (given to me by two Venezuelan respondents) presents Stanford's companies—including Stanford International Bank, Stanford Group Venezuela, Stanford Group Company, and others—as related to each other in almost theologically opaque terms, but ultimately united in the warm embrace of the ostensibly Houston-based Stanford Financial Group.[55] As SFG grew to include not only the bank, but brokerages and commercial banks across Latin America, a venture capital firm, real estate development companies, Stanford Coin and Bullion, two regional airlines, newspapers, and many, many more, it became crucial to manage others' impressions regarding the precise nature of the conglomerate. Toward that end, employees and clients alike were assured that although the companies all fell under the expert stewardship of sole shareholder Allen Stanford, each was self-sufficiently financed (RAS Tx., pp. 595, 680, 683).

In addition to fudging its provenance and structure, SFG made more specific claims regarding the mechanics of its cash cow, the offshore bank CD. As became clear at trial, even the earliest customers and employees were told the bank invested only "in high quality, conservative, easily liquidated instruments," a designation including stocks, bonds, commercial paper, bank deposits, and currencies (RAS Tx., pp. 586, 1042). The diversification of its holdings across world region and asset type was a major selling point for the firm, as this "technique," however vague, seemed to hedge against "conditions prevailing in any region, country, market, or sector" (RAS Tx., p. 1042; 645). As variously asserted in its annual reports, the bank's holdings were audited according to "international accounting - ," "international auditing - ," and "international financial reporting standards" (though, to the alarm of some clients, not by a "big four" accountancy but by a tiny local operation, year after year [RAS Tx., pp. 668-9]).

[55] Video provided to me by Cristina and Sandra Lopez, Interview 10-23-10_1.

Most enticingly, the bank offered steady returns between two and four points higher than equivalent U.S. bank CDs. A graph in its 2008 U.S. client brochure, for instance, illustrates how a depositor with $1 million to invest in 1997 would have fared in a SIBL CD by 2006. The Stanford deposit, over that period, is shown to have swelled to $2.1 million, versus only $1.5 million for its stodgy U.S. counterpart. In a moment of candor, Allen Stanford told early employees that his "strategy was to be always 2 percent over what a U.S. bank would offer in a CD," because people are "greedy" and thus "willing to risk their money for 2 percent [… in a] bank with no FDIC" (RAS Tx., pp.796-7). In more considered moments, he claimed that the bank's returns were possible because its island redoubt had no income tax and no reserve requirements, the bank avoided risky commercial lending, and it had extraordinarily low overhead, (RAS Tx., pp.585-6, 805-6). Moreover, its assets were skillfully tended by a network of independent money managers in the Caribbean and Europe, and a stable of Stanford portfolio managers in Memphis (ibid.). As one interviewee remembered it, "They have these six gnomes that live in Knoxville or Memphis or whatever the hell it was and they just had this proprietary trading program that they can generate these returns." (Intv. 4-21-11_4). If these details weren't enough, SFG could lean on its purported "75 Years of Success" and the Great Depression-era roots of the firm—a back story that early employees bristled at, knowing it to be misleading (RAS Tx., pp. 605-6, 836-41). As Chapters 4 and 5 show, however, my respondents found SFG's origin myth to be very persuasive.

Lastly, Stanford boasted an array of flattering institutional links with both private and public entities. Trial transcripts and reference letters provided me by respondents show that Allen Stanford touted to both clients and employees his firm's correspondent banking relationships with , among others, Chase, Merrill Lynch, Credit Suisse, Société Générale, HSBC, and Toronto

Dominion Bank (RAS Tx., pp. 588-9, 704; Reference letters). Once the U.S. brokerage, SGC, was operational, Stanford peppered its marketing materials with references to its clearing brokers, first Bear Sterns, then Pershing. For its insurance brokerage and risk management needs, SFG employed the firms Sedgwick James, Bowen Miclette & Britt (BMB), and the Willis Group. Likewise, it hired the accounting giant BDO to audit SGC's (though not SIBL's) financials for several years. In a public relations coup, SIBL purchased insurance policies with Lloyds of London. Latin American clients, in particular, were outright lied to (rather than merely led to assume) that Lloyds' and sister policies covered customer deposits. Finally, SGC's status as a U.S. broker-dealer and investment advisory, combined with SIBL's designation as a CD-selling "bank," raised SFG's ambiguities to intoxicating heights. Duly motivated, SIBL depositors could impute to their offshore CDs an alphabet soup of public and semi-public oversight and regulatory protections: the SEC, FINRA, SIPC, and even the FDIC.

The preceding pages have dealt exclusively with Stanford's apparent self-fashioning. And to some extent, self-fashioning is what all trustees must do. In the following three sections, however, I wish to undercut this narrative by demonstrating how the existence of distinct jurisdictional arenas—here, the Caribbean islands of Montserrat and Antigua; the U.S., and Venezuela—and the jurisdictionally-specific actors within them, provided the conditions of possibility for Stanford even to emerge as an agent in the world capable of making claims about itself.

Stanford's Caribbean Roots: The Offshore Financial Centers Of Montserrat And Antigua & Barbuda

Montserrat and Antigua & Barbuda: small places?

Stanford's trajectory cannot be abstracted from the Caribbean political and legal machinery that made it possible. In broad historical strokes, it was the change of British territories and ex-colonies into "offshore financial centers" (OFCs) that furnished a scaffolding for Stanford's and similar firms' emergence. However, a closer look at Stanford's hosts, Montserrat (1986-90) and Antigua (1990-2009), roundly refutes the notion that the firm was a unique and corrupting force. Indeed, I will show that this and other frauds were an almost inevitable byproduct of local political and professional elites' efforts to trade on their most valuable asset: sovereignty.

Scholars of the offshore trace the rise of OFCs[56] to a historical brew that includes the post-WWII advent of the Eurodollar system, the fall of the gold standard and Bretton Woods, the oil and subsequent debt crises of the 1970s and '80s, the competitive deregulation of financial markets, and, in the Caribbean, a collapsed agricultural economy and a series of hurricanes (Maurer 1997, pp. 252-4; 2001, p. 492). Moreover, in the Anglophone Caribbean, Maurer writes, an especially potent mix of economic hardship, a communications infrastructure bequeathed by the British, and an ideology of "niche-building" post-colonial self-sufficiency nudged eastern Caribbean elites toward marketing their islands as OFCs (2001). It is important to note that not all of these conditions obtained in every case. Montserrat and Antigua, for instance, differ in crucial respects. As a British Dependent Territory with scant appeal to tourists, and whose population never surpassed the low thousands, Montserrat faced different pressures at the time of

[56] Many authors use the terms "tax havens" and "offshore financial centers" (OFCs) interchangeably (e.g., Maurer 1995). Others deem OFC to be too broad a category, likely to lead to confusion (e.g., Palan, Murphy, and Chavagneaux 2010, pp.23-30). However, as the "bank" at the heart of this dissertation was ostensibly part of a full-service investment company, and given that OFC is the more capacious of the two terms, I will be using that term. It's worth noting too that Palan et al (following Zoromé 2007) categorize Antigua as a "failed tax haven" (2010, p. 30). In any case, whether termed "tax havens" or "offshore financial centers," they are primarily "legislative spaces" where the "real location" and "legal location" of transactions are decoupled (Palan, Murphy, and Chavagneaux 2010, pp.21-9).

Stanford's arrival than the recently independent and much larger Antigua. The point, however, is that as in countless other territories and micro-states (Palan 2002; Palan et al 2010; Picciotto 1999; Shaxson 2011), elites in these locales found themselves alternately tempted and forced to commercialize their societies' sovereignty, often to unscrupulous outsiders.

Swindlers' haven, jurisdictional stepping stone: 1980s Montserrat

Press and pundits' accounts note the dubious character of 1980s Montserrat, the volcanic speck where Allen Stanford would found Guardian International Bank, Ltd. (GIBL). David Marchant, proprietor of the naming-and-shaming organization OffshoreAlert, characterized both Guardian's predecessors and peers as "shell banks, […] all pretty much involved in fraud. They were all the same: certificate-of-deposit frauds, money-laundering. […] The only reason you opened a bank in Montserrat was to commit fraud" (quoted in Burroughs 2009, p. 258). In fact, long before Guardian's incorporation, Montserrat was already an "'outlaw' banking jurisdiction" (*Greenberg*, p. 23) nourished on bank registration fees. But, although homegrown greed was partly to blame, the story of Montserrat's turn toward criminal "banking" is complex and holds valuable lessons.

After uncovering serious fraud at a Montserratian bank in 1989 (Gallagher 1990, pp.105-6), the British government commissioned the famous "Gallagher Report," a work that mapped the regulatory shortcomings of its Caribbean dependencies. The report's section on Montserrat points to a legitimate sociological puzzle: "Despite the adoption of modern [International Business Companies] legislation there has been little real progress with company registrations and nothing on the scale of success enjoyed by either British Virgin Islands or Turks and Caicos […]. By contrast the Banking legislation, while superficially containing nothing innovative or attractive has resulted in the incorporation and licensing of 347 banks, all but nine of which are [offshore banks]" (Gallagher 1990, p. 102). Indeed, why should a 39 square mile rock have suddenly become an offshore banking hub? The cause, the report found, lay in the chance collaboration of two groups: a small but active cadre of Montserratian lawyers eager to serve as agents to foreign purchasers of offshore "banks"; and, a group of U.S.-based promoters and sellers of ready-to-wear offshore banks, aggressively marketing Montserrat to foreign tax cheats and swindlers (p. 101-2). The report, however, aimed its ire at one foreign promoter in particular: Jerome Schneider and his Los Angeles-based WFI Corporation (pp. 106-7).

Schneider began selling ready-made offshore corporations and banks in 1975, first by promoting the Cayman Islands, and shortly after by extolling the wonders of St. Vincent and Anguilla. (Senate Report 99-130, 1985, p. 10). In 1980, Schneider's WFI sold its first paper bank in Montserrat (p. 10).[57] Before too long, his clients were making the pages of the *Wall Street Journal* and the *Los Angeles Times*, some for thefts in the high tens of millions.[58] Not all of Schneider's customers were looking to prey on others. The same climate that gave rise to tax protests and the "Reagan revolution" ensured Schneider a steady stream of clients hoping to safeguard their economic "freedom." In the coming years, Schneider's wealth and reach grew. He kept his audience apprised of new regulatory "opportunities" through WFI's multi-day seminars at posh resorts (with right-wing figures like Oliver North as guest speakers); a well-selling book series (e.g., Schneider 1987); and, advertisements in the *Wall Street Journal*, American Airlines' *American Way Magazine*, and *Sky Mall*.[59] It was, according to SFG's second-

[57] In years immediately following, Schneider would add the Northern Mariana Islands, Vanuatu, the Marshall Islands, Nauru, the Cook Islands, and others to his repertoire (Senate Report 99-130, 1985, p.11-2)

[58] See, e.g., "Con Men Make Millions by Creating Caribbean Banks," *Wall Street Journal*, 03-23-1981; "Arrest, Incarceration Of J. David Dominelli Doesn't End Mystery [...]" Wall Street Journal, 04-30-1984. One of these, the San Diego-based J. David Dominelli, an unassuming former marine, hobnobbed with the rich and powerful of San Diego (some of whom were also his victims). The fallout from his fraud would change the course of San Diego politics (San Diego Union-Tribune, 10-14-2009).

[59] "'Hiding Your Money' Author, LA Lawyer Indicted in IRS Case," *Los Angeles Times*, 12-21-2002;"Pioneer of

in-command, one of Schneider's in-flight ads that gave Allen Stanford the idea to start a bank in Montserrat (RAS Tx., p. 2733). By the late '90s, Schneider was nearly a household name. But in 2002, after decades of frustration and a five-year IRS investigation into his dealings, U.S. officials finally won an indictment against him for facilitating tax fraud.[60]

Allen Stanford's own stay in Montserrat, though productive, was short-lived. Unlike his contemporaries' advance fee and bogus loan scams, Stanford hoped to use GIBL's Montserratian base to build something grand and enduring. Montserratian domicile gave him the ability to spirit Latin American wealth into his own personal till, and the freedom to make lofty, unfalsifiable claims about the firm's assets and investment strategy. The bank's stateside representative offices lent a veneer of plausibility to SFG's claims to be a fundamentally U.S.-based firm. And in fact, things went well for the firm—until it got caught in the wave of bank closures chronicled in the Gallagher Report.[61] In late November 1990, Leonel Mejia, a graphic designer for Idea Advertising (SFG's marketing wing) arrived to his Houston office at 6:00am to find a document in the fax tray meant for Allen Stanford (RAS Tx., pp. 841-6, 950- 62). The sharply worded missive was from Montserrat's Ministry of Finance & Economic Development, and it laid out a five-point argument for the impending revocation of GIBL's Montserratian banking licenses. Its listed reasons were GIBL's "Fail[ure] to employ an approved auditor," "Operating in a manner detrimental to depositors," "Failing to supply satisfactory details as to liquidity," "Having a director who is a former bankrupt," and "Failing to maintain the company in good standing by neglecting to submit an annual return" for 1989 (Montserrat revocation letter, 1990). The letter, dated November 28, 1990, gave Stanford and GIBL 14 days to formulate a response.

Sham Tax Havens Sits Down for Pre-Jail Chat," *New York Times*, 11-18-2004

[60] See *New York Times*, 11-18-2004, and *Los Angeles Times*, 12-21-2002.

[61] As hinted in other sources, there is also reason to believe that the Scotland Yard - FBI collaboration mentioned in the Gallagher Report, and ostensibly directed at many Montserratian banks, may have also developed on a parallel track specifically dedicated to ascertaining Stanford's involvement in laundering money for drug cartels (*Greenberg*)

At trial Mejia testified that Allen Stanford had made no prior mention of plans to move the bank from Montserrat to Antigua, its eventual next home (RAS Tx., pp. 845-7; 950-62). And, at that time, Mejia was finishing work on the 1990 Annual Report: a move to Antigua, but specifically, its justification to investors, is precisely the sort of matter that Stanford would normally have micromanaged. Nor had other employees been tipped off to the move (RAS Tx., pp. 621-2). Nevertheless, in his December 19 reply to Montserrat's Finance Ministry, Stanford declared a cessation of all of GIBL's Montserrat-based banking activity and a surrender (a week too late) of GIBL's Montserratian bank licenses.[62] When GIBL's 1990 Annual Report was finally released in January 1991, it mentioned in passing a September 17, 1990 meeting of GIBL's Board of Directors at which "a decision was made to consolidate the bank's operations to Antigua" (GIBL 1990 Annual Report, p. 10). That September meeting, however, never took place. Minutes from a later meeting, convened after receipt of Montserrat's revocation notice, were backdated to appear as if they'd occurred months prior (RAS Tx., pp. 992-3, 2797-803). For Stanford, it was crucial that the bank's move appear as a fully voluntary choice. Securing its new home in St. John's, Antigua, however, had not come cheaply.

Antigua: whose experiment?

In the weeks before Allen Stanford's and GIBL's early 1991 arrival to Antigua, Stanford engaged in detailed negotiation with his soon-to-be hosts concerning the terms of his bank's relocation. In exchange for the right to reestablish GIBL on Antiguan soil, Stanford agreed to bail out a local commercial bank, the Bank of Antigua, in which Antigua's ruling Bird family almost

[62] The letter, which radiates pique, pins GIBL's move to Antigua on Montserratian authorities' lack of gratitude for Stanford's good works on the island, its regulators' duplicity, and, of all things, the low regulatory standards evidenced by "the indiscriminate issuing of hundreds of [offshore] bank licenses and the publicity caused by the cleanup that followed." It also references Mejia's interception of Montserrat's revocation notice; Stanford blasts its authors for "its indiscriminate transfer by ordinary fax transmission [...] where any one of a number of people could have seen it" (Stanford reply to Montserrat Finance Ministry, 1990, p. 4).

certainly had interests (*Greenberg*, pp. 26-7; RAS Tx., pp. 2801-6). Stanford bought and propped up the ailing bank for about $10.5 million[63] In addition, and surely at a cost of many millions more, Stanford "agreed to purchase four acres of prime land fronting [VC Bird] airport," the eventual location of Stanford's palatial multi-business headquarters on the island (*Greenberg*, pp. 26-7).

It is useful here to consider the language often used to describe Stanford's evolving relationship with his Antiguan hosts. During the late '90s, for example, Stanford and Antigua together suffered a spate of bad press, much of it focused on Stanford's influence on Antigua's recent regulatory reforms and his purportedly outsized role on the island more generally. A *Washington Post* article opens with "It is hard to escape the presence of Texas banker R. Allen Stanford on this island" and points to a leaked State Department cable alleging that "Stanford wielded undue influence on the Bird government" (Farah, *Washington Post*, 10-11-1999). A lengthy *Houston Chronicle* piece, a few months later, paints Allen Stanford as "a player" on Antigua who "enjoys access to Prime Minister Lester Bird. Stanford himself—ostensibly disavowing, but seeming also to relish, the accusations of buying influence—replies in the same article that "I just happen to be a major investor in a small place" (Ivanovich, *Houston Chronicle*, 7-16-2000). Article after article notes the ambivalence of ordinary Antiguans toward their lumbering Texan "benefactor," a man known to have brought jobs but also an added film of disrepute to their island. A recurring complaint notes that Stanford had achieved unseemly political leverage through his substantial loans to Antigua's government, a sentiment voiced by

[63] Though many of these transactions were carried out in Eastern Caribbean Dollars (the currency of the CARICOM community that includes Antigua and six other microstates) I've listed them in U.S. dollars for ease of intelligibility. The above dollar total includes a nominal purchase price of about $184,000, plus the stipulation that Stanford inject about $6.6million of his own capital (in reality, of his CD depositors' money) to bring the bank up to solvency, and another grant of $3.68 million to boost the bank's "shareholder equity" (*Greenberg* p. 26). It bears stressing that the Bank of Antigua was a commercial bank serving Antiguan locals and regulated by the Eastern Caribbean Central Bank. By SFG's collapse, it was among the very few of the conglomerate's businesses to have been run profitably.

then-opposition leader and future president, Baldwin Spencer, when he famously said "This man has a lien on our whole country" (Fritsch, *Wall Street Journal*, 3-05-2002).

The evidence in support of these views is plentiful. He certainly lent Antigua vast cash sums over the years. As noted in countless places (but see *Greenberg* for an overview), Stanford was allowed to amass an impressive real estate portfolio on the island. He became Antigua's largest private sector employer, by a wide margin. In 2006, though not uncontroversially, Stanford was made a "Knight Commander of the Order of the Nation" by Antigua's government. Without question, he had the ears of the Bird clan and other members of the Antiguan Labour Party (ALP). Crucially, nearly all of SFG's vertiginous growth, and thus Stanford's personal enrichment, occurred during the 18 years that the international bank was domiciled in Antigua. And, Stanford did spearhead the reformulation of Antigua's finance and banking laws, later enlisting its chief regulator as a cog in his fraud. The notion that he co-opted the island's political machinery is, on its face, convincing.

There is also evidence that some in Stanford's camp saw it that way. The *Greenberg* suit describes the fateful pairing, in the late 1980s, of Allen Stanford with Carlos Loumiet, a talented "international corporate and banking law[yer]" with a "professed disdain for government regulation or 'geographic borders' for banking" (*Greenberg*, p. 19). Loumiet, the suit alleges, sought to help Stanford "operate an offshore, unlicensed investment company from U.S. soil but skirting U.S. law," "to maximize sales while minimizing regulatory scrutiny" (*Greenberg*, pp.18,22). Both the suit's language, and the words attributed to Loumiet himself, are worth quoting at length:

> Stanford could not have perpetuated his [fraud…] without his absolute control over the island nation of Antigua. […] Stanford's goal from the beginning was to take control of Antigua and use it as the new base for his offshore schemes. He found a willing partner in Loumiet who viewed the corrupt island nation as the

> ideal location for a *massive experiment in private sector self-governance* [emphasis added]. […Regarding] an opportunity to write laws for Antigua's offshore gambling sector, […] Loumiet referred to Antigua as being "a *small enough jurisdiction to make it ideal as a **'laboratory'** for this type of effort*." [emphasis in original]. Loumiet and his law firms […] knowingly assisted Stanford to basically "hijack" and take over the country of Antigua in order to use it as a safe haven. Defendants helped Stanford gain leverage over Antigua through a series of multi-million dollar loans that encumbered the entire nation. In doing so, Defendants helped Stanford to use his customers' money to install himself as the "shadow" government in Antigua […] (*Greenberg*, pp. 25-6).

Such language is striking: "absolute control," "hijack," "'shadow' government"; an ideal " 'laboratory'" for "a massive experiment" in "private sector self-governance." But, is this perspective, and the similar views of U.S. officials, litigants, and journalists accurate? In a word, no.

First, these discussions carry a whiff of neo-colonial condescension. Others have studied the role of race in depictions of the offshore (Maurer 1997; Shaxson 2011), and I will return to that later, but for now I'll just note that the foregoing quotes skip between discordant positions, enacting a kind of political virgin/whore complex. In one breath, Antiguans are depicted as immanently corrupt, happy to rent their laws to the highest of the low bidders that frequent their archipelagic neighborhood. In the next, they are shown to be simply *corruptible*, native naïfs easily bent to the whims of wily white interlopers. Whether depicted as mere scenery, bit-part conspirators, or second-order marks, at stake here is the question of Antiguans' and Antigua's corporate agency. Second, the notion that Stanford was a juggernaut corrupting everything in his path indulges in a mystification of scale. That a "billionaire" could descend on a 65,000 person microstate and throw his weight around seems too obvious to protest. And yet, to blindly accept this narrative is to discount precisely what makes microstates so politically vexing (to larger countries, anyway) and sociologically interesting: namely, that the formal equality of nations tends to boost, in relative terms, the value of small states' sovereignty. To be sure, the "smallness" of such states—of their populations, resources, years of independence, and cumulative capital stores—brings its own unique pressures. However, as I illustrate shortly, the realities of sovereignty and agency in the Antiguan case cut in the opposite way from that indicated in the "hijacking" narrative. Thirdly and lastly, the prevailing narrative both dehistoricizes and depoliticizes the Caribbean context that helped to birth SFG into being. To understand how our trustee became an agent in the world requires a closer look at that history and politics.

Monetizing sovereignty in the Birds' Antigua: a brief overview

Allen Stanford was but one in a long line of outsiders from whom Antiguan elites sought to wring benefit. Since it ruled the island almost continuously from 1949-2004, I'll limit the discussion to the Bird family's exploits. In the 1970s and post-independence '80s, Antiguan politics took on an authoritarian and clientelist cast "based on the control, exploitation and administration of state power" (Henry 1991, p.25). In these and the following years, the Birds used the machinery of the state both to enrich themselves and to feed state's coffers just enough to maintain their grip on Antigua's reins. A key aspect of that machinery, of course, was state sovereignty itself, that is, the power to decide what kind of actors and activities would be allowed on Antiguan soil. It's worth stating the obvious: not all of the Birds' attempts to attract foreign investment were scandal-worthy. However, in discussing some well-known (and lesser known) scandals, we can appreciate how Stanford fits into a larger pattern of political-economic activity.

The case of Canadian weapons firm Space Research is a good a starting point. That scandal involved the 1977 establishment of a testing range, on Antigua's Crabbs Peninsula, for cutting-edge howitzer artillery guns. The controversy lay in the extra-official way the Birds secured the deal, in their granting to Space Research of "an exemption from customs and immigration laws," including the secreting in of "equipment and military observers from foreign countries," but mostly in the eventual sale of these guns, with both Antiguan and U.S. complicity, to South Africa's apartheid government, in contravention of a 15- year-old UN embargo (Coram 1993, pp. 44-53).[64] In addition to direct remuneration, the Birds had secured an agreement from Space Research to train and equip the Antigua and Barbuda Defense Force.

The "Guns for Antigua" scandal, preserved in an official inquiry of that name (Blom-Cooper 1990), would make much bigger waves. The debacle involved an unlikely cast: Vere Bird Jr. (at the time competing fiercely with brother Lester for ascension to Antigua's "throne"); Israeli retired military personnel, mercenaries, and arms dealers; a spendthrift Lebanese-Israeli con-man turned melon farmer, acting as go-between; the Israeli-Swiss financier Bruce Rappaport (more on him below); and the Medellin drug cartel. The skullduggery resists paraphrasing. The basic events, however, involved a large shipment in late 1988 of Israeli military weapons, ostensibly for the use of the Antigua and Barbuda Defense Force, but in fact sold and rerouted to the Medellin drug cartel. Antigua's role in the transaction came to light after Colombian authorities discovered the cache of weapons in the home of a cartel operative. One of the machine guns had recently been used to assassinate presidential hopeful Luis Carlos Galán. If that weren't enough, the shipment was itself an improvised subplot to a proposal, between retired Israeli military personnel and the Bird brothers, to establish an Israeli-run academy in Antigua for the training of

[64] The howitzers were eventually used by South Africa's white supremacist regime in Angola's civil war. "A defiant Mr. Bird declared that having freed his country from domination by whites, he had no regrets in the matter…" (quoted from "Island's Hushed Scandals, Unhushed" Howard W. French, *The New York Times*, 6-16-1990). The firm's owner, Gerald Bull, would later sell his wares to Saddam Hussein's government, leading some to speculate that Bull's murder on a Brussels street, years later, was the work of the Israeli Mossad (Coram 1993 (44-53).

Colombian drug barons' soldiers (Blom-Cooper 1990, pp. 120-31)[65]. The fallout from the case effectively killed Vere Bird Jr.'s political career.

Topically closer to home are Antigua's links with two controversial financiers: Robert Vesco (a flashy but fleeting affair), and Bruce Rappaport, whose long involvement in Antigua best illustrates the folly of the Stanford-as-corrupter thesis. Vesco gained world notoriety after looting $224 million in 1973 from Investor Overseas Service, Ltd. (a mutual fund he'd just acquired) and fleeing the U.S. (Herzog 1987). Vesco's Western Hemispheric tour first took him to Antigua in 1973 (Herzog 1987, p. 213, footnote), but his longer stay—negotiated by a friend of Lester Bird from his days at the University of Michigan—occurred from late 1981 to early '82. When Lester asked his father, then-Prime Minister V.C. Bird, for permission to admit Vesco, "Papa" Bird declined, wary of antagonizing U.S. authorities and jeopardizing lucrative rents from U.S. military installations on the island (Herzog 1987, p. 302-5). Soon though, Vesco offered the Birds to build a $15 million, 500 unit housing project in Antigua (p. 305), and was granted safe harbor and fake passports.[66] However, as it became clear that Vesco would or could not deliver on that promise, the Birds grew annoyed with him. Before long, news of Vesco's presence on the island leaked and he was quickly shooed away (p. 307-8).

Bruce Rappaport ticked off a long list of shadowy, profitable accomplishments. After starting a small shipping and ship management company, he became a player in oil distribution, securing

[65] See also: "Antigua Minister 'Resigns' Over Diversion of Israel Arms to Colombia Drug Cartel," *The Jerusalem Post*, 4-27-1990; "Arms Scandal Hits Antigua's Ruling Clan; Israeli Weapons Went Through to Colombia" Lee Hockstader, *The Washington Post*, 6-12-1990; "Guns for Antigua: Cocaine barons supplied with Israeli arms…," Phil Reeves, *The Independent (London)*, 12-6-1990. This was not the Birds' only brush with the drug trade. Five years later, another of Papa Bird's sons, Ivor Bird, was caught with 22 pounds of cocaine in his suitcase at V.C. Bird International Airport upon returning from Venezuela: "Brother of Antiguan chief arrested after drugs found in luggage," *Associated Press*, 5-8-1995.

[66] The spirit of their arrangement is captured in the words of a Guyanese official who, after denying having offered Vesco refuge in that country, said "We would have been happy to have him. Dollar-poor countries don't give a damn about U.S. white-collar crimes" (Herzog 1987, p. 301).

massive contracts with Indonesia, Thailand, Gabon and others (Greenhouse, *New York Times,* 2-04-1988). He would go on to purchase oil refineries (including Antigua's West Indies Oil Company) and establish a financial empire that featured not only a sizable stake in the Bank of New York but also a Swiss bank (Inter Maritime), internet gambling interests, and ownership of Swiss American Bank, Antigua's first offshore bank. A friend to politicians and spies, he is known for having brokered a 1985 deal to construct an Iraqi oil pipeline, which feat included securing the Israelis' promise not to bomb it. The deal, involving U.S. Attorney General Edwin Meese and a $65 million sweetener to Israel, collapsed under scrutiny (Coram 1993, pp.183). Many of Rappaport's adventures were conducted from Antigua, where he would live intermittently for several decades.

Less well known is the odd give and take that marked Rappaport's relationship with his Antiguan hosts. To plot, and to book his deals, from Antiguan soil likely gave Rappaport a kind of freedom he would not have enjoyed elsewhere. He is said to have died a billionaire. Put simply, his arrangement with Antigua seems to have suited him. Like Allen Stanford, he controlled a massive store of wealth on a small, impoverished island. In fact, the men coincided in Antigua for two decades, playing games and laundering heaps of money with their respective offshore banks. Nevertheless, discussions of Rappaport very rarely tar him as "corrupting." Rather various records and revelations suggest that the arrow of advantage pointed both ways. Rappaport, it seems, was an agreeable tenant.

In an early example, his Swiss American Bank is named among three institutions lending $11 million to Antigua to refurbish V.C. Bird Airport[67]. In 1994 and '96, Rappaport's offshore bank again appears as a lender in a pair of legislative acts announcing Antigua's purchase of LIAT

[67] See: Antigua and Barbuda Laws, Chapter 253, The Loans (Rehabilitation of V.C. Bird International Airport) Act, 1986. This case would bring a first wave of shame crashing over Vere Bird Jr., then the Public Works Minister, as it was revealed that he'd engaged in self-dealing by giving the contract to a firm of which he was a shareholder [cite].

(Leeward Island Air Transport), a regional airlines dear to Antiguans[68]. It is probable that Rappaport forgave these and other loans (Coram 1993, p. 183). Soon, Rappaport's bank and the country of Antigua would be named defendants in a suit by U.S. officials to recover funds forfeited by John Fitzgerald, a convicted money launderer for a Massachusetts drug ring with ties to the Irish Republican Army. Fitzgerald had parked $7 million in Swiss American Bank accounts, but when the U.S. requested the forfeited funds, Rappaport's bank transferred $5 million to the Bird government and kept the rest for itself (*USA v. Swiss American Bank et al*, 2001).

Like Stanford, Rappaport also performed more conventional acts of charity. An article about a late '90s hospital construction deal, reads: "Two of the investors in the project have also made charitable contributions to it. Allen Stanford, chief executive of the Stanford group, has agreed to donate $4.5 million for the emergency ward and Bruce Rappaport of the Swiss American Bank, an offshore bank in Antigua, agreed to grant $4.5 million for the maternity ward […]." (Valere, *Bloomberg,* 3-30-1998). Indeed, upon his death, the *Antigua Observer* hailed Rappaport as "one of Antigua and Barbuda's foremost benefactors" (Benjamin, *Antigua Observer*, 1-09-2010). One should not assume, though, that such benefactors' gifts were always voluntary. Documents from a U.S. criminal probe, unsealed in 2012, reveal that Lester Bird and ALP allies felt quite comfortable asking their rich friends for tribute. Rappaport would eventually be made Antigua's ambassador to both Israel and Russia, an enviable post for business purposes. Less well known is the fact that Bird demanded a $1 million gift to his 1998 reelection fund in return for the appointment (Marchant, *OffshoreAlert*, 9-25-2012). Similarly, during a seven month stretch of his failed 2004 reelection bid, Bird squeezed $700,000 more from Rappaport for sundry

[68] See: Antigua and Barbuda Laws: Antigua and Barbuda LIAT Limited (Acquisition) Loan Act, 1994; and, Loans (Financial Institutions) Act, 1996.

campaign expenses and "to pay for an order of hams and turkeys for my constituents" (quoted in Marchant, *OffshoreAlert*, 9-25-2012). The same documents reveal that Aziz Hadeed, member of a billionaire, generations-old Syrian-Antiguan family, was extorted for $4.3 million by Lester Bird crony, and then-Minister of Finance, Asot Michael. This, claimed Hadeed, was the price, frequently levied, of being rich under the Bird regime: "All the wealthy businessmen in Antigua got hit these ways" (quoted in Marchant, *OffshoreAlert*, 9-25-2012).

Conclusion: jurisdiction at eye level

Accounts of Antigua's debasement by Allen Stanford typically lean on two facts. First, they point to Stanford's takeover of Antigua's regulatory system. As is well-chronicled, Allen Stanford had Antigua's main financial regulator, Leroy King, in his pocket for several years. And yet, the charge of "takeover" is overstated. No one has ever suggested that, in aiding Stanford, King acted against the wishes of Prime Minister Lester Bird or his successor, Baldwin Spencer. Indeed, there is every reason to believe that King, a political appointee, was respecting the Birds' tacit wishes in safeguarding SIBL's secrets. Thus, placed within the larger context of the Stanford-Bird relationship, Stanford's feats of regulatory capture start to look more like symptoms than cause. Second, such accounts marvel at the huge sums that Stanford "lent" Antigua. This latter point, though, is only compelling if one accepts that these loans did in fact give Stanford "a lien on [the] whole country." They didn't. After SFG was put in receivership in 2009, the receiver's chief forensic accountant scoured the bank's records and concluded that, at SFG's implosion, Antigua owed the conglomerate no less than $90 million in unpaid loans, but probably much more—as much as $230 million (OSIC v. A&B, 2013, pp. 17-20). That sum almost certainly does not include Stanford's countless gifts to the Birds and other ALP apparatchiks, his patronage of lawyers and other professionals with ties to the Birds, and numerous acts of theft-based charity and philanthropy. But Allen Stanford never stood a chance of collecting on these "loans"; he had no leverage to do so. Rather, we must understand these gifts for what they were: the cost of doing business in a place where sovereignty was the profitable plaything of a dynastic family.

In light of these facts, it's worth revisiting the words of Allen Stanford's longtime attorney, Carlos Loumiet, who boasted that Antigua was "a small enough jurisdiction to make it ideal as a 'laboratory'" for the kind of business they hoped to build. Consider that, at the time of writing, five of the six conspirators indicted by the D.O.J. for their roles in the fraud are either serving lengthy sentences or struck plea deals in exchange for testimony or cooperation—all of them U.S. citizens. The 65-year-old Allen Stanford is only three years into his 110 year sentence. Meanwhile, only Leroy King, Antigua's former chief financial regulator and the sixth of those conspirators, remains free, in Antigua, spared extradition by his ties to that country's political elite. For their part, the Birds remain fabulously wealthy, and, after a brief interregnum, their Antigua Labour Party (ALP) continues to rule the country. Indeed, it would seem that the Birds' "experiment" in privatizing jurisdiction was rather more successful than Stanford's own.

And yet, my point here is not that, between the Birds and Allen Stanford, the Birds are the rightful protagonists of this odd story. Rather, we must see both parties as creatures of jurisdiction, expressions of a particular configuration of power and opportunity.[69] More specifically, it's best to think of not only the Birds but their many disreputable guests over the years as arbitrageurs, using the jurisdictional boundary of Antiguan sovereignty as a kind of semi-permeable membrane that allowed for both the aggregation of wealth, pilfered abroad, and

[69] This, of course, is not to deny that Allen Stanford and the Birds may have been unique or noteworthy relative to similarly positioned actors. Stanford was by all accounts uncommonly driven and charismatic. And the Birds—if we accept Antiguan writer Jamaica Kincaid's damning comparison—were a bit like the Duvaliers of Haiti, albeit in miniature and declawed.. However, Stanford's and the Birds' larger than life personas and improbable trajectories should not distract us from seeing the political-economic conditions that made both of their ascents possible.

the deflection of foreign scrutiny and legal process. For men like Stanford, that boundary also allowed them to broadcast unverifiable claims about the nature of their business. Though that privilege didn't come cheap, its purchase was made simple by the fact that the boundary's tollgate was manned by one family. Thus, the institutional relationships Stanford had to keep up over the years were sparse and straightforward. As I illustrate shortly, things could not have been more different in the United States.

STANFORD IN THE UNITED STATES

I. Private Institutional Actors and Stanford

The flood of litigation brought on by Stanford's collapse has revealed how crucial third party organizational and professional actors were not only to the conception and fulfillment of Stanford's designs but also for the constitution of SFG as such. The list of those who, in pursuing their own ends, helped SFG assume its final form features corporate and individual actors of considerable renown We can divide these into two rough groupings: those whose services to Stanford were largely structural in purpose, and those whose efforts were mostly aimed at safeguarding SFG's reputation.[70] In the first category, I place a few key law firms whose work, I argue, helped to shape the legal and regulatory environment within which SFG operated, as well as a group of financial institutions without whose services SFG could not have moved and dissipated the estimated $10 billion that moved through the firm's doors over its lifetime (*Grant Thornton v. TD*). In the second, I place Stanford's insurance brokers and risk managers, its auditors, and corporate intelligence firms.

Structural firm relationships

[70] As will become clear shortly, these categories are to some degree arbitrary. However, they will afford us some needed analytical clarity in discussing these third-party actors.

Law firms

Even a cursory read of the record makes clear how little Stanford could have accomplished without the ingenuity, social ties, and political sway of SFG's high-priced legal partners. Here I will touch on two story lines. The first, alluded to above, involves the international lawyer Carlos Loumiet, and his tireless efforts to bend U.S. legal and regulatory borders to Stanford's needs. The second involves a competition, among well-connected Louisiana law firms, to win Stanford's business and lead the firm's efforts against that state's financial regulators.

I've pointed already to Loumiet's role in nurturing Stanford from a middling Montserratian bank to the transnational beast it would become. Loumiet worked for Stanford while a partner at two large, influential firms, Greenberg Traurig (1988-2001) and Hunton & Williams (2001-09). His efforts are difficult to summarize,[71] but are noteworthy mainly for the iterative solutions he fashioned to SFG's founding challenge: namely, how to run "an illegal, unregulated investment company selling unregistered and unregulated […] securities from the United States" (Greenberg, p. 13). And, how to peddle a dubious offshore product while "market[ing its] banking operation as being based in the United States" (20).

Loumiet would meet this challenge three times. The first occurred in 1988, just after pairing

[71] Loumiet was something of a legal and regulatory jack-of-all-trades for SFG. According to pending litigation, while at Greenberg, Loumiet led efforts to: target and silence U.S. regulatory officials and journalists (*Greenberg* 29-30; 45-8, 59), head off U.S. law enforcement investigations into Stanford's money laundering (37-8), threaten a U.S. diplomat with a defamation lawsuit (48-9), conduct counterintelligence against U.S. government bodies (49-50), set up Stanford's U.S. broker-dealer, Stanford Group Company, in 1996 (50-1), change Antiguan banking and finance law (52-60), lobby U.S. congressmen (58-9), help fend off a series of SEC inquiries (70-3), persecute Stanford employees-turned-whistleblowers (73-5), help SFG navigate a DEA investigation in which it was implicated (78-9), and, attempt to buy a U.S. bank, an effort ultimately thwarted by the U.S. Office of Thrift Supervision (82-3). While at Hunton, Loumiet allegedly helped SFG to: negotiate and administer large loans to the Antiguan government (90-2), persecute Antiguan political dissidents, craft letters of support for SFG's application to purchase commercial banks in Panama and Venezuela (107-8), and, manage SFG's increasingly scattered private equity investments (119-26).

with Stanford, as he helped the firm to reproduce in Florida a structure it had previously leaned on in Texas. This entailed using a stateside marketing office, Guardian International Investment Services (GIIS), to provide "administrative services" to GIBL, while in reality serving as a portal through which the offshore bank could sell its products to Latin American visitors on U.S. soil (*Greenberg* 20-2). At issue was the need to avoid both the appearance that GIIS was a representative office to the offshore bank[72] and that GIIS was selling "securities," a finding that would have brought added scrutiny (22-3). The strategy was initially successful, but after several years of threats, state banking regulators shut GIIS down (Texas Dept Bank letters; *Greenberg* 21-2).[73] In 1994, after Stanford had acquired the commercial Bank of Antigua (BoA), Loumiet would give his plan a new spin, lobbying the Federal Reserve Board for permission to operate a representative office of BoA on U.S. soil (its true function, to sell SIBL's CDs). After digging into Stanford's history, the Federal Reserve[74] rebuffed Loumiet's and Stanford's appeal (Greenberg 36-8). The third time, however, would be the charm. In the interim, Stanford had founded a trust company in Antigua, Stanford Trust Company, Ltd. (STCL), itself one more portal to SIBL. In 1998, after tortuous negotiations, Loumiet and Greenberg convinced the Florida Department of Banking to permit the establishment of a "trust representative office" for STCL in Miami, Stanford Fiduciary Investor Services (SFIS), its real and only purpose, of

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[72] Such an arrangement might have been possible with a "regular" foreign bank. However, GIBL was not a *Montserratian* but rather an *offshore* bank, meaning it could not legally take deposits from Montserratian (and later Antiguan) residents. The implication here (and a generally accurate one) is that, as an offshore bank, GIBL would have been more poorly regulated by Montserratian authorities than an ordinary, onshore bank catering to locals. It is the seeming regulatory "nowhere-ness" of offshore banks that sets other countries' regulators' teeth on edge.

[73] A mysterious gap in the record concerns what exactly Stanford did in the years immediately following the closure of his Texas and Florida GIIS "representative offices." Circumstantial evidence suggests that it was at this time that Stanford increased the practice of running unlicensed brokerages directly in the relevant Latin American countries (e.g. Venezuela, Mexico, and Colombia) and the strategy of sending Houston-based FAs on frequent trips to Latin America to sell CDs (e.g. Bauducco 2009).

[74] Incredibly, Loumiet's and Greenberg's efforts had included ghost-writing letters of support from the Eastern Caribbean Central Bank (the regulating bank for BoA) and Antigua's Finance Minister, Molwyn Joseph (*Greenberg* 36-7).

course, to sell SIBL CDs to foreign investors in Miami (61-8). Greenberg had finally managed to set up a *de facto* U.S. outpost of SIBL, while avoiding troublesome labels like "banking" and "securities." SFIS would eventually open offices in Houston and San Antonio. By 2009, the Miami office alone had made $1 billion in sales (67).

1998 would prove a pivotal year for SFG. While Greenberg Traurig helped set up the "trust representative office" in Miami to target Latin American investors, a powerful Baton Rouge law firm, Breazeale, Sachse, and Wilson (BSW), was helping Stanford bore a critical tunnel between SIBL and the U.S. market. Stanford's plan revolved around the acquisition, by Stanford Group Company (the conglomerate's new stateside brokerage) of a small Louisiana firm named the Southern Trust Company. Its planned purpose was to sell CDs to U.S. investors through their individual retirement accounts (IRAs), a promising, untapped market for Stanford.

After meeting resistance from the Louisiana Office of Financial Institutions (OFI), Stanford realized it "needed 'connected' counsel in Louisiana" (*Reese*, p. 28). It soon hired Claude Reynaud, an attorney at BSW (p. 28). In a bold first stroke, plaintiffs claim, Reynaud ghost-wrote a glowing letter of good standing to the OFI from Antigua's Finance Minister, which document "tipped the scales in Stanford Financial's favor" (p.20). The deal went through, and the acquired firm was renamed Stanford Trust Company (STC). From the beginning, however, the plan was fraught, since STC was, legally and regulatorily, hopelessly conflicted. It proposed to serve as "trustee and custodian for SGC's IRA investor clients" (p. 30), but its sustenance was to come entirely from SGC and SIBL referral fees. Moreover, it could not but violate its fiduciary duty to IRA holders, since SIBL's investment portfolio was unverifiable and its CDs uninsured (despite claims to the contrary). These conflicts would lead to repeated probes by the Louisiana OFI into the SGC-STC-SIBL relationship.

STC was not the only compromised actor, however. As the *Reese* suit explains, Reynaud was soon appointed to STC's Board of Directors, where he "leveraged […that role] to generate lucrative legal fees for himself and BSW" (p. 32). What is more, both BSW and another of Stanford's Louisiana firms, Adams & Reese, started advising their own clients to invest in STC's IRA plan. Stanford in turn, rewarded the firms with additional legal work[75] (pp.36-7, 49-50). Indeed, the prospect of more legal fees from SFG seems to have had two notable effects. First, on several occasions, STC commissioned legal opinions from Louisiana law firms as to the probity of STC's business model. In theory, these should have consisted of disinterested research on the real regulatory and legal risks that the "IRA plan" posed for Stanford. In reality, though, these opinions proved highly mutable. Early opinions, critical of the IRA scheme, were repeatedly softened or outright reversed in later versions[76], documents that Stanford then used in making their case to OFI (*Reese*, pp. , 40).

Second, SFG's deep pockets provoked competition among the Louisiana law firms. After a critical OFI report in late 2001, Stanford's General Counsel suggested hiring the firm Jones Walker to respond "because 'Jones Walker is the largest law firm in Louisiana'" (*Reese*, p. 40). Irked at losing ground, BSW's Claude Reynaud wrote to Stanford's chief of staff to remind her that "we have as much or more political influence or contacts than any firm in the state'" (p. 42).

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[75] As STC Director Jason Green wrote in an email to in-house counsel, "Why wouldn't we use these opportunities to deepen our existing relationships, and reward those who…have been adding to our bottom line via referrals [?]" (quoted in *Reese* p. 36-7)]

[76] In 2000, for example, SFG hired Louisiana firm Jones Walker, to opine on the legality of the incestuous relationships among Stanford's companies. In his first opinion letter, Jones attorney Tom Walker wrote that STC's investment of client funds in its affiliates CDs would likely run afoul of Louisiana prohibitions against "self-dealing." In a second letter, a month later, however, Martin partly reversed course, finding that STC did not need to disclose its fee arrangement with SIBL to its customers. A third opinion, written up a year later (*Reese* pp.,35-6, 40), thoroughly contradicted the first, arguing that the STC-SIBL relationship was legally irrelevant (pp. 39-41). During an especially threatening period of OFI scrutiny in late 2001, an Adams & Reese attorney wrote multiple, progressively friendly drafts of an opinion analyzing the legality of STC's CD placements, even allowing STC Directors to "delete large portions" of early text (p. 45).

In 2007, during the battle with OFI that eventually lead to STC's closure, SFG called on Reynaud to reprise his earlier lobbying efforts and plan a political intervention against new OFI Commissioner John Ducrest (pp. 54-8). Reynaud, however, was flummoxed by Ducrest, a reputed regulatory "lifer" impervious to influence[77] (p. 57-8). Instead, STC's final stand against OFI was entrusted to an Adams & Reese partner who had longstanding relationships with OFI attorneys and "had personally known […] Commissioner Ducrest since they were five years old" (p. 61-66). Nevertheless, the OFI would shut down Stanford's IRA Plan in mid-2008; but not before $300 million in client funds had gone missing (pp. 61-4). Stanford, however, could never have established itself in the area without this pre-existing "ecosystem" of well-connected law firms, eager to trade on their political capital for the benefit of deep-pocketed clients.

Financial institutions

If Stanford's legal partners helped shape the firm's regulatory environment, its financial partners formed Stanford's veins and arteries. These institutions served three key functions for SFG. Several provided the correspondent banking and operating accounts with which Stanford effected both internal and external transfers of money. Two prominent firms, Bear Sterns and, later, Pershing, acted as "clearing brokers" for Stanford's securities transaction. And, lastly, a long list of financial services firms furnished Stanford with expertise and social capital when they lost personnel to Stanford's massive, mid-2000s poaching campaign.

In order to conduct business abroad, SIBL depended on correspondent banks for wire transfers and related services. Over its lifetime, SIBL established many correspondent relationships, mostly with U.S. banks. At least four of these, including with Chase Manhattan

[77] In an email describing Ducrest's no-nonsense reputation, Reynaud wrote "All of this would likely be good news if we were wanting good government professional appointees running our State, and I do for reasons obviously independent of this situation. It is, however, not necessarily good news from a political standpoint, because, unlike past commissioners, we have no political history with him." (quoted in *Reese*, p. 57).

and Bank of America, were terminated by the correspondent after they'd detected improprieties by Stanford or simply resolved that "providing services to SIB[L] constituted an intolerable risk" (*Thornton v. TD*, p. 27). Stanford's two most important correspondent relationships involved the British bank HSBC and Canada's Toronto Dominion Bank (TD). Ultimately, both banks served the same function. All SIBL investors purchasing CDs in European currencies were instructed to wire their funds to Stanford's HSBC account (*Rotstain*, p. 3). Both U.S.- and Canadian- Dollar-based depositors were told to wire their moneys to TD (p. 3). From these correspondent accounts, customer deposits were not sent to SIBL in Antigua for investing, as represented, but rather spirited directly to SFG operating accounts at Trustmark Bank, the Bank of Houston, Allen Stanford-controlled accounts at Société Générale, and others, where their investments were effectively aerosolized (*Rotstain*, *Thornton v. TD*). These operating accounts were critical not only for mundane matters, like the maintenance of overhead for SFG's countless subsidiaries, but also for the bribing of both SIBL's tiny Antigua-based auditor, C.A.S. Hewlett, and the head of that island's Financial Services Regulatory Commission (FSRC), Leroy King (*Rotstain,* pp. 20-5). Over HSBC's and TD's long relationships with Stanford—almost 20 years for TD (*Thornton v. TD,* p. 4)—staggering sums of money flowed through the banks. To give a sense: in the period from January 2008 to February 2009, $2.54 billion flowed through SIBL's TD correspondent account, with just the Bank of Houston receiving $474 million of that sum (*Thornton v. TD*, p. 3; *Rotstain*, pp. 34-5).

Stanford's clearing and custodial brokers were no less vital to its business, specifically after the launch of its U.S. brokerage, SGC. I concentrate here on the role of Pershing, a subsidiary of securities behemoth the Bank of New York Mellon, since facts about Bear Stearns' services to Stanford (1998-2005) are scarce. Pershing took over as SGC's clearing broker and securities custodian in late 2005 after an awkward eight-month flirtation and due diligence probe of Stanford (*Pershing*, pp. 22-6). As a clearing broker, it was responsible for tracking and documenting the transfer of funds from U.S. customers' SGC accounts to SIBL and STC for the purchase of CDs. Although the CDs were not registered as securities in the U.S., the firms' agreement nevertheless treated them as such, and, as a consequence, U.S. investors who bought both CDs and ordinary securities through Stanford's U.S. brokerage received statement accounts from Pershing. As several suits allege, Pershing began to feel buyer's remorse within months of the partnership. Beginning in mid-2007, and continuing through December 2008, Pershing pleaded with Stanford to see documentation of SIBL's investment portfolio, that is, the CDs' underlying assets. This took place through countless emails, several in-person meetings, and even a trip by Pershing higher-ups to Antigua (*Pershing* pp. 28-36). With increasing brazenness, SGC and SIBL executives stonewalled Pershing executives, refusing the latter's late demands to have SIBL's portfolio checked out by a major U.S. auditor (pp. 31-5). By their January 2009 divorce, however, Pershing had executed for Stanford 1,600 wire transfers, moving more than $500 million, earning itself $24 million in fees (p. 27).

Finally, peer financial institutions furnished Stanford, albeit unwillingly, with much of its sales personnel, and thus much of SGC's aggregate expertise and client relationships. This transfer was mostly a result of "head hunting," during SGC's metastatic growth from six U.S. offices in 2004 to almost 30 in 2007 (*Greenberg*, p. 27). The process was simple, with SGC offering established financial advisers sizable signing bonuses to leave their current jobs. SGC's methods would sometimes lead to the wholesale exodus of personnel from a peer institution to Stanford. As memorialized in a pile of lawsuits and FINRA arbitration records, SGC's competitors were not amused by these raids and often sought compensation from the brokerage.

Clients did not always follow their brokers to Stanford, nor were brokers always able to take them, but SGC's ability to build itself up in this manner (and, thus, the fraud's longevity) was doubtless due in part to this considerable influx of "talent" from other organizations. Law firms, banks, and brokerages—what I've characterized as "structural" firms—supplied Stanford with much of its crucial operational capacities, allowing it to function as an actor in the world. However, as the different components of SFG became established, "reputational" firms of various kinds would prove just as important.

Reputational firm relationships

If law firms, banks, and peer brokerages helped not only to shape Stanford's environment but constitute the firm's very structure, another set of organizations was crucial to the upkeep of SFG's appearance. These included insurance and risk management companies, auditors, and a corporate intelligence firm. Although the above-discussed firms certainly lent their good names to SFG by doing business with it, this second group of companies is distinguished by the fact that their explicit purpose is to signal risk and reputation to third parties, most crucially, investors. No sort of firm was more important to Stanford's run than insurance companies. Because Stanford's CDs were not issued by a U.S. bank, they lacked the associated FDIC insurance coverage. Of course, the very label "certificate of deposit" allayed some investors' concerns, with its overtones of wholesomeness and security. Others, however, needed more reassuring—or rather, *insuring.* At trial, James Davis, the firm's Chief Financial Officer, recounted how Allen Stanford assuaged early investors' fears by insuring their deposits through the august-sounding British Insurance Fund, a U.K.-based firm. The "Fund," however, was a product of Allen Stanford himself, as Davis learned in 1991 when Stanford sent him to its Piccadilly, London mail-drop for the sole purpose of faxing phony policy documents to a wealthy, prospective client (RAS, pp. 2774-85, 2116-17).

Even from its Montserratian days, however, SFG carried on relationships with real insurance and risk management firms. Early attacks on Stanford's integrity, for instance, were rebutted by the firm's then-insurance partner Sedgwick James of Houston (a division of the British insurer of the same name) (Sedgwick letter to Hetherington 1991). From 1990 to 2009, Sedgwick subsidiary Bowen, Miclette & Britt (BMB) took over the bulk of risk management and insurance brokerage for SFG, with insurance giant Willis assuming some of these functions in 2004 (*Willis,* p. 21). Their duties entailed periodic assessments of the conglomerate's business risks and coverage needs and the purchase of insurance lines from third parties. These services, however, although pricey were more decorative than functional. Pending litigation describes a fantastically misleading basket of insurance products, purchased by Stanford, that provided its customers no safety but were portrayed as doing so. Policies with names like "Financial Institutions Professional Errors & Omissions coverage, "Bankers Blanket Bond," and "Insolvency coverage," though equivocal sounding, seemed to present a crosshatch of insurance protection (*Willis*, p. 22). Lloyd's of London, a brand name with few equals, provided these and other lines for many years.[78] Two policies in particular, though, merit special mention for their bleak ingenuity. In marketing its product as a "CD," Stanford invited nagging comparisons with stateside FDIC-insured CDs. Moreover, U.S. investors could purchase SIBL CDs only through Stanford's FINRA- and SEC-regulated brokerage, SGC. Like most U.S. brokerages, SGC covered its written materials and office glass with "SIPC," short for Securities Investor

[78] Claims that deposits were insured by Lloyds of London not only offered clients a first-order assurance but also the second-order comfort of knowing that "SIB was audited annually by Lloyds, and was also subjected to annual risk analyses, which 'provides another safety element for clients'" (*Willis,* p. 18). As one defrauded investor testified at trial, "[our broker] explained to us that these certificates of deposit would be very secure investments and that they were insured by Lloyd's of London. We specifically on several occasions asked him if that Lloyd's of London insurance was for the benefit of the CD holders as opposed to being something different, and he assured us that it was for the benefit of us as potential CD holders" (RAS Tx., pp. 1455-6, 62-3).

Protection Corporation, an insurance scheme for securities dealers widely (though erroneously) thought to be a rough functional equivalent to the FDIC. And yet, for reasons beyond our scope, just as the FDIC did not protect Stanford CDs, neither did SIPC's standard $500,000 coverage apply. Nevertheless, Stanford purchased two policies, titled "Excess FDIC" and "Excess SIPC," with the obvious aim of making clients think that their deposits were insured, both over and under the limits marked by those runic acronyms (*Willis*, pp. 16-19, 22).[79]

Undoubtedly the highlight of SFG's insurance efforts was what plaintiffs have termed a "fraudulent and misleading insurance letter distribution campaign" by BMB and Willis (*Willis,* p. 19, 30-44). I first learned of this campaign during fieldwork in Caracas, when a defrauded mother-daughter pair handed me a small stack of letters from various financial institutions, including the insurer BMB, attesting to Stanford's solvency and corporate moral character.[80] BMB's letter was addressed to Gonzalo Tirado, my respondents' financial advisor, and dated as if he'd solicited the assurances, and they'd been sent, for these specific investors. Subsequent litigation reveals that this was part of a fourteen year project (1995-2009) to mislead Latin American investors as to the safety of SIBL's CDs. As the relevant suit states,

> First "BMB and then Willis annually provided Stanford Financial in Houston with certain insurance endorsement letters for SIB […] with the clear intention that said letters be used by Stanford Financial for marketing purposes to retain or obtain actual and prospective clients for SIB. Willis in particular, put its internationally known and respected brand name behind Stanford Financial and SIB. […] Most incredibly, [the insurers] prepared and sent these endorsement letters, the text of which was actually written by Stanford employees, year after year with the addressee of the letters and the date of the letters left in blank, to be filled in later by Stanford Financial employees […] to make investors believe that

[79] What makes this tactic even more brazen is the fact that Stanford's disclosure forms and other marketing materials regularly belittled FDIC insurance. This suggests that partial disclosure (or partial concealment) can function as a cost-effective form of camouflage.
[80] Letters provided by Cristina and Sandra Lopez, Interview 10-23-10_1. These included glowing appraisals from executives at ArgentBank, a precursor to Société Générale's private banking division, Lehman Brothers, and more.

> the letters were being sent by Defendants in a personalized manner directly to the individual investors" (*Willis,* p. 20).

Both my fieldwork and court documents suggest that Stanford's boasts to its Latin American investors were substantially more misleading than those to its U.S. clients (*Willis*, p. 17-8). And, as data in Chapter 3 reveal, the firm was not wrong to believe it had more latitude, with U.S. regulators, to lie to foreign than U.S. clients.

C.A.S. Hewlett, SIBL's obscure Antiguan auditor, was paid handsomely to look the other way, but Stanford enjoyed years of rosy appraisals from respected auditors too. It is useful here to contrast how BDO and KPMG, two of the world's five largest auditing firms, chose to deal with Stanford. BDO played a central role in Allen Stanford's late-'90s mission to reshape Antigua's regulatory system (*BDO*, pp. 23-5). However, it also audited SGC's financial data, and submitted X-17A-5 forms to the SEC attesting to SGC's health, every year from 2002 to 2008. In doing so, a suit alleges, BDO lent its considerable reputation to Stanford despite having seen several bright red flags. These included knowledge that the SEC was investigating the brokerage for securities fraud as of 2006; that funds intended for SIBL were actually rerouted to all corners of SFG; and, that SGC was entirely reliant for its survival on referral fees from SIBL (*BDO*, pp. 27-32). By contrast, when Carlos Loumiet tried to enlist accounting giant KPMG to audit Stanford's Caribbean Star and Caribbean Sun airlines in 2005, the firm "summarily rejected his proposal on risk-management grounds" (*BDO,* p. 31) Loumiet countered by name-dropping "Stanford's strong Republican political connections and [its…] cadre of ex-federal government employees," but the auditor was unmoved[81] (*Greenberg*, p 110-1). With BDO covering virtually all of its auditing needs, however, Stanford hardly needed KPMG's endorsement.

[81] KPMG was then under investigation by the DOJ and IRS for helping to conceal clients' tax shelter transactions. It would soon be forced to pay a $456 million fine and was probably in no mood to add to its troubles.

Of those companies that guarded Stanford's name, none was more proactive than Kroll Associates, the massive corporate intelligence firm. Like BDO, Kroll employees were deeply enmeshed in Stanford's effort to retool Antigua's banking laws. Stanford's interference did not go unnoticed by the State Department, where one Deputy Assistant Secretary of State, Jonathan Winer, made it his mission to cast light on Stanford's malign influence on the offshore ecosystem. As against many other aggressors, Allen Stanford chose to retaliate, and Kroll was up to the tawdry task. Thomas Cash, a Miami-based managing director at Kroll (and former longtime DEA agent), set about digging into Winer's life, attempting, among other things, to substantiate rumors that his ex-wife was a lesbian (Waas, *McClatchy*, 11-29-12). Similarly, when an Antiguan expatriate dissident group called the Antigua and Barbuda Justice Movement started publicizing Stanford's misdeeds, Kroll sent spies to the New York City catholic elementary school where the group would meet, to gather information later used in a lawsuit to silence its founder, McChesney Emanuel (*McChesney suit*; *McChesney answer*). Among Kroll's more controversial services was what some have termed reputational "self due diligence" (Burroughs 2009), essentially, the practice of vouching for a client's soundness. Trouble arose, however, when the National Electrical Contractors Association (NECA) and an associated non-profit hired Kroll to perform due diligence on SIBL ahead of their investing in its CDs. Kroll, two suits allege, delivered a purposefully vague and whitewashed report on SIBL—and failed to disclose that they'd long been in Stanford's employ (*NECA* and *ELECTRI* suits). The plaintiff's $9 million claims were settled for an undisclosed sum, putting to rest an episode that founder Jules Kroll said was "Clearly a blemish"[82] (Freeman, *WSJ*, 9-04-10) .

[82] Among the more galling quotes to surface after Stanford's implosion was from former Kroll associate, William Brittain-Catlin, who said "I'm amazed by the way people were taken in by Sir Allen, […] There's so much stuff out there that any one who wanted to do a cursory check would have seen. Various allegations have been flying around for years." (quoted in Financial Times, 2-21-09).

II.. U.S. Politics and the Machinery of Influence

Although he'd grappled with law enforcement and regulatory agencies for years, Allen Stanford's first formal foray into U.S. politics began in late 1999 (Public Citizen 2002, p. 25). The shift came in response to the Clinton Administration's "National Money Laundering Strategy," which initiative gave rise to an anti-money laundering bill. A report by Public Citizen's Congress Watch details the lengths Stanford would go to kill this legislation. He started by hiring Verner Liipfert, a powerful D.C. lobbying firm, and proceeded to soak both sides of the political aisle in federal campaign contributions. Initially this took the form of donations to the Democratic and Republican party committees, to whom he gave a combined $350,000 from early 2001 to mid-2002[83] (Public Citizen, 2002, p.25), but he would soon supplement this with soft money gifts to individual legislators' "527 groups." This would include a $50,000 gift to Democratic congressman Martin Frost, made in hopes of buying face-time with the Texas politician—and his influential Texas brethren—at the 2000 Democratic National Convention (pp. 25-6). What is more, the Stanford Financial Group would underwrite $150,000 of that convention's costs, earning Allen Stanford a valuable photo-op with Nancy Pelosi and a word of thanks from the podium by Bill Clinton. Stanford's mainstream political legitimation was underway.

The anti-money laundering bill in question, had broad bipartisan backing, and yet could not get to a Senate vote (Public Citizen 2002, p. 26-7). As Public Citizen's report explains, this was due to the machinations of Senator Phil Gramm and allied Texas congressmen who sought to

[83] Around this time, Stanford also hired Washington lobbyists to meet with Republican heavyweights Dennis Hastert, Tom Delay, and Bill Archer, in the hope of putting indirect pressure on the U.S. Treasury to reverse a recent advisory against doing business with Antiguan institutions (*Greenberg*, pp. 58-9)

protect the lucrative money laundering interests of banks at the Texas-Mexico border[84] (p. 27) . Having recently opened the Houston branch of SFIS, this, of course, suited Allen Stanford very well. Ultimately, though, it is unclear whether Stanford's efforts were even necessary to scuttle the bill. Moreover, that victory was short-lived, with September 11 prompting smooth passage of the bill under a different name (p. 27) Stanford's instincts, however, were spot on, and his political activity would soon grow in scope and complexity.

This becomes obvious when one considers Stanford Financial Group's lobbying activity and political donations over the following decade. A look at any of several lobbying disclosure search-sites[85] reveals the firm's broad engagement with top-echelon lobbyists (e.g. Hance Scarborough, DLA Piper, the Ben Barnes Group) and expenditures well above $6 million for that period. Stanford's campaign contributions, however, are a much stranger matter. The firm's bipartisan, bicameral giving is well-documented. Ralph Janvey, the U.S. receiver tasked with recovering funds for Stanford's creditors, waged bitter, multi-year litigation with individual campaign committees, as well as federal and state party committees, eventually recovering about $1.8 of an estimated $2 million in donations.[86] It is likely, however, that Stanford's political largesse greatly exceeded that figure. Janvey went after contributions by SIBL, SGC, Stanford Capital Management, and the conglomerate's top three officers. However, queries to the Federal Election Committee (FEC) search engine point to a much broader base of giving, much of it probably illegal. An implausibly large number of rank-and-file Stanford employees are listed as contributors to the campaigns of politicians also favored by SFG. Occasionally, employees' names appear with slight spelling variations. To be sure, it could be that SFG simply attracted the

[84] Gramm would "later publicly [boast] to a group of bankers that, 'I killed the administration's anti-money-laundering legislation'" (p. 27)
[85] See, e.g., http://soprweb.senate.gov/index.cfm?event=processSelectFields where I used the search queries "Stanford Financial" and "Allen Stanford."
[86] See, e.g., http://www.stanfordfinancialreceivership.com/documents/Political_Contributions_05162013.pdf

most politically engaged financial services professionals in the country. More likely, however, is that the firm was writing checks in its employees' names to circumvent per-person and per-organization limits on giving. Indeed, this practice was noted, in passing, as early as 2002, in a story about Allen Stanford's contributions to disgraced Senator Robert Torricelli's legal defense fund. The author notes that "[f]our Stanford employees listed as contributors [to Toriccelli] could not recall giving money. […] 'I don't remember making a contribution…. Who was this again?' said Stanford employee Patricia Herr,"[87] donor of $200 to Toriccelli (Mondics, *Philadelphia Inquirer*, 8-28-02).

Stanford's political projects and influence-seeking took even less direct forms. Here, however, I should restate this chapter's premise: namely, that the varied jurisdictional spheres in which SFG took root featured preexisting institutional ecologies that provided Stanford with much of its structure and nearly all its opportunities for action. A pair of examples—the Washington Research Group and the Inter-American Economic Council—illustrates this point especially well. The Georgetown, D.C.-based Washington Research Group was a "political intelligence firm," selling market-focused policy analysis and political forecasts to institutional clients, but, like others of its kind, probably also acted as a *de facto* unregulated lobbyist (Lattman, *DealB%k, NYTimes,* 11-17-11). Stanford bought the highly-regarded, then-31 year old firm in 2005 from Charles Schwab, renaming it, of course, the Stanford Washington Research Group. With this off-the-shelf and very public purchase of legitimacy, SFG surrounded itself with irreproachable names from public and corporate life. The research firm's 2005 symposium, for example, boasted a keynote address by Colin Powell; its 2006 gathering featured speeches by John

[87] In addition, non-Stanford related entities, such as the "Security Traders Association Political Action Committee" and the Inter-American Economic Council (more below) seem to have funtioned as fronts for additional giving. See: http://www.fec.gov/finance/disclosure/norindsea.shtml

Edwards and the execrable George Will (Drajem, *Bloomberg,* 3-10-09).[88] Moreover, the firm's analysts were regular talking heads on CNBC financial programs. The luckless research firm, which once had been owned by the fraud-wracked investment bank Drexel Burnham, would survive Stanford's collapse only to be acquired by Jon Corzine in his first transaction as head of MF Global (Bansal, *Reuters*, 10-26-10).

In a case that abounds in odd subplots, the role of the Inter-American Economic Council (IAEC) in Stanford's arc stands out for its strangeness. The IAEC was ostensibly a policy organization focused on Western Hemispheric economic and trade matters. It is noteworthy for two reasons. First, it was not an independent non-profit, as it claimed, but rather a front organization through which Stanford cozied up to both U.S. and foreign politicians. Whereas SFG's campaign giving and lobbying took place more or less in daylight, the IAEC afforded Stanford a degree and quality of access to lawmakers that would otherwise have been unseemly if not impossible. Second, the IAEC's story is emblematic of the triumph of form over substance that permeates most aspects of the Stanford case.

By the time of Stanford's collapse, the IAEC had almost become what it had pretended to be all along. Stanford's precise role in its creation is still obscured, but the non-profit was founded in 1999 by Barry Featherman, a 34-year-old with two law degrees and a taste for politics. Its first articles of incorporation list an address in semi-rural Pennsylvania, a space apparently shared with the dental clinic of Glenn Featherman, D.D.S., Barry's brother. Despite this inauspicious start, good days lay ahead. In 2000, the IAEC established a partnership with the Organization of American States (OAS), the first of several such arrangements. And in 2002, it began hosting the event for which it would become best known, its annual Winter Gala. The black-tie event, held at the OAS's stately Hall of the Americas headquarters, was a sought-after ticket, bringing together

[88] The 2006 program is available at Case: 3:09-cv-00724-N, Document 4444-4.

dignitaries, corporate movers, and socialites for an evening of tipsy "dialogue," culminating in the presentation of the IAEC "Excellence in Leadership Award."

The list of recipients and chairs for the "Leadership Award" is remarkable by any measure, but also, in retrospect, unintentionally funny, laying bare Stanford's ambitions for political and regulatory influence. The IAEC awardees include: Peter Romero, U.S. Ambassador to Ecuador and Former Assistant Secretary of State for Western Hemisphere Affairs (2002); Ivonne Baki, Former Ecuadorian Ambassador to the U.S. (2003); Gustavo Cisneros, Venezuelan billionaire and CEO of the Cisneros Group of Companies (2004); R. Allen Stanford (seriously) (2006); and Christina Gold, CEO and President of Western Union (2008). The IAEC's award chairs—symbolically credited with having chosen the awardees—included: James Kimsey, Founder and former CEO of AOL, and Ruth Espey-Romero, attorney at Greenberg Traurig (2003); Henry Kissinger (2004); Lucila Schmitz, socialite and sister-in-law of Florida's then-governor, Jeb Bush (2005); and, George W. and Laura Bush (2006). Most of these appointments, and their underlying rationales, speak for themselves, but I'll quickly note two things. Peter Romero, the inaugural honoree, was already a member (and cashing the generous checks) of Stanford Financial Group's International Advisory Board by the date of his award. His wife, Ruth Espey-Romero, a Greenberg Traurig attorney later assigned to Stanford-related matters, chaired the following year's award committee. Together, they would help Stanford manage a crucial crisis in Venezuela four years later.

If its galas and business roundtables gave Stanford face-time with Western Hemispheric luminaries, the IAEC's policy junkets bought him extraordinary access to Capitol Hill. By early 2003, the group was flying its congressional friends to invariably beachy locales for frequent "fact finding" trips geared toward "improving relations." Montego Bay in Jamaica, Punta Cana in the Dominican Republic, and Antigua were among the more politically pressing destinations, judging by the government transparency database Legistorm.[89] Air transport, on Stanford's private planes,[90] and sumptuous lodgings were, of course, provided for. It wasn't long before journalists noticed. A 2004 story, for example, criticized Stanford favorites Gregory Meeks (D-NY) and Donald Payne (D-NJ) for attending an IAEC-funded trip to Antigua to learn about "the hardships the [Patriot Act] has imposed on Caribbean banks." Meeks, the author writes, "was unapologetic about bringing his wife along on the free trip," and reminded the journalist that "he is a part of the Caribbean Caucus in Congress" (Povich, *Newsday*, 1-23-04). So too were many others.

Legislators formed the Caribbean Caucus—which still exists today—in 2003, with Barry Featherman's explicit encouragement.[91] In the coming years, it grew to include upwards of 20 members. A 2009 *Talking Points Memo* article archly notes the "rogue's gallery" of lawmakers who had served as Caucus co-chairs, among whom were: Tom Feeney (R-FL), Gregory Meeks (D-NY), Bob Ney (R-OH), Charles Rangel (D-NY), Pete Sessions (R-TX), and John Sweeney (R-NY) (Roth, *TPM Muckraker*, 2-17-09). Feeney and Ney were swept up in the Jack Abramoff corruption scandal, with Ney serving a 17 month sentence. Charlie Rangel would be censured for accepting pricey Caribbean trips from a publishing company—a practice he may have picked up as a Caucus member. Like others in the group, Sweeney was later selected to the Citizens for Responsibility and Ethics in Washington (CREW) "Most Corrupt Congressmen" list.[92] And,

[89] See Legistorm documents at legistorm.com.
[90] Not surprisingly Allen Stanford often rode along on these flights and popped up at IAEC events—indeed, that he might do so was the IAEC's reason for existing.
[91] The earliest story critical of the IAEC's cushy congressional junkets appeared in March of 2003, and singled out Illinois Republican congressman Phil Crane for a trip he'd taken in January of that year. The article ends by noting that Barry Featherman "expected [Congress] to form an informal, bipartisan Caribbean caucus to focus on issues of interest to the region."
[92] In 2004, Allen Stanford hosted Sweeney's wedding reception at his 5-star restaurant in Antigua, delivering a toast

following SFG's closure by federal authorities, Pete Sessions won brief notoriety when it was revealed he'd emailed his close friend Allen Stanford, in the fraud's aftermath, to say "I love you and still believe in you. Let me know if you need my ear" (Waas, *Vice*, 6-12-14). I will return to Gregory Meeks below, as he figures prominently in the Venezuelan part of our story.

The IAEC episode illustrates the contextual and dependent nature of SFG's corporate agency. Before the firm's arrival, the discussed congress members were already adepts in the kinds of institutionalized, semi-respectable influence-peddling connoted by terms like "lobbying" and "campaign finance." Neither SFG nor Allen Stanford corrupted these lawmakers. Rather, sensing an opportunity to curry favor with the powerful, Stanford used a ready-made organizational form—the policy-oriented non-profit—to sidle up to the politicians, while keeping up a veil of deniability. Conversely, sensing new opportunities to wrench gain from public office, the legislators accepted the IAEC's, and thus Stanford's, overtures. Forming the Caribbean Caucus was their own effort to give this union a coat of gravitas. That the Caucus endures today is amazing, though less as a monument to Stanford's influence than to the Rube Goldberg-levels of institutional connectivity and complexity required to be an effective corporate trustee in this particular jurisdictional sphere.

III. Conclusion: institutional density and complexity

In the Caribbean microstates of Montserrat and Antigua & Barbuda, the most important institution to Stanford's development was simple, brute sovereignty. By setting up shop within those polities' jurisdictional spaces, Allen Stanford maximized his ability to make lofty claims about his business, while minimizing others' reach to verify those claims or legally compel his firm to disclose its secrets. In Antigua, however, because the state and the Birds were roughly synonymous, Stanford's success on the island did not depend on his forging extensive or varied

to the bride and groom (Sallah and Barry, *McClatchey*, 12-28-09).

institutional links there. His pricey rapport with the Birds was more than enough.

However, as I've just illustrated, in the U.S., things were drastically different. Particularly after the mid-'90s, Allen Stanford hoped to establish SFG as a reputable firm there. In deciding on this course, he was ushering SFG into a legally and regulatorily "thick" environment. As a result, SFG had to, and eventually was able to, develop correspondingly thick and varied institutional relationships, and to increase its own capacities by working through the capabilities of other actors. Moreover, the shape that SFG took there was largely dictated by the institutional actors that normally transact with the kind of trustee SFG purported to be. As I've shown, there was a huge supply of both private and public actors willing to lend their operational capacities, legal-interpretive acumen, social capital and political sway, and reputational cachet to a deep-pocketed client. To be clear, it isn't that SFG descended on the scene and corrupted these actors. Indeed, corruption is emphatically not a useful construct here. Rather, the sorts of support functions such actors lent Stanford are the same that they offer to ordinary, non-fraudulent clients. And, it was through their services that SFG was able to constitute itself as a powerful actor in the world. Although this achievement came at great expense, Stanford could now more credibly claim U.S. domicile for his firm. More to the point, this appearance of being a U.S. firm would furnish Stanford an even sturdier fulcrum with which to launch Latin Americans' savings into his island coffers.

STANFORD IN VENEZUELA

SGVAI's early days and the rise of Gonzalo Tirado

Given how much of SFG's deposits came from Venezuelans, both in its crucial first decade and in its sputtering final years, one cannot overstate the importance of the firm's activities in that country to the fraud's longevity. Nevertheless, the firm's history there, particularly the early period, is difficult to trace. We know from various accounts that SFG operated Latin American brokerages, including in Venezuela, outside the law for many years (e.g., Bauducco 2009; *Greenberg*). In Venezuela this included not only brokerage activities but also, beginning in the late '80s, frequent visits by U.S.-based Stanford financial advisors to Caracas and other large cities for the purpose of sales. These sales trips were, for the duration of the firm's existence, illegal. Meanwhile, the firm's Venezuelan brokerage, Stanford Group Venezuela Asesores de Inversión (SGVAI), was not formally incorporated until 1996 and only registered with the Comisión Nacionál de Valores (CNV) in August 1997, part of a sweeping move toward formalization that included the launch of SGC, the firm's stateside brokerage.[93] Indeed, SGVAI would play the same role in Venezuela as SGC did in the U.S., serving as that country's principal conduit to SIBL and its noxious CDs.

Documentary sources and subsequent events suggest that Stanford's early hiring practices in Venezuela were surprisingly lax. SGVAI's first president, following its formalization, had been censured only two years earlier by Venezuela's national securities regulator, the CNV.[94] Another early brokerage employee, Diran Sarkissian, later tapped to run Stanford's commercial bank in Venezuela, hid a much shadier past, having been a part-owner of a Dominica-based "bank" involved in varied criminal activities, including Ponzi scheming and money laundering.[95] However, without question, the most important of Stanford's Venezuelan brokers was Gonzalo

[93] That executive's name was , Jose Joaquín Almedo. See: Gaceta Oficiál de la República de Venezuela (henceforth, G.O.), Edition 36,295, pp. 301, 299-300 (9-10-1997).

[94] G.O. Edition 35,667, pp. 290,480-1 (3-08-1995); and Special Edition 4941, pp.14-6 (7-20-1995).

[95] That bank, the British Trade and Commerce Bank (BTCB), was shut down by the FBI after undercover agents were able to launder $250,000 with BTCB that they claimed was from their *own* Ponzi scheme. The firm's collapse resulted in $30 million in losses for depositors. See: U.S. Senate Committee on Governmental Affairs, 2001, "Role of U.S. Correspondent Banking …,"pp. 386-438, and David Marchant, "Former BTCB CEO arrested in US & charged with money laundering," *OffshoreAlert*, 3-31-2002;. BTCB's part owner, Sarkissian, did not let his skeletons cramp his style. Instead, he regularly sought the spotlight throughout the 2000s, dispensing quotes to the *Financial Times* and the *New York Times*, and even penning an op-ed in Venezuela's *El Universal*.

Tirado Yépez, an almost mythically ambitious, self-taught financier, responsible for establishing Stanford as a force in that country, before his epochal falling out and bitter court battles with Allen Stanford. While at Stanford's helm, Tirado also became an influential banker to the so-called Bolibourgeoisie[96], Chavismo's hyper-wealthy kleptocratic class, allegedly acting as bagman to feared Chavista politician Diosdado Cabello. His political connections would stand him in good stead, shielding him from Allen Stanford's wrath when the latter pressured the Venezuelan government to prosecute Tirado for embezzling millions in SGVAI funds destined for the tax authorities. I'll return to that episode shortly. But, because he was so singularly important to Stanford's trajectory in Venezuela, a bit of background on Tirado is in order.

News accounts place him at Stanford starting in 1992. My exchange with a close Tirado associate, however, reveals a longer, stranger history.[97] Despite a dysfunctional upbringing—his abusive, alcoholic father would eventually commit suicide—the young Tirado displayed resilience and drive. As a teen, he grew obsessed with karate, eventually becoming a martial arts instructor. However, he was fated to a much grander life. In 1989 or '90, Tirado landed a job at Stanford's Venezuelan brokerage, essentially working as an "office boy," running errands for one of the executives.[98] Soon, however, the 19 or 20-year-old Tirado, who'd never gone to college, took it upon himself to grow his mentor's client book. Allegedly, Tirado would drive around Caracas, knocking on doors and convincing businesses and individuals of the merits of Stanford's offshore CDs. It was during that time that Tirado honed his legendary sales skills and,

[96] This is a pejorative portmanteau, popular among critics of Chavismo, that combines "Bolivarian" (as in "the Bolivarian Republic of Venezuela") and "bourgeoisie," a cheeky way of puncturing the leftist pretensions of the Chavista moneyed class.
[97] Informal Interview 10-06-10, Tirado associate.
[98] This characterization of Tirado as an "office boy" comes from Interview 10-18-10_2, Luis Rigau. Rigau was childhood friends with one of Tirado's relatives and had heard a great deal about Gonzalo Tirado's spectacular rise and fall.

as a result, he grew his mentor's client portfolio enormously.[99] It was likely also at this time that the quick autodidact taught himself the basic principles of finance and to speak passable English. In the early '90s, however, Tirado would experience a life-changing stroke of luck when his boss died suddenly of a heart-attack. The other brokerage executives decided to promote the obviously talented youngster to their ranks, and Tirado would inherit his boss's massive client book. Tirado would soon impress Allen Stanford himself, who no doubt saw his own outsized moxie reflected in the young man, and Tirado would become Stanford's proxy in Venezuela. This would all change in 2005 when Tirado was implicated in a tax fraud at SGVAI, the firm's Venezuelan brokerage.[100]

Stanford Bank Venezuela: friends in high places

In 2004, Allen Stanford set in motion his plan to open a commercial bank in Venezuela. Unlike nearly all of SFG's constitutive businesses, a commercial bank stood an actual chance at profitability. More importantly though, the bank would greatly raise Stanford's local profile and credibility. Allen Stanford identified a small, established local bank that could be bought, and in preparation for the purchase, he secured a $95 million loan through a longtime banker and friend at Société Générale.[101] There were, however, significant hurdles to clear. By 2004, both SFG and

[99] One of my Venezuelan subjects described meeting Tirado: "[I] went to the office […]—at that time Stanford was very small—[and] I had a direct consultation with Gonzalo Tirado, when he was [their] president […] and, damn, the dude—I'm going to tell you something—the dude was an *excellent* salesman […,] *charming*, a person with […] such charisma. He was the guy that made that company grow here. I can tell you, [because] I saw Stanford grow here." Interview 12-02-10_1, Hector Santos.

[100] One of my Venezuelan subjects had met a pair of young SGVAI employees who, even after Tirado's legal troubles with the firm, "spoke as if Gonzalo was their idol, I mean, a model to emulate. […] a spectacular guy who'd succeeded in bringing enormous sums [to himself and the company]" (Interview 10-18-10_2, Luis Rigau). The Tirado associate I spoke with stressed that behind Tirado's "screen of humility" was a deeply manipulative personality (Informal Interview 10-06-10, Tirado associate).

[101] That friend and banker, Blaise Friedli, had been a loyal accomplice to Stanford since at least the early '90s, first at CBG then at Société Générale's Swiss Private Banking Division. Stanford eventually thanked Friedli for his service by giving him a lucrative post on SFG's International Advisory Board. The purchase of what would become Stanford Bank Venezuela occupies many pages of Allen Stanford's trial transcripts, because of the boldness with which Stanford diverted $23 million of that $95 million loan into his personal accounts. The bank's purchase price

Allen Stanford himself had accrued a significant body of regulatory near-misses and damning news stories. What is more, the proposed head of what would become Stanford Bank Venezuela (SBV), Gonzalo Tirado, was definitively *not* qualified to run a bank according to Venezuelan law.[102]

It was at this time that Stanford's web of public and private institutional relationships in the U.S. began to pay dividends. Within three days of each other, at least five influential Stanford supporters barraged Trino Alcides Díaz, head of Venezuela's banking superintendency (SUDEBAN), with florid letters in support of Allen Stanford's proposed bank purchase, attesting to his business acumen and character. Predictably, Stanford's favorite lawyer, Carlos Loumiet, supplied one such letter. As the Greenberg suit details, Loumiet's letter:

> […] stated that he had represented Stanford for seventeen years and that he had always found Stanford to be compliant with all laws. He went on to outright lie to the Venezuelan authorities by stating that "I do not know of a single instance in which the [Stanford Group] has been criticized by any regulatory authority". He closed the letter by stating that he recommended Allen Stanford "without any reservation". (*Greenberg*, p. 108)

In addition, Stanford's corporate intelligence and "self-due diligence" firm, Kroll Associates, was ready with a missive of their own, authored by longtime DEA agent turned Kroll executive, Thomas Cash. His letter praises Stanford's unstinting respect for "U.S. and international regulations and standards" and adds (cringe-worthily and apropos of nothing) that "the value of mitigating risks can never be understated [sic]." "It is Kroll's opinion," Cash concludes, "that the granting of an International Banking License to Stanford Financial Group of Companies would be a positive addition to Venezuela."[103]

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would come in at around $70 million. Stanford used the rest for personal ends. He would eventually repay the loan with CD depositors' money. See: RAS Tx., pp. 2948-50, 5202-4, 5207-8.

[102] Thanks to Miguel Octavio for alerting me to this point.

[103] Thomas Cash, Kroll letter to SUDEBAN (Case 1:10-cv-00012-SS Document 1-6 Filed 01/07/10, p. 3)

In their power to influence, however, these efforts pale next to a joint letter to Venezuela's banking chief from three U.S. congressmen: Republicans Pete Sessions (TX), Bob Ney (OH), and John Sweeney (TX). If their names sounds familiar that is because I discussed them a few pages ago, in regard to their membership in the Stanford-sponsored Caribbean Caucus. Their letter features many of the same unctuous phrases as the others, suggesting common authorship. Among their claims, the congressmen affirm that:

> Mr. Stanford, a well-respected businessman from Houston, Texas, is a widely renowned as a man who integrates his interests with local economies to build friendships and create wealth everywhere he does business. He is also known as a man of great charity who is particularly interested in philanthropic and business endeavors in South America and the Caribbean region. […] [W]e would like to convey that we personally know Mr. Stanford to be a man of great strength, character and financial stability. Over the last few years we have had the opportunity to establish and maintain a very positive relationship with R. Allen Stanford and Stanford Financial Group, and have come to know that he conducts all of his business in a professional manner. It is our opinion that granting an International Banking License to the Stanford Financial Group of Companies would be a positive addition to Venezuela. We would strongly recommend that R. Allen Stanford and his companies be given every possible courtesy and consideration in the approving of the International Banking License […].[104]

In this chapter's preceding section, I illustrated the complex ecosystem of private and public parties in the U.S. that allowed SFG to constitute itself as a consequential actor. These letters are just more evidence of how willing such parties were to trade on their influence and how eager to sustain a quid pro quo-based bond with a seemingly solvent, powerful firm. What makes these gestures notable, however, is their transmission across the jurisdictional boundaries separating the U.S. and Venezuela. Not only were Loumiet, Kroll, and the congressmen able to make credible, positive claims about Stanford in a way the firm could not do for itself, but the fact that

[104] The letter is excerpted in Murray Waas "New Disclosures About Congressman Pete Sessions's Relationship with a Now-Imprisoned Billionaire," *Vice News*, 6-12-2013. Available at: http://www.vice.com/read/congressman-pete-sessions-and-r-allen-stanford. See also: Aram Roston, *The Daily Beast*, 3-07-12, available at: http://www.thedailybeast.com/articles/2012/03/07/bipartisanship-republicans-and-democrats-both-want-to-keep-allenstanfords-money.html

such claims emanated from the U.S. no doubt amplified their power. That Stanford was to its core a creature of jurisdiction is likely clear by now. The following episode, however, illustrates just how deeply imbricated the firm was with powerful jurisdictional actors.

Allen Stanford versus Gonzalo Tirado: friends in higher places

In late 2005, Venezuela's national tax authority, SENIAT, uncovered an ongoing fraud at SGVAI in which high-ranking executives at the brokerage had, with the aid of low-level SENIAT officials, diverted millions of dollars in intended tax payments and had forged SENIAT receipts to create the illusion of having paid those taxes.[105] Although Gonzalo Tirado, by then head of not only SGVAI as but also SBV, and two other executives were immediately fired in December 2005, only the latter two were initially indicted. In the following weeks, however, Allen Stanford grew convinced that his erstwhile protégé, Tirado, had orchestrated the theft. What is more, Tirado had started telling news outlets that Allen Stanford himself was defrauding clients through his companies. The irate Texan began to call in political favors.

First, in March of 2006, Stanford phoned his friend, and Caribbean Caucus member, Gregory Meeks, U.S. representative for New York's fifth congressional district. Luckily for posterity, federal agents were listening in. Stanford asked Meeks to fly to Venezuela and convince Hugo Chávez to criminally prosecute Tirado for his role in the tax fraud.[106] Meeks, who only weeks before had spent five days in Montego Bay, Jamaica, with wife Simone, on Stanford's dime (closer to $3,000, actually)[107], and who no doubt hoped to keep spigot of Stanford campaign donations open, happily obliged. He flew to Caracas a month later, holding several meetings with

[105] Decisión of Corte de Apelaciones 1 of Caracas, of July 06, 2006, Expediente No. 1774; See also, Public Ministry's press release "MP acusó a directivos de Stanford Group por defraudación tributaria," 4-26-11.
[106] Sallah and Reyes, "Scrutiny Of Meetings: Gregory Meeks' trip to Venezuela on behalf of Stanford's bank raises ethics Questions" *Miami Herald*, 12-27-2009.
[107] U.S. House of Representatives – Member/Officer Travel Disclosure Form for Gregory Meeks, 2-10-2006 (Legislative Resource Center)

Chávez and other regime figures. Officially, Meeks' visit was "billed as a mission to express gratitude to Chávez and other leaders for a program that provided heating oil to Americans in the Northeast."[108] However, after a tellingly long delay—more on that below—it had its intended effect: Tirado was indicted by Venezuelan prosecutors in mid-2007.

But Allen Stanford had more levers to pull. A month after calling Meeks, he contacted Greenberg Traurig lawyer Ruth Espey-Romero for help. Espey-Romero assigned the case to firm colleague and former U.S. attorney, Mark Schnapp, who, as the *Greenberg* suit alleges, would embark on "a multinational campaign to destroy Tirado" (p. 85). As part of that effort, he enlisted Espey-Romero's husband, the gaudily-credentialed Peter Romero, a former U.S. ambassador to Ecuador, Assistant Secretary of State under Bill Clinton, and a then-member of SFG's International Advisory Board. As the *Greenberg* suit further alleges, Romero set about "lobby[ing] the U.S. State Department and the U.S. Embassy in Caracas to put pressure on Tirado as well. As part of that diplomatic effort, Greenberg sent a letter to the U.S. Embassy in Caracas requesting that the Embassy revoke Tirado's U.S. visa" (p. 86). As disclosed elsewhere, Romero himself flew to Caracas, in June 2007, to convince his former State Department peers to withdraw Tirado's visa and ratchet up the pressure.[109]

Before long, Stanford and Tirado were involved in at least four separate, bitterly-waged law suits in Venezuela. Although Stanford would win the early rounds, Tirado would prevail in each case—including the politically-orchestrated criminal case against him, which fell apart when Tirado moved to subpoena Allen Stanford and other SFG higher-ups to appear in Venezuelan

[108] Sallah and Reyes, *Miami Herald*, 12-27-2009.
[109] Case 3:11-cv-00297-N-BG Document 54-4 Filed 06/17/14, p. 33; Schnapp would also use his contacts, as a former federal prosecutor, to prod the FBI to open an investigation into Stanford; as it turned out, they'd already been investigating; however, Schnapp would learn, they were also simultaneously conducting a new investigation of Stanford. (*Greenberg*, p. 86)

court. [110] However, Tirado's victories, I submit, had less to do with his pluck or any specific legal stratagem than with the fact he was remarkably plugged into the Chavista machinery, a feat he'd achieved while at Stanford's helm.

The Chavista – Tirado - Stanford chain

Tirado's time at Stanford (1990-2005) overlapped with the first seven years of the "Fifth Republic," as the Chávez era is known, a period that saw both skyrocketing oil prices and the rise of the Bolibourgeoisie or "Boligarchy," a new class of wealthy regime and regime-allied figures. The precise history of Tirado's entrée to that world is not publicly known, but financial journalists and professional muckrakers claim that Tirado was introduced to early Chavista clients through David Osío, a controversial banker linked to the 1994 collapse of Banco Latino and countless shady financial deals in the Chávez years.[111] Regime critics and anticorruption activists widely allege that, at some point, Tirado ascended to the lucrative rung of "testaferro"—that is, bagman or front man[112]—for Diosdado Cabello.

Widely considered Venezuela's second most powerful man (and since Chávez 's death, perhaps first), Cabello has long held varied and coveted political offices. Indeed, Cabello's early loyalty to Chávez —he was a co-conspirator in Chávez 's failed 1992 putsch—was repaid lavishly, with post after post rife with opportunities for illicit gain. Since 2000, Cabello has been a parliamentarian, head of the National Assembly, Vice-President of the Republic, Governor of

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[110] *Últimas Noticias* (dead link). Reprint available at: http://www.guia.com.ve/noti/35950/a-declarar-en-caracas-el-dueno-del-stanford-bank

[111] See, e.g., *Reporte Diário de la Economía*, 7-13-2012, p.2 (reprinted from VenePirámides and WikiAnticorrupción); Alek Boyd, "ACU Chairman AI Cardenas & FTI Consulting strike gold with Hugo Chávez's Cronies ," *Infodio*, 3-14-2013; "La lista de la red de corrupción que hace negocios con el gobierno de Venezuela," *Infobae*, 5-21-2014.

[112] One could say that speculative analyses of testaferro relationships in Venezuela constitute their own political-literary genre. This, of course, is a predictable symptomatic response to a state of affairs that combines rampant, spectacular graft and a near-total lack of governmental transparency. For an example of the genre, see "Godgiven's Bolivarian Bankers," *Caracas Gringo*, 8-11-2009, at: https://caracasgringo.wordpress.com/2009/08/11/godgivens-bolivarian-bankers/

the state of Miranda, Public Works and Housing Minister, head of the national telecom regulator (CONATEL), and even a television host. Together with his brother José Davíd Cabello (whose turns as Minister of Infrastructure and head of SENIAT only increased Diosdado's reach) and a handful of others, Cabello sits at the core of what is often called Chavismo's "endogenous right," a mafia-like constellation of business and military elements, united in oligarchy, kleptocracy, and racketeering. Cabello himself, whom Chávez 's first wife called the most dangerous man in Venezuela, and whom a fellow parliamentarian dubbed "il capo di tutti capi," has been credited with a business empire that includes gun running, drug trafficking, construction and oil industry-related schemes, banking fraud and currency arbitrage on a mass scale, and even ordinary (albeit disguised) business interests. He is said to be worth many billions of dollars.

Tirado, in his capacity as head of SGVAI, was allegedly one of many testaferros tasked with tending and obfuscating Cabello's pharaonic wealth. However, it is likely the fact that Tirado made himself useful to prominent Chavistas that not only shielded him from Allen Stanford's legal assault but also allowed Tirado, following that affair, to allegedly perpetrate several more brazen frauds at other financial institutions in 2009 and '10. Tirado would eventually turn on his Chavista handlers, fleeing to the U.S. in 2010 with a stolen fortune estimated in the hundreds of millions. Once there, he would apply for asylum and refashion himself as a patron of the Venezuelan political opposition.

Though its precise extent is still not known, Stanford's 2009 collapse pulled back the curtain on Chavistas' involvement in SIBL's CD program. On February 18, 2009, a day after SFG was shuttered, Venezuela's chief bank regulator, Edgar Hernández Behrens, held a press conference to assure the public that Stanford's commercial bank in that country, Stanford Bank Venezuela (SBV), remained solvent. Indeed, despite a brief run on the bank, this would remain true, with

SBV auctioned off later that year. However, the stony-faced Hernández Behrens also divulged that Venezuelans held between $2.3- and $3 billion in SIBL CDs. Moreover, he took the opportunity to subtly browbeat those Venezuelans who'd expatriated their wealth by sending it to Antigua, where their own bank regulations could not protect them.[113]

It could not have been an pleasant press conference for Hernández Behrens. That very day, and in those that followed, the *Miami Herald* and the *Financial Times* reported that among SIBL's hapless depositors were "high-level public functionaries, politicians, and military figures," with the *FT* hinting that the Chávez regime faced humiliation if SIBL's client list were exposed. [114] It was not merely Chavistas' leftist authenticity that would've been tarnished by such exposure. Rather, the disclosure of Chavista accounts at a bank famed for safeguarding client privacy would've been prima facie evidence of the corruption—specifically, kleptocracy and tax evasion—already widely imputed to regime bureaucrats. The political stakes were considerable. But SIBL's list of depositors was not forthcoming.. To be sure, in the coming weeks, Chavistas and anti-Chavistas alike circulated dubiously sourced "client lists" that invariably "proved" the other side's villainy. And in April, the Public Ministry announced it was investigating how $600,000 of its employees' pension funds had wound up in SIBL CDs. Mostly, though, the fraud receded from public view.

This forgetting, however, was almost certainly a political accomplishment. As reported by the *Financial Times* and others, on February 20th, a plane carrying senior Venezuelan officials flew from Caracas to St. John's, Antigua, where, upon landing, those officials drove directly to the

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[113] Edgar Hernández Behrens, press conference, aired on VTV, 2-18-2009. Uploaded by Noticias24.com to: http://www.dailymotion.com/video/x8eyp0_stanfordbank_news

[114] See, e.g., Reyes and Ocando, *El Nuevo Herald*, 2-19-2009, available at: http://www.elnuevoherald.com/noticias/mundo/america-latina/venezuela-es/article1972094.html; and Mander, *Financial Times*, 2-23-2009

home of Prime Minister Baldwin Spencer.[115] It is widely assumed that their urgent tête-à-tête concerned the topic of SIBL's client list and the need to protect, or purge, its contents. A few months later, a respected Venezuelan politics blog written by a U.S. intelligence analyst reported that Diosdado Cabello had lost "a fortune"—in the many tens of millions—in the SIBL debacle.[116] More recently, in his investigative opus on Chavista corruption, journalist Casto Ocando revealed that Edgar Hernández Behrens,

> a Chavista ex-military man "reborn" as an evangelical Christian […] was so shocked and upset when the funds in his well-fed Antiguan account turned to smoke, that he discussed with a Miami lawyer the possibility of suing the bank in a U.S. court. But the prospect of being forced to publicly reveal the origin of those funds led him to discard the idea. (Ocando 2014, p. 219)

Thus, when Hernández Behrens conducted his press conference, he was only a day removed from learning that his own offshore treasure chest had vanished. Moreover, he must have been aware of the scale of devastation that the fraud had wrought on his fellow *Boliburgueses*. Nevertheless, although rumors would persist, the identities of most of SIBL's Chavista clients would remain obscure. But, the theory that Chávez officials had flown to Antigua to bury the truth of their involvement with Stanford would gain new currency upon a mid-August announcement that Hugo Chávez had approved, seemingly out of nowhere, a $50 million gift of "urgent financial assistance" to Antigua, "'completely without precondition.'"[117]

CONCLUSION

There is a tension in the design of this chapter that I hope has been productive. I began

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[115] See: Mander, *Financial Times*, 2-23-2009; Blackmouth, *TalCual*, 3-02-2009 and 8-21-2009.
[116] "Termocentro: Who gets the commissions?" *Caracas Gringo*, 6-08-2009. Available at: https://caracasgringo.wordpress.com/2009/06/08/termocentro-who-gets-the-commissions/
[117] Pascal Fletcher, "Chávez aids Antigua after Stanford fraud scandal," *Reuters*, 8-13-2009, available at: http://uk.reuters.com/assets/print?aid=USN1326635220090813. Harry Blackmouth, "Crónicas desde Nueva York," *TalCual*, 8-21-2009.

with a discussion of the various positive worth claims that SFG, as a trustee, made for itself. Many of these contained either open or tacit references to SFG's supposed U.S. provenance. As such, these claims exemplify the "discursive" facet of jurisdiction: the tendency of trustees to signal their positive jurisdictional associations, "speaking" through the real or purported sites of their conduct. At the same time, I have attempted to undercut the standard trust-theoretic approach that treats trustees and trustors as pre-constituted, self-identical actors, without history or context, straightforwardly capable of making and interpreting claims. Thus, the bulk of this chapter has attempted to show that SFG's discursive efforts are analytically subsequent to, and dependent on, its formation as an actor.

More specifically, I've tried to demonstrate that SFG was, to its marrow, a creature of jurisdiction. Its emergence as an actor, and the eventual grotesque size and shape it would assume, were the products of the particular zones of authority in which it took root and across which it would operate. Thus, the very differently textured jurisdictional spheres I've discussed in depth—the Caribbean microstates of Montserrat and Antigua, the U.S., and Venezuela—were all necessary in their own way for Stanford to develop the way it did. Moreover, by "differently textured" I mean two things. First, the nature of both public and private authority differed dramatically in these places. Second, and related, the distinct "textures" of these places resulted from the ecologies of institutional actors that inhabited them.

In 1980s Montserrat, we saw how a confluence of events and chance collaborations allowed successive waves of conmen to wash ashore. There, recently de-regulated banking laws allowed for enterprising foreigners, like Jerome Schneider, to mass-market the island as an ideal spot for legal arbitrage (or "offshore banking" if you prefer). With that groundwork laid, a local cadre of lawyers stepped forward, happy to enable foreigners' schemes. As it had for many others, these circumstances allowed Stanford—a latecomer to the party—to establish his bank and begin making baseless positive claims about it, particularly to Latin American clients, in whom he seeded the belief that Guardian (later, Stanford) International Bank, Ltd. was ultimately a U.S.-domiciled firm. Driven from Montserrat in a British regulatory sweep, Stanford skipped to the neighboring microstate of Antigua & Barbuda. Whereas Montserrat mostly functions as a prologue to the Stanford story, it is among Antigua, the U.S., and Venezuela that the issue of "differently textured" jurisdictions is most salient and best illustrated.

In Antigua, the form of jurisdiction most crucial to Stanford's development was sovereignty. Indeed, as in many postcolonial microstates, sovereignty was also Antigua's most valuable national resource. During their more than four decades of rule, the Bird family managed the competing imperatives that often weigh on the rulers of tiny, resource-poor states: the pressure to attract enough investment to keep the state's coffers full and one's clientelist politics in good working order; the need to stay on the nearby hegemon's good side; and the temptation to commercialize sovereignty for personal enrichment. By the time of Stanford's arrival, of course, the Birds were old masters at leasing out their sovereignty to shady foreigners. Moreover, because, for most purposes, the Birds *were the law*, and Antigua presented a legally and regulatorily sparse environment to Stanford, the institutional demands on the firm were relatively few. Thus, the Bird-Stanford relationship was essentially a landlord-tenant arrangement, wherein SIBL's domicile behind the curtain of Antiguan sovereignty allowed Stanford (and other like tenants) to import dollars and export harms.

The U.S. scene could not have been more different. For the firm's first decade, Allen Stanford laid low, maintaining only marketing offices in Texas and Florida, with which he created the hazy illusion of U.S. domicile for SIBL, in order to sell CDs to visiting Latin Americans.

However, around 1996, once he decided to legitimately enter the U.S. market, everything changed. In contrast to Antigua, the U.S.'s legal and regulatory density dictated that Stanford's stateside operations grow into a very different shape. I illustrated this phenomenon by narrating the dizzying list of private and public institutional relationships that Stanford forged over the years. Indeed, this dense population of institutional actors is what gives the U.S. its distinct jurisdictional texture. Moreover, it is partly on the basis of this texture that investors impute safety to apparently U.S.-domiciled firms: simply to exist in such a place for any length of time is to be vetted.

Finally, if in Antigua, the Birds *were the law*; and if in the U.S., Stanford was made to constitute itself *through the law*; in Venezuela, the firm-client relationship largely transpired *outside the law*. In Chapter 3, I address in depth the near total lack of contact between Stanford and Venezuela's legal and regulatory institutions, but a few points bear making here. Since at least the 1970s, Venezuela's sizable middle-class and well-to-do residents have eagerly expatriated their wealth in the form of dollar-denominated foreign accounts, a phenomenon that accelerated greatly after 1983's Black Friday. (Indeed, it was such Venezuelans—and Mexicans and Colombians—that, through their mid-to-late '80s deposits, gave the Stanford fraud a foothold.) During this broad period, however, this practice has generally not consisted in Venezuelans catching flights to Miami, New York, or Aruba with cash-stuffed suitcases. Rather, a significant number of prominent foreign banks have quietly but openly offered offshore financial services there for decades. Though this point will become clearer in the next chapter, I wish to point out here that the availability of such nominally illegal financial services does not evidence regulatory "failure" by the Venezuelan state. Rather, because offshore banking serves a crucial function to the country's elites—including, since 1999, the Bolibourgeoisie—we should approach this state of affairs as a political outcome. In other words, the presence in Venezuela of Stanford and countless like firms, most of them "legitimate," indicates a purposeful ceding of Venezuelan legal and regulatory space to private interests: a washing onshore of the offshore, if you will. Over the decades, wealth expatriation has provided elites of all ideological stripes a material and political hedge against uncertainty. In the present case, the specific utility of Stanford, over the fraud's final decade, to Chavista elites as well as the regime's opponents, ensured an unimpeded flow of Venezuelan wealth into the void.

CHAPTER 3

COURTS AND REGULATORS: TRACING THE CAREERS OF WORTH CLAIMS

INTRODUCTION

In framing this work, I've defined "jurisdiction" capaciously, asking the reader to picture a social world comprised of overlapping zones of normative and epistemic authority. Such zones or "jurisdictions," I've argued, are critical to understanding trustworthiness, since they bear both discursively and logistically on the traffic in evaluative statements, or worth claims, from which a given actor's trustworthy appearance is ultimately stitched. The preceding chapter examined both sides of that coin: that is, not only the jurisdictionally-inflected discursive content of SFG's worth claims but also the jurisdictionally-specific logistical conditions that allowed the firm to arise as an actor in the world.

This chapter adopts a new vantage point. Rather than focus on the question of Stanford's agency, or the content of claims, I'm most concerned here with what happens to worth claims once put out into the world. Specifically, I hope to identify those factors that encourage or frustrate their movement and accumulation. Since the fraud's longevity, despite plentiful evidence of wrongdoing, is what needs explaining, I give priority to negative worth claims. In the following pages, I trace the "life histories" or trajectories of negative claims issued by several sorts of actors: Stanford employees, whistleblowers, investors, concerned loved ones, and regulators. Theoretically, my focus here thus falls squarely on jurisdiction's logistical effects, i.e., how various zones of authority eased or impeded the flow of damning claims about the firm's activities.

I pursue these themes through a comparison of Venezuela's and the United States' courts and securities regulators. My reasons are simple. As public venues for adversarial exchanges, courts are natural sites for the airing and logging of unflattering claims. Since our focal trustee is a financial firm, securities regulators too were a straightforward choice. Such regulators are in theory—though not always in design or execution—natural aggregators of such claims. It is here, though, with courts and regulators, that the evidentiary imbalance between the countries, alluded to in Chapter 1, is most glaring. And yet, as I detail below, the paucity of documentary evidence from Venezuela is itself a datum ripe for interpretation. This lack, I argue, faithfully reflects Venezuela's relative institutional sparseness, and, more recently, the politicization of its governing organs. In contrast, the embarrassment of documentary riches on the U.S. side reflects a legal and regulatory apparatus that, though uncoordinated, is both extensive and intensive. All this is to say that Venezuela and the U.S., as jurisdictions made up of many smaller jurisdictions, present differently textured landscapes for the production and flow of evaluative claims. That we might better grasp their differences, I'll periodically use two metaphors. First, I will occasionally speak of jurisdictional bodies, like courts and regulators, as *surfaces* on which worth claims may be recorded and read. Second, I will treat them as *barriers* or *friction points* to the movement of worth claims.

This chapter proceeds as follows. In its first section, I discuss the paradox of Stanford's treatment in the Venezuelan legal record. Though the firm operated in Venezuela since the late 1980s, I found only a small number of cases in which it was a named party or played a material role. Strangely though, the two cases that do link Stanford to wrongdoing involve politically-connected actors and exhibit signs—albeit in hindsight—of probable political interference. I draw tentative inferences from these outliers, concluding that, while Venezuela's long-reviled courts were never an optimal surface for the writing of serious allegations about Stanford, their "surface area" contracted even more under Chavista management. From here I turn to a necessarily brief discussion of the Venezuelan regulatory record. I interpret this documentary void as resulting from that state's decades-long surrender of authority over wide swaths of financial matters. This ceding of jurisdiction has amounted to a washing *onshore* of the offshore.

In the chapter's third section I explore the rich trove of U.S. court records involving Stanford. When the firm's detractors lacked the funds or privileged knowledge to put up a fight, Stanford used the courts as a staging ground for bullying them into silence. In such cases, the courts acted as barriers to the movement of negative claims. However, against ex-employees armed with insider knowledge, Stanford was cautious, more willing to settle. Because the courts represent an epistemically-privileged surface for the etching of claims, Stanford was loath to see its secrets preserved there. Finally, I end with an analysis of two U.S. securities regulators' role in the fraud's protraction. Together, the SEC and FINRA comprised a key nexus for the influx and processing of worth claims. However, jurisdictional ambiguity as to their authority to police Stanford's CD sales exposed deep fissures both within and between these bodies. I explain that these regulators were in fact made up many "jurisdictions," often working at cross-purposes, which put up barriers to the movement and coalescing of others' negative claims.

THE VENEZUELAN COURTS: WEAK, POLITICIZED, CENTRALIZED

It is important, for two reasons, that we briefly consider the transition from the pre-Chávez to Chávez-era judiciary. First, and most obviously, the period of this study (1985-2009) straddles that divide. Thus, there were many years, in both eras, during which Venezuelans could have lodged complaints against Stanford in their courts. Second, my respondents tend to stress the superlative awfulness of Chávez-era justice. It is useful, as a counterweight to such rhetorical excess, to consider key points of continuity.

The "Punto Fijo" era from 1958-98, or the Fourth Republic, saw the justice system gradually rot, its nadir captured in a U.N. study in which Venezuelans bestowed on their judiciary a 0.8% confidence rating (Human Rights Watch [HRW] 2008, p. 41). Just as that era was defined by a pact between the center-left and center-right Acción Democrática and COPEI, the court system too was divvied up along clientelist lines. Yet, although judges invariably fell in with one or the other party, the courts' corruption was more subtly structured. Scholars, journalists, and NGOs have noted the centrality of judicial "tribes" to the functioning of law in the 1980s and '90s, that is, discrete networks of judges, lawyers, and business interests, who, together, would guide the uptake and disposition of specific cases, with "set fees for resolving different kinds of [controversies]" (HRW 2008, p. 40; Damiani Bustillos 2013; Ojeda 1995; Perez Perdomo 2003, pp. 687-88).

Electorally, Chávez largely defined himself against this system, and his party's 1999 constitutional reforms transformed the judiciary, initially for the better (see e.g., HRW 2012:41-2). Among its innovations, the constitution created an emergency commission that fired hundreds of provenly-corrupt judges; it established a new 20-seat Supreme Court, the Tribunal Supremo de Justicia (TSJ); and, it required a two-thirds vote in the National Assembly for the removal of justices (HRW 2008, pp. 41-2). These measures met with almost universal acclaim (ibid.) However, following the 2002 coup attempt, the oil workers' strike of 2002-03, the 2004 recall referendum, and some divisive TSJ rulings, Chavismo was radicalized (HRW 2008: 42-3).[118] A

[118] It is worth noting that Chavismo's project to take over the courts probably began somewhat earlier, in response to pro-opposition rulings in the TSJ: "The effort to remove [justice Franklin] Arrieche had begun the day after the court

key outcome was 2004's calamitous "court packing" law, which increased the TSJ from 20 to 32 members, and allowed the Chavista-dominated National Assembly to appoint justices with a bare majority vote (HRW 2008, pp. 45-8). Given the TSJ's extant authority to hire and fire lower court judges, the results were predictable (ibid., pp. 52-4). Although the law strengthened Chavismo, it rendered the judiciary a pyramidal network of marionettes, with the President and his confidantes at its apex. For years to come, the handling of cases involving Chavistas or their interests would instantly be cast into doubt.

Though they postdate SFG's collapse, two developments cast retrospective light on the courts' politicization over my focal period. First, in 2009, TSJ Chief Justice Luisa Estela Morales stunned political observers by opining that "[w]e can't keep thinking about the separation of powers because that is a principle that weakens the state"[119] (Alonso, *El Universal*, 12-05-09). She would repeat this statement on future occasions, to wide derision (Mander, *Financial Times*, 1-09-13). The second event concerned the defection of Eladio Aponte Aponte, previous TSJ Justice in charge of penal matters, to the United States, in a deal with the D.E.A. Aponte admitted, in several fora, to having taken orders directly from Hugo Chávez and other high-ranking officials (including "infinities" of calls from Luisa Estela Morales) to decide politically sensitive cases in the government's favor.. Both justices would play supporting roles in Stanford-related controversies.

Certainly, the Fourth and Fifth Republics' legal systems share more than their respective defenders care to admit. Both were hopelessly weak and corrupt. In the Chávez era, however, the

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delivered the controversial ruling [on the 2002 coup]" (HRW 2008, p. 49).

[119] As one of my Venezuela respondents said, regarding the non-separation of powers in Venezuela: "You can't start a business here—here in Venezuela, right now? No. Because the legal insecurity here is too—here [Chavez] controls the Supreme Court, he controls the prosecutor's office, he controls everything, and does whatever he wants. **[…]** Like in Colombia, the president is one thing, the court is another, the prosecutor is another. Same in Ecuador. […] Correa isn't *everything* there. In contrast, here, no, he's got everyone bought here. Oil comes in [and] he pays [them off] with that." Interview 12-08-10_2, Felipe Estefan.

courts passed from rule by party-affiliated judicial tribes to rule by the executive, a no less politicized but much more centralized arrangement. And yet, the issue of how this should color our reading of Stanford-linked court records under Chavismo is far from clear. In what follows, I'll discuss those materials in depth, including two crucial outlier cases, and suggest what inferences we might pluck out of that murk.

Stanford's enigmatic presence in Venezuelan legal text

Using the international legal database VLex and the TSJ's official search engine, I gathered roughly 320 court filings[120] in which Stanford was mentioned. I subjected these to a simple coding scheme, categorizing them by city, court, substance of the legal dispute, what Stanford subsidiary was named, whether Stanford was substantively involved, and the start date of the dispute. The latter two categories were crucial to winnowing down the total. I immediately ruled out cases begun on or after the date of Stanford's collapse. In addition, I eliminated a large number of "false positives," that is, filings in which Stanford's name appears, but only as a matter of routine, along with many other banking institutions, in asset disclosure inquiries[121]. Stanford is neither a party in these cases nor do the named parties maintain accounts there. Among the documents that remained, there was some redundancy, with multiple filings pertaining to the same suit. I thus went through these once more, grouping them into individual legal disputes, by their parties' names.

This process yielded 65 unique legal disputes. The vast majority are employment suits (severance pay and unlawful termination), family law suits (child support and divorce cases), and contract disputes between firms, in which one party had an account at Stanford Bank Venezuela

[120] Only filings made on or after January of 2000 were available to me; in principle, however, appellate filings could have referred to Stanford-related controversies begun before that date.
[121] These are civil matters, mostly child support suits, in which local banks are forced by law to disclose whether the defendant has any assets at their institution. It appears that such inquiries are sent to large numbers of local banks, simultaneously, in a kind of fishing expedition.

(SBV), the conglomerate's commercial bank in that country. In addition, there are a handful of suits in which SBV was a party, suing customers for unpaid loans. The foregoing make up 62 of the 65 cases. Of the remaining three, one is a child support suit in which a defendant-father accuses the plaintiff-mother of keeping an account at SIBL. Thus, of the 65 suits in which Stanford played any part, 63 are utterly ordinary.[122] Moreover, in the remaining two, it is mostly with the aid of hindsight that we can discern ominous signs.

It's worth restating that Stanford operated in Venezuela from about the late 1980s to 2009. Stanford Group Venezuela Asesores de Inversion (SGVAI), its in-country brokerage, was in business from at least 1992, and as a registered brokerage from 1995 onward. Thousands of people and businesses kept accounts at SIBL or SBV during that time. Hundreds, if not thousands, of persons were employed by the firm in that span. The near-total absence of damning claims in the legal record over those years is thus striking. Granted, since SIBL never missed a CD payment until January 2009, perhaps a dearth of investor suits is to be expected. Nevertheless, in that period, U.S. customers brought a variety of suits against their financial advisors for non-CD-related brokerage matters. In addition, we know of at least one case in which the relative of a Venezuelan investor suspected SIBL of malfeasance, and wrote to U.S. authorities with her fears. As I address below, in addition to these, U.S. courts and arbitration were sites for dispute between SFG and aggrieved ex-employees. To be sure, it's possible that Stanford's Venezuelan employees were simply better-treated or happier. Or, perhaps, the courts were so discredited that unhappy customers and ex-employees were dissuaded from even bringing suit. If that's the case, though, how should we account for the moderate number of suits in which Stanford is a named party, as well as the sizable number of SIBL-related actions

[122] Sadly, because they're utterly ordinary for Venezuelans, these cases include a violent purse-snatching in which the victim was stabbed with a screwdriver, and whose purse was found to contain a Stanford debit card; and, a convoluted kidnapping case in which a ransom was to be deposited in a Stanford account

brought after SFG's collapse? After all, the courts didn't exactly improve following the fraud's discovery.

In short, both the 63 cases that materially but innocently involve Stanford (65), and the two disputes in which the firm is linked to wrongdoing seem like a meager catch, given the firm's duration in and penetration of the Venezuelan market. But, as there is no baseline for comparison, this is admittedly an intuitive judgment. I submit that, if we are to draw any conclusions from the Venezuelan legal record, it is necessary that we probe those two exceptional cases. In the following pages, I'll discuss two Stanford-linked controversies in depth, the first involving present-day president Nicolás Maduro, the second centered on Stanford's dispute with an ex-employee who happened to be a politically-connected financier. These cases, I argue, suggest that as a surface for the writing of worth claims, the Venezuelan judiciary, already shrunken in "area" after its Chavista makeover, came under the editorial watch of high-ranking government officials. Given Stanford's cozy relationship with some regime figures, serious legal allegations against the firm seem to have become a matter of state interest.

The Maduro and Tirado Affairs

In late 2002, the 28th federal prosecutor's office received copies of two news articles describing the deposit of large sums by Chavista functionaries at First Union Bank in Florida (TSJ, *Maduro* case, 2008 [henceforth: TSJ *Maduro*]). Days later, that prosecutor launched a criminal probe and asked the Comptroller of the Republic for an audit of then-National Assembly member, Nicolás Maduro's assets (ibid.). In August of 2003, the Comptroller formally ordered the asset inquiry, enlisting help from national bank regulator SUDEBAN's Financial Intelligence Unit (ibid.). As the matter crept through Venezuela's sclerotic bureaucracy, two well-known anti-Chavistas weighed in with their own allegations.

In April 2004, Paciano Padrón and Manuel Carpio Manrique wrote a report denouncing Maduro and other regime figures for "illicit enrichment," accusing them of hiding their embezzled wealth via Stanford's Venezuelan brokerage, SGVAI (ibid). Their report would trigger a separate probe by another prosecutor, later folded into the first. Padrón, a former Fourth Republic parliamentarian for COPEI, was a fierce critic of Chavismo, lodging frequent complaints with the authorities based on his own investigations. Carpio, an ex-military colonel who broke with the regime in 2002, had also exposed a range of abuses by government actors. The two men were frequent collaborators.

In September 2004, the Comptroller issued its first, inconclusive findings into Maduro's finances (TSJ *Maduro*). It would not produce its final report—absolving Maduro—until March 2006 (ibid.). SUDEBAN's search for Maduro's foreign holdings, halted in September 2007, also came up empty-handed (ibid.) Let's consider some of what happened in the interim. Again, in 2004, the Chavista machine overtook the judiciary (HRW 2008). It was also in 2004 that SFG purchased Banco Galicia—later Stanford Bank Venezuela (SBV)—in a heavily politically-mediated deal.[123] It's worth repeating too that SBV President Gonzalo Tirado is widely reputed to have been a pet financier of the regime and front-man to Chavista heavyweight Diosdado Cabello. In June 2005, the case was assigned to new prosecutors, for undisclosed reasons (TSJ *Maduro*). Then, in October of that year, the heads of SGVAI, SBV, and other Stanford subsidiaries (though not, notably, SIBL) denied in a statement to the Comptroller having any financial dealings with Maduro (ibid.). What is more, during that span, Maduro's star was on the rise: in January of 2005, he became the president of the National Assembly, and, in August of 2006, was named Venezuela's Foreign Affairs Minister.

[123] I'm referring here to the role of not only influential private parties but also U.S. Congressmen Ney, Sweeney, and Sessions in convincing Venezuelan bank regulators to approve Allen Stanford's founding of SBV (see Chapter 2).

When prosecutors asked the TSJ for a dismissal in September 2007, few could have been surprised. The tribunal, headed by Luisa Estela Morales, tossed the suit soon after (ibid.). The exoneration of a high-ranking Chavista by a hijacked court is not what makes this case notable. Rather, it is how its meaning has shifted over time. In 2002, at its start, no one could foresee that Nicolás Maduro, an undistinguished parliamentarian, would climb the regime's rungs and 10 years later become Chávez's hand-picked successor. Similarly, Stanford was just one of many foreign investment firms in Caracas. Neither the original prosecutors nor Padrón and Carpio could have regarded Maduro or SFG as big-name quarry. Thus, not only was the case likely brought in good faith, but, given later accounts of the Stanford-Chavista nexus,[124] the denouncers' claims are at least highly plausible. Nevertheless, it was hardly a high-profile affair. For our purposes, then, the case is valuable not for how it influenced investor perceptions, but for the partial light it casts on the larger corpus of Stanford-linked lawsuits. Much about the case's halting crawl through Venezuelan bureaucracy, during a time in which Chavismo consolidated its grip (2002-07), suggests that its outcome was stage-managed by regime figures (perhaps even Chávez himself) hoping to protect a rising political star. This is not to say that political interference is to blame more generally for the scarcity of Venezuelan lawsuits involving Stanford. For that we can probably credit a lack of "demand" *and* the courts' age-old dismal reputation. The Maduro case, however, hints at a complementary way in which, as of the early 2000s, both SFG's and its detractors' contact with the law was likely politically monitored[125]. If we imagine the judiciary as a slate for the recording of disputes, it would appear that Chavismo took an editorial interest where Stanford was concerned. But, this delicate arrangement would be

[124] I refer here to the extensive involvement of Chavistas with Stanford, which I discussed in Chapter 2.
[125] In a grim coda, Manuél Carpio, the retired colonel who helped expose Maduro, was murdered in a hail of bullets a few months after the suit's dismissal. Naturally, some speculated that this was a political assassination. The culprit was never found.

tested when Stanford decided to go after one of its own.

In Chapter 2, I discussed Allen Stanford's row with former protégé Gonzalo Tirado, emphasizing the role of political intermediaries (viz., U.S. congressmen and a former ambassador) in their Venezuelan court dispute. Building on the Maduro case, I wish to briefly revisit the Tirado affair through a specifically legal and political lens. To quickly review: in late 2005, Venezuela's national revenue service, SENIAT, was made aware of a scam at Stanford's Venezuelan companies involving the theft of millions of tax dollars meant for SENIAT. In December, Tirado and two other high-ranked Stanford employees, Ruben Camero and Carlos Jimenez, were forced to resign. In February 2006, prosecutors brought criminal charges against Camero, Jimenez, and several low-level SENIAT officials for their diversion of tax revenue. Convinced that Tirado had overseen the scheme, a furious Allen Stanford phoned Congressman Gregory Meeks, asking him to fly to Caracas and convince Hugo Chávez to criminally prosecute Tirado. Meeks' errand was successful. In July, the court in a Stanford civil suit froze some of Tirado's assets, and prosecutors brought charges against him in September 2007 for tax fraud and conspiracy. The criminal case and three civil disputes spun on for several years, with Tirado prevailing each time.

However, the Stanford-Tirado spat put the Chávez regime on awkward footing. If, as many have alleged, Tirado used his post at Stanford to manage prominent Chavistas' wealth, the regime would surely have preferred not to drag his name into the courts and press. Indeed, the regime's piecemeal response to Meeks' request hints at such reluctance. That said, it was in the government's interest to play along. Assuming reports are truthful, Allen Stanford would have had access to details of important Chavistas' finances. Enlisting the slithery but Chávez-friendly Meeks as his courier may also have helped Stanford's case. The government's best course of action was to let Stanford have his "day in court," albeit in choreographed form. Indeed, the evidence suggests the Tirado suits were at least partly political theater. Consider how they played out. Upon his criminal indictment, Tirado hired two former prosecutors to represent him, one of whom, Winston Oraa, openly boasted of his good rapport with regime judges like Eladio Aponte Aponte. Though early rulings went Stanford's way, Tirado won every appeal, including at his criminal trial, while pocketing sizable damages and severance pay. It bears repeating too that, by this time, the judiciary was tightly yoked to the executive's plow (HRW 2008). Moreover, the suits' aftermath bolsters the claim that Tirado enjoyed regime protection and regulatory leeway. Despite his brush with fraud, Tirado was allowed in 2009 to buy a stock brokerage and controlling stakes in two banks. Within months, authorities claim, Tirado would gut these firms of several hundred million dollars and flee to the U.S.

The Tirado affair was the sole legal dispute to explicitly link SFG to financial fraud in Venezuela. Despite its notoriety, though, Stanford seems to have come out unscathed. Certainly, none of my respondents mentioned these suits as weighing on their decisions to invest with Stanford. And it's not hard to see why. Both the courts and press painted Stanford's SENIAT tax scam as the work of a few bad actors within the firm. Tirado's counterattacks on Stanford, including intimations of fraud, were likely dismissed as the grumblings of a jilted employee. Indeed, caught between two well-connected bankers, it was the regime, accustomed by then to winning its criminal trials, that took a black eye. This, I've surmised, was a calculated move.

It would be easy to dismiss the Maduro and Tirado episodes as curiosities. And yet, these disputes are analytically revealing because, in tying Stanford's name—unsuccessfully—to allegations of wrongdoing, they underscore how banal Stanford otherwise came off in court records. Moreover, the broader absence these cases make visible is itself important, if in a bracketed sense. It is doubtful that any investor took this lack of damning claims as proof of Stanford's rectitude.[126] The courts, after all, were a long-discredited source. The obverse, however, is not true: investors would not have just blithely dismissed a mass of damning court cases. My Venezuelan respondents were often keenly aware of recent frauds and bank collapses. Although no news was *not* necessarily good news, bad news would likely have made them skittish. Thus, Stanford's near-pristine record, though important mainly in this counterfactual sense, merits an explanation.

And yet, how should we understand that record given that the two exceptional cases were politically meddled-with? We'd be rash to blame Chavista interference for the more general dearth of Stanford-linked suits—that absence was overdetermined. At the same time, to separate out Stanford's "dirty" cases from "clean" would seem indefensible. After all, we can't be certain that political interference did *not* extend past these two disputes. The only way forward, I submit, is to approach the legal record as a whole, indicative of how the shape of state institutions can influence how trustworthiness is produced. In contrast to the U.S. judiciary, a chaotically scattered and largely apolitical network of courts, Chavismo turned an already weak, politicized judiciary into something considerably more politicized and compact. In doing so, the surface area of the state on which negative claims about Stanford could independently be written and read contracted. The Maduro and Tirado cases simply provide detailed suggestive evidence that the courts were not neutral venues hospitable to just any claims-making about Stanford. In the following section, I again confront an unnerving absence of traces about Stanford, this time in Venezuelan regulatory documents. There, I'll consider whether silences in the court and regulatory records might be of a piece, reflective of both a political system that has ceded authority over large swathes of social life *and* of a citizenry inured to an undependable,

[126] It is fair to ask whether such a reviled judiciary is even capable of emitting positive signals.

institutionally sparse form of government, in which claims-making is often a waste of time.

VENEZUELAN FINANCIAL REGULATION

No part of this study was more vexing, methodologically or theoretically, than the absence of Venezuelan regulatory materials on Stanford. Here I'll briefly address this lack and suggest what inferences we can draw from it. During my Venezuelan fieldwork in late 2010, I thought this study would remain almost entirely interview-based. For that reason, and because of the sheer time it took to find respondents, I did not conduct any in-person archival or documentary fieldwork. As my ideas took shape and the question of regulation took on greater import, I began to search for both U.S. and Venezuelan regulatory data. Initially, I was pleased to find that the Superintendencia Nacionál de Valores (or SUNAVAL as its known), a rough equivalent to the SEC, maintained a public search engine, in keeping with Chavismo's claimed commitment to transparency. My enthusiasm waned when my SUNAVAL search queries yielded a simple registry entry noting that SGVAI had received its brokerage license in August of 1997. There were no other data—e.g., periodic filings, customer complaints, or censure reports—to be had. The only other entry was a SUNAVAL resolution, posted a day after the fraud's collapse, suspending the firm's brokerage license.

When we check the preceding against other sources, however, things get weird. Though incorporated in late 1996, and licensed a year later,[127] SGVAI appears to have operated in Venezuela since at least 1990. Various sources, including the man himself, place Gonzalo Tirado at the brokerage in 1992, though he may joined much earlier. Other sources, including suits by the U.S. receivership, describe Stanford's Mexican and Venezuelan operations as "unregistered

[127] Gaceta Oficiál [G.O.], No. 36,295, pp. 299-301 (9-19-1997); G.O., No. 39,152, pp. 331, 368 (4-24-2009).

‘representative offices’ of Stanford Financial,” operating in violation of local regulations.[128] In short, Stanford appears to have offered brokerage services in Venezuela *wholly outside the law’s scope* for the better part of a decade. As a U.S.-based researcher, this struck me as intuitively implausible.

I asked several Venezuelan financial services professionals whether, in fact, this could have been the case. Some of them were amused at my skepticism. In a typical response, bond trader and financial blogger Alex Dalmady wrote:

> As for Stanford operating unregulated and “undetected” […] it is really so […]. You see, they were not alone. Dozens of European and US banks and brokers operated “under the radar” offering wealth management services in Venezuela through their [representative] offices. THEY STILL DO! It was “known” that you could go into one of these places and do your offshore banking. Certainly there were no ads in the newspapers or signs on the door. But if you were, say a Credit Suisse customer with an account in Zurich, you could go down to Edificio Cavendes and get stuff done through their rep office. Citibank has owned a local bank since the 1920’s. They were for a time the only foreign owned bank in the country (grandfathered in when banking laws changed), but go to the top floor of their main offices in Carmelitas, and you could make a deposit in your NY account. And then there is Merrill Lynch [which] operated a branch office in […] for at least 30 years. […] They sold it as a “contact” office, where no real transactions took place, as in everything was done in the US. But [you could take] checks to get deposited, [call your] guy locally to make trades, etc. So[, yes,] certainly Stanford could do everything they did without anyone caring (everyone noticed), because that’s what EVERYONE did.
> (Dalmady, personal communication, 3-18-2014).

Unsatisfied, I wrote to Venezuelan contacts for help finding a business student or out-of-work professional willing to visit SUNAVAL on my behalf and search for Stanford-themed materials. To my surprise, one influential contact replied that a friend—a former high-ranking official at both SUNAVAL and the Caracas Stock Exchange—had offered to take up my errand for free. Attempting to dig up facts or documentary evidence regarding SGVAI’s brokerage activities, she

[128] This also comports with journalist Gabriél Bauducco's characterization of Stanford's Mexican operation, namely, that it operated for some time illegally before its formal incorporation and registration with the authorities (Bauducco 2009, pp.30,39-41,43).

met with both a current SUNAVAL regulator and an ex-director of Stanford Bank Venezuela (SBV) in the coming weeks. And yet, even my extremely well-connected helper was unable to find anything of note. Moreover, echoing Dalmady, she wrote that "for the CD sales Tirado partook in, they didn't necessarily need a license[. I]n Venezuela you can do that through a simple chartered business, unlicensed.[…]. I don't think we're going to find anything else"[129]

It is here that the documentary disparity between Venezuelan and U.S. state bodies is starkest. Let's assume that the financial professionals I spoke with are right, and that the Venezuelan documents I've collected are relatively complete, reflective of what is "out there." This documentary sparseness, I would argue, is itself a useful datum. But what does it say about the Venezuelan state's role, either by action or forbearance, in helping to construct Stanford's trustworthiness? Moreover, what can we glean about the specifically jurisdictional character of its construction?

A few pages back I characterized state institutions as surfaces on which people can write and read worth claims about third parties. Since at least the late 1970s, some portion of the Venezuelan polity has been "offshoring" its wealth. Dalmady's quote suggests that this state of affairs endures today. But as scholars of tax havens are wont to insist, "offshore" is not actually a geographical designation but rather a reference to the juridical, "paper" location of a given act or entity. For its part, Stanford appears to have been just another company conveniently offering offshore financial services from a Caracas office.

The absence of a regulatory record tracking its activities would seem to be the result of a longstanding political arrangement.[130] That is, there appears to exist a tacit social compact

[129] [name redacted] Personal Communication, 4-22-2014.
[130] That is, the state has been engaged in decades of deficit spending, which it manages through inflation and devaluation. In exchange, it makes a tacit concession to elites to let them ride out this monetary chaos by

between the Venezuelan state and elites, in which the offshore has been allowed to wash onshore, and in accordance with the state has ceded authority over large swaths of economic activity to private interests. Naturally, there is an informational component to that abdication. Whereas in the United States there's a popular expectation, however misguided, that financial regulators assess market actors and emit signals regarding their probity, such beliefs do not obtain in the Venezuelan context.

We must resist the temptation, however, to thus characterize the relationship between Stanford and its Venezuelan clients as based on a dyadic exchange of information. In adopting a stance of non-interference, Venezuelan regulatory organs are not somehow made absent. Rather, they have actively sidelined themselves, and chosen not to look into or pronounce on the activities of the "offshore *onshore*" sector. In doing so, they have effectively enhanced the flow of information between firms and their clients, which, as we can see in the Stanford case, is a dialogue founded on a dangerous imbalance of power.

FREE SPEECH, COSTLY SPEECH: SFG AND CRITICS TUSSLE IN AND OUT OF THE U.S. COURTS

Compared to Venezuela's, U.S. courts are spread out and apolitical. And, though deeply flawed, they also are held in much higher esteem. So too is the written "stuff" they produce. Academics and journalists pore over trial transcripts. A search of civil and criminal court records is considered basic to background checks and "due diligence" inquiries. All this is to say that, in the U.S., we assign considerable epistemic weight to court records, treating them as partial but useful reflections of a given actor's behavior and social reception to that point. This is true despite the fact that records are not usually the aim of litigation, merely its byproduct. And yet,

expatriating their wealth. Moreover, this is a state of affairs that elites of all political persuasions participate in and benefit from.

such records, and their menacing permanence, sometimes drive legal decision-making, as when parties settle a suit to keep certain facts out of the public eye.

SFG's broad presence in the U.S. meant there were many access points, in the form of state and federal courts, for the lodging of both direct and oblique allegations about the firm. I discussed several such cases in my introductory chapter. Among the more damning was a spate of suits surrounding SIBL's forced disgorgement of Mexican drug cartel profits to the DEA. For Venezuelan and Venezuelan-American investors, a 2005 case regarding SIBL's supporting role in the "La Vuelta" Ponzi scheme might have raised the reddest flags. To be sure, it is hard to say how much any one worth claim influenced investors' judgments. Studying SFG's traces in the U.S. court record, however, especially with the aid of hindsight, affords us a narrow but suggestive view of how state institutions steer such worth claims' movement, and toward whose benefit.

The question of benefit is important. In law and society scholarship it is a truism that courts are most hospitable to "repeat players," who often boast deep pockets (Galanter 1974). A look at Stanford-linked disputes, however, shows that, while the firm was litigious, sometimes viciously so, it was not always eager to fight its battles in court. In the following paragraphs, I contrast the firm's court disputes with smaller news outlets and activists, whom SFG bullied into silence, to its bouts with ex-employees and self-styled "whistleblowers," which SFG preferred to fight in foreign courts and FINRA arbitration, if at all. My two metaphors—where state institutions are surfaces for the writing of worth claims *but also* friction points and barriers to their movement—are useful here. SFG's legal muscle gave it a presumptive edge against under-resourced critics. In those instances, not only did the courts act as barriers to such critics' negative claims, but they even helped Stanford to muffle critical statements made elsewhere. In contrast, when faced with whistleblowers possessed of inside knowledge, Stanford was more cautious, avoiding fights in open court, lest its critics' damning claims be inscribed as apparent "truth" in the legal record.

1991 marked the first time that SFG would threaten suit to silence a media critic. That year, British journalist Tony Hetherington wrote a pair of columns taunting the firm, especially the shoddy mock-up of U.S. domicile and British deposit insurance with which it lured Latin Americans to its offshore bank (Hetherington 1991a, 1991b). In a sharply-worded response, SFG threatened litigation and ordered the offending papers, *Offshore Financial Review* and *The International*, to take back Hetherington's claims. Duly cowed, the publishers issued a retraction.[131] Before long though, Stanford would move beyond mere threats.

In early 1996, the magazine *Caribbean Week* published a piece titled "Drugs and the Economy," which claimed, among other things, that Stanford's loans to Antigua—and bribes to its officials—were financed not through BoA (Stanford's commercial bank on that island) but through SIBL—a veiled charge of fraud and money laundering (*Greenberg* 45-7). Stanford would make an example of Klaus de Albuquerque, the weekly's publisher (and a sociology professor), suing him for defamation in U.S. District Court (S. FL). Albuquerque soon caved, agreeing to a detailed retraction, to never write about SFG again, and to pay Allen Stanford's and BoA's considerable legal fees.[132] Eight years later, Stanford would sue an Antiguan expatriate blogger and activist, again for defamation, in U.S. District Court (S. NY). On his website, and at meetings of his dissident group, McChesney Emanuel had denounced Stanford for corrupting both Antiguan and U.S. politicians. Only after the Antiguan opposition—with whom Emanuel

[131] See, e.g., *Greenberg* 30-1; Hetherington 1991a, 1991b. In 1995, SFG would take the same tack, this time in Antiguan court, against two Antiguan newspapers that had published a string of articles uncovering Stanford's bribery of Lester Bird, the firm's money laundering, and its role in a murky hospital construction deal (*Greenberg* 41-2, 47-8).

[132] *Greenberg* 45-8; Waas, *McClatchey Newspapers*, 11-29-2012; *Stanford v. Albuquerque*, Stipulation and Order of Dismissal, Case 1:96-cv-00896-DLG Document 11; Original Complaint, and Original Complaint Exhibit A.

apparently had ties—swept into power, did Stanford drop the suit. All in all, these cases show that, versus those who lacked the means or insider knowledge to sustain their claims in court, SFG took a bold approach to litigation, using the gavel, as it were, to bludgeon its critics into silence. However, SFG would take a very different tack with company insiders.

In late 1997, for instance, a former BoA employee, Errol Williams, sued Stanford for wrongful termination. Williams said his firing had stemmed from a meeting with Stanford CFO Jim Davis, at which he'd pressed Davis about the money laundering claims swirling about the firm.[133] From the start, the parties fought over the suit's proper venue, with Stanford using threats and inducements to move it to Antigua, a forum Williams thought would favor the politically plugged-in Stanford. Stanford's eagerness to pull the suit from Texas court, I submit, was partly due to Williams' willingness to invoke those fraud allegations in his arguments. This view finds more support in a 1998 dispute between Stanford and another fired employee, Irma O'Bourke. In a letter to the firm, O'Bourke threatened a Whistleblower's suit, claiming she'd been dismissed after questioning a $15 million loan Allen Stanford had taken from SIBL as well as SGC's practice of lying to investors about its CD insurance (Greenberg pp. 73-5). Initially, Allen Stanford asked that "severe pain [be] inflicted on her" (ibid, p.74). However, SFG's lawyers soon realized that the document discovery the suit would unleash could bring damaging truths to light; both parties then backed away (ibid., pp. 74-5).

The firm's ambivalence toward the courts is clearest in a 2006 case pitting its ex-"director of corporate communications," Lawrence De Maria, against SFG, once more for wrongful termination. Stanford hired De Maria in 2003 to oversee its varied marketing efforts. Naturally, this required that De Maria comprehend SFG's business model. Within months though, he

[133] *Williams v. SFG and BoA*, Second Amended Petition, Case No.97-47784, 333rd District Court of Harris County, TX.

learned that clear answers were hard to come by. His questions grew more shrill, and soon he was even voicing doubts about SFG to his supervisor—including his theory that the whole firm was a Ponzi scheme built around SIBL's CDs.. After Allen Stanford himself ordered De Maria fired in late 2004, the latter filed a Whistleblower's suit in Florida state court.[134]

Normally, SFG's resources would have made it the clear favorite in such a dustup. De Maria, however, was no tiny-island journalist or crank with a blog. In the course of his work, he'd interviewed scores of employees from all over SFG and knew its history and hazy contours better than most. It is precisely his insider knowledge that gave him leverage against the firm. SFG had often used the courts to quiet negative worth claims originating in other venues. Few such claims had ever threatened to become consecrated in the legal record. De Maria, however, presented a nightmare scenario for Stanford, promising to etch credible, damaging claims on an epistemically valued medium. He would attempt just that. His complaint on its own was blistering, describing his Ponzi scheme theory, Stanford's bribes to Antiguan officials, and De Maria's retaliatory dismissal. Soon though, he would raise the stakes by requesting to depose Allen Stanford, something the latter was loath to do. While Stanford stalled on the deposition, De Maria filed his list of intended witnesses. It featured SFG higher-ups, of course, and past wrongfully-terminated employees, but also—crucially—a who's who from previous Stanford scandals, including a pair of Mexican drug cartel operatives and two architects of the "La Vuelta" Ponzi scheme. De Maria's intentions were clear: to tar Stanford's name so thoroughly that it would never wash off. Weeks later, De Maria pursued the strategy in long-form, filing a memo with nearly 200 pages of damning documents, a compendium of Stanford's tawdry near misses. A month later, the famously vindictive Allen Stanford would settle the suit.

[134] Stanford's immediate response was to pressure De Maria's erstwhile supervisor, Ron Rossi, to sign an affidavit denying that De Maria had ever voiced his suspicions that SFG might be a Ponzi scheme. After Rossi twice refused to sign the affidavit, he too was summarily fired.

Several financial advisors from SGC, Stanford's U.S. brokerage, would also blow the proverbial whistle, upon being terminated. In their cases, however, Stanford was shielded by arbitration clauses in their employment contracts, requiring that conflicts be handled in FINRA Dispute Resolution, a kind of private quasi-court run by that regulator. In the following pages, I turn to the roles of FINRA, in both its arbitration and regulatory functions, and the SEC in the Stanford debacle.

U.S. Securities Regulation : Friction, Barriers, and the Traffic of Worth Claims

We've just seen how the worth claims of numerous actors—media, activists, and whistleblowers—fared in one particular zone of authority, or "jurisdiction," the U.S. courts. The courts' effects were equivocal, by turns impeding and enhancing the broadcast of claims. For those who lacked the money or knowledge to fight Stanford, the courts were unforgiving, a barrier to their claims' free movement. A handful of whistleblowers, however, used their hard-won knowledge to fend off the firm. So far, I've elided differences among various sorts of "worth claimants" and their aims. In spreading damning truths about Stanford, a journalist or activist is differently motivated from an ex-employee fighting to keep a signing bonus or exact a larger severance payout. Their worth claims serve different ends. My focus in this chapter, however, is less on the claimants, or what they hoped to gain through their speech acts, and more on the institutions that helped to steer their claims' movement, once made.

With that in mind, I turn now to the role of U.S. securities regulators in this process. In 1996, SFG established its stateside brokerage, Stanford Group Company (SGC), a move that would prove lucrative—opening that market to its offshore CDs—but would heighten U.S. regulatory scrutiny of the firm and its products. I focus on two national regulatory bodies: the Securities and

Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). I do so, first, because they are the best-known securities regulators in the U.S. For that reason, they exerted a gravitational pull on the worth claims of a broad range of others. Sooner or later, complaints about Stanford tended to land at their functionaries' desks. Together, these regulators thus formed a key nexus in the overall economy of worth claims about Stanford. Second, it is by tracing the careers of specific worth claims, within and across these regulators, that we can most clearly discern jurisdiction's logistical bearing on trustworthiness. As I detail below, SFG's ambiguous design and securities regulators' blurry guidelines, on the one hand, and the utter fractiousness of these regulators, on the other, badly disrupted these regulators' ability to process outside information—or to formulate and pass on worth claims of their own. Indeed, rather than functioning as one or two "zones of authority," the SEC and FINRA were in fact comprised of a great many jurisdictions, often working at cross-purposes. Thus, key bits of information about Stanford, circulated by knowledgeable parties, faced a daunting series of barriers and constant friction, and thus rarely coalesced to the point that they might influence anyone's behavior.

But this is best demonstrated with examples. In the following pages, I first explore the role of FINRA arbitration. I then turn to an integrated discussion of the SEC's and FINRA's regulatory mishaps in the Stanford case. My analysis draws on varied regulatory sources, but two in particular merit mention: the "Report of the 2009 Special Review Committee on FINRA's Examination Program in Light of the Stanford and Madoff Schemes (FINRA SRC 2009), and the SEC's Office of the Inspector General's "Investigation of the SEC's Response to Concerns Regarding Robert Allen Stanford's Alleged Ponzi Scheme" (SEC OIG 2010). First, though, a quick description of each regulator is in order.

The SEC and FINRA: organizational backgrounds

A creature of the 1934 Securities Exchange Act, the U.S. Securities and Exchange Commission (SEC) is the nation's foremost securities regulator. Not only is it tasked with crafting federal securities rules and policy, but through its oversight of the Financial Industry Regulatory Authority (FINRA) and its sway over state securities bodies, it influences every corner of securities regulation. Aside from its Washington D.C. headquarters, the SEC maintains 11 Regional Offices.[135] Two sections of the SEC are most pertinent to our discussion: its Office of Compliance, Inspections, and Examinations (OCIE) and its Division of Enforcement. OCIE, or "examinations," is responsible for ensuring that certain sectors of the securities industry comply with SEC rules and regulations. Among others, this includes stock-brokerages (or "broker-dealers"), stock exchanges (such as the NASDAQ or NYSE), mutual funds, and Registered Investment Advisors. It is often through the routine efforts OCIE examiners that investment fraud comes to light.[136] At individual SEC offices, Examinations personnel and Enforcement attorneys work together, the latter taking up cases based on the former's referrals. Dysfunction between these divisions, mostly at the SEC's Fort Worth Office, contributed to Stanford's longevity.

A private non-profit entity, FINRA is arguably the nation's most important self-regulatory organization.[137] Formed in 2007, it merged the arbitration and market oversight functions of the National Association of Securities Dealers (NASD) and the New York Stock Exchange (NYSE).[138] Formally, FINRA is an intermediary between the SEC and the securities industry,

[135] http://www.sec.gov/contact/addresses.htm
[136] See, e.g., http://www.sec.gov/ocie and http://www.sec.gov/News/Article/Detail/Article/1356125787012
[137] Its roots go back to the 1938 Maloney amendments to the Exchange Act, which authorized the creation of self-regulatory organizations, or SROs.
[138] See SEC press release 34-56145, July 26, 2007 (www.sec.gov/rules/sro/nasd/2007/34-56145.pdf), and FINRA July 30, 2007 press release (http://www.finra.org/Newsroom/NewsReleases/2007/P036329).

and subject to SEC oversight. In practice, however, it enjoys a broad, if deeply controversial, autonomy.[139] FINRA operates 20 offices and 71 arbitration venues in the U.S., combining regulatory and adjudicative functions. FINRA's regulatory side oversees tens of thousands of broker-dealers, stock brokers, and investment advisers, and claims to monitor billions of stock transactions, daily. Like the SEC, FINRA conducts routine "cycle" examinations over securities firms, and "cause" exams in response to risk indicators and outside tips.[140] The findings of FINRA exam personnel are then referred to enforcement attorneys for possible sanctions. FINRA arbitration mediates disputes both between securities firms and their customers and between firms and their employees. As a rule, brokerage-related contracts contain arbitration clauses mandating that quarrels be settled in FINRA Dispute Resolution. FINRA arbitration is thus the key forum in which allegations of wrongdoing at a brokerage, whether from customers or aggrieved employees, are put to paper. The latter case is crucial, as employees are most likely have the access and expertise to make credible claims. Having just discussed the courts, I turn now to FINRA arbitration, a hybrid jurisdiction between public adjudication and private regulation.

FINRA Arbitration and Stanford: the Court of Captive Opinion

Though FINRA's public records are only a partial reflection of the cases that come its way, its arbitration filings are nonetheless crucial for piecing together its role in the economy of worth claims about Stanford. From 1999 to 2009, 26 arbitration awards involving SGC were

[139] FINRA is often perceived to serve the security industry's interests above that of the investing public. The standard justification for self-regulation is, of course, the notion that the financial services industry is best equipped, technically and organizationally, to police its members. Today, however, FINRA is a lightning rod for criticism. Its detractors argue that it lacks accountability and transparency, that its enforcement record is weak, and that the revolving door between FINRA and industry jobs spins far too briskly and often (see, e.g., POGO 2011).
[140] Its analysts subject broker-dealers to 'cycle exams,' every one, two, or four years (depending on the current risk assessed to a firm), and more extensive 'cause exams' in response to tips, complaints, or SEC referrals

lodged in FINRA's "Arbitration Awards Online" database.[141] The bulk of these are suits by competitor firms against SGC for having poached their brokers, and suits, mostly by elderly clients, for "ordinary" mismanagement of funds. A crucial third category involves suits brought *by SGC* against its ex-brokers. I highlight this last group for what it reveals about FINRA arbitration's role in impeding the flow of negative claims about Stanford.

SGC used large "signing bonuses" to attract new hires. Such bonuses were in fact time-staggered, forgivable loans recorded as promissory notes. As regulatory inquiries and press accounts have since shown, SGC terminated not only underperforming brokers but also those who asked impertinent questions about the offshore CDs or other Stanford proprietary products. Upon firing a broker, SGC would then sue her in FINRA arbitration for the unforgiven portion of her loan. Faced with sudden debts of tens or hundreds of thousands of dollars, some brokers asserted counterclaims alleging fraudulent conduct by SGC. Such claims, however, were easily impugned as the desperate tactics of disgraced employees. More importantly, such allegations rarely escaped FINRA's arbitrative space.

We now know that at least seven ex-SGC brokers alleged fraud at the firm,[142] with five of them doing so during FINRA arbitration.[143] And yet, their claims are seldom adequately noted in the FINRA award letter, the only publicly available record of the proceeding. In a typically austere 2001 letter, an ex-broker claims SGC "fraudulently induced [him] to leave his prior employment," and stole "securities and cash" belonging to him (NASD Case No. 01-00680); no

[141] FINRA Dispute Resolution awards are searchable at http://finraawardsonline.finra.org/. As the NASD was wholly absorbed into FINRA in 2007, I refer to pre-2007 regulatory actions and documents by the name "FINRA" for simplicity's sake.
[142] FINRA-SRC, pp.13-20; also: Elfrink 2009; Lewis 2009.
[143] Even where no such claims arise, the suits (ranging from $24,000 to $400,000) hint at the punitive nature of the proceedings. SGC brokers often found themselves scrambling to repay money they had already spent or invested in houses and other illiquid investments, and, in addition, having to pay for costly legal representation in FINRA arbitration. Such 'loans' could thus have provided strong incentives for new brokers not to rock the boat even when personally troubled by the offshore CDs.

further details are provided. A 2003 record is equally inscrutable, revealing only that the parties had settled (NASD 2003 Case No. 02-01758). It does not divulge how much of his $120,000 "bonus" the ex-broker was made to repay, or whether he asserted any claims in his defense. However, FINRA's 2009 investigative report reveals that, during that hearing, the broker claimed he had been "pressured to direct clients['] assets to the off shore bank in Antigua," and made to sell other Stanford products he was uncomfortable with (FINRA SRC 2009:13). The arbitrators in that case took the rare step of forwarding the broker's claims to FINRA regulators. Even so, his claims—plausible allegations by a knowledgeable party—were scrubbed from the public record.

If previous letters are largely mute, a 2004 award is startling in its candor. There, Leyla Basagoitia, a fired SGC broker plainly states that (highlighted):

> In her Counter claim, Respondent, Basagoitia, asserted the following causes of action: fraudulent inducement, fraud and misrepresentation, breach of contract, loss of business profits, slander per se, tortious interference with business relations, intentional infliction of emotional distress, negligent misrepresentation, gross negligence and mental anguish. Respondent alleged that Claimant is engaged in a Ponzi scheme to defraud its clients, and that she filed this Counter claim under the appropriate Whistleblower statutes. Basagoitia alleged that prior to accepting the position at Stanford Group, she emphasized that it was not her intent to allocate any of her clients' funds to Stanford Group's offshore bank,
>
> NASD Dispute Resolution
> Arbitration No. 03-02025
> Award Page 3 of 6
>
> Stanford International Bank, Ltd. ("SIBL"). Her clients were mainly foreign nationals of Latin America, and Basagoitia stated that she believed these investments to be risky in nature, unsuitable, and not the interest of her clients. Basagoitia asserts that her continued reluctance to push SIBL and its products proved fatal to her employment at Stanford Group. In addition, Basagoitia alleged that Stanford Group slandered her with false documentation to the NASD, stole funds from her personal Bear Stearns account and sought to steal the clients she brought with her to Stanford Group.

(NASD Case No. 03-02025, pp. 2-3). The final two awards, however, record little in the way of detail (NASD 2005 Case No. 03-04250; FINRA 2007 Case No. 07-03093). And yet, subsequent disclosures suggest that there too SGC brokers made allegations in arbitration that might have alarmed both FINRA regulators and the public (Elfrink 2009; Lewis 2009).[144]

That FINRA arbitration functioned as an informational black hole is confirmed by the efforts of two ex-brokers to evade it. Friends Mark Tidwell and Charles Rawl left Stanford in late 2007. After SGC initiated a FINRA proceeding to collect on their promissory notes, the two men filed an employment discrimination suit in Texas court, claiming "whistleblower" status. SGC responded with a motion to force the matter back to FINRA. The trial court denied SGC's motion, granting the men a brief victory. At stake for the brokers was how much leverage they might gain in court, where they could depose high-ranking Stanford officers regarding SGC business practices. In pressing their case, they argued that FINRA's evidentiary rules were unduly restrictive for their employment discrimination suit (*In Re Stanford v. Tidwell and Rawl*, 2008, p.5). A Texas appeals court, however, would overrule the lower court, reasoning that "whistleblower" was not a protected status under Texas workplace discrimination laws. Against the wider backdrop of Stanford-linked FINRA suits, this case reveals the price of allowing private arbitration to usurp the courts' role in not only dispensing justice but in producing a publicly useful record of past disputes.

The preceding cases make clear the inconsistency of arbitrators in handling fraud allegations. Some letters give voice to searing accusations; many betray little or nothing. Two cases would find their way to FINRA regulators; most would not. And yet, to chalk it up to arbitrator discretion misses the structured character of the events. FINRA's written materials and post-fraud revelations suggest that the mishandling of information was a predictable outcome of

[144] After selling $10 million in CDs, Charles Hazlett began asking questions about the instruments, at one point confronting SGC's hapless Chief Investment Officer (Elfrink 2009). He quit soon after, and faced off with SGC in arbitration. Though not in the award letter, Hazlett claims to have told arbitrators that "[b]rokers were heavily pressured to sell offshore CDs and were stonewalled when they tried to find out where the CDs were being invested." (Elfink 2009). So too with Charles Satterfield, whose dispute letter reveals only that SGC attempted to defame him on his U-5 assessment form. Satterfield claims to have told arbitrators that the defamatory U-5 was a retaliatory move by SGC after he resisted the pressure to sell CDs and complained about the lax culture of compliance at the firm (Lewis 2009). Neither man's claims reached FINRA regulators.

purposeful rules. As contractors paid on a per-dispute basis (FINRA Dispute Resolution Arbitrator's Guide 2013:10),[145] FINRA arbitrators have few incentives to pursue fraud allegations. Their training manual highlights neutrality, conflicts of interest, and information security under "Ethical Considerations," but imposes no duty to bring alleged wrongdoing to anyone's attention (13-17). Moreover, FINRA guidelines on "Making Disciplinary Referrals" (buried near the end of the manual) note that "Arbitrators have sole discretion to make a disciplinary referral,"—but only "after the hearing concludes" (63). An attached footnote in the 2013 manual reveals that the SEC is pondering—as it has since 2010—a rule change that would "broaden [FINRA] arbitrators' authority to make disciplinary referrals during an arbitration proceeding." [146] As to why more broker allegations did not reach regulators, the testimony of a high-ranking FINRA executive, before the Senate Banking Committee, sheds light. Before 2009, he admits, FINRA investigators reviewed arbitration complaints "that involved customers, but not those that involved employment disputes." He continues: "This was based on the assessment that customer claims were most likely to evidence misconduct leading to investor harm" (Sibears 2009: 4).[147]

In effect, FINRA arbitration functioned as a dome for the containment of negative worth claims about Stanford. So long as they were happy, SGC brokers had little reason to speak out against its practices. More to the point, it is difficult to imagine contexts other than employer-employee disputes in which they would have given voice to such claims. But as a compulsory forum for the hearing of such disputes—made virtually airtight by federal and state arbitration

[145] http://www.finra.org/web/groups/arbitrationmediation/.../p009424.pdf%E2%80%8E

[146] "Effective July 30, 2014, Rule 2081 prohibits firms and registered representatives from conditioning settlement of a customer dispute on—or otherwise compensating a customer for—the customer's agreement to consent to, or not to oppose, the firm's or representative's request to expunge such information from CRD." (FINRA Arbitration Manual 2015, p 72, @ http://www.finra.org/sites/default/files/Arbitrator%E2%80%99s-Guide.pdf)

[147] Testimony available at: http://www.finra.org/Newsroom/Speeches/Sibears/P119812

statutes—FINRA preempted other means by which brokers might air their allegations. Regardless of their motives, those individuals whose training and access gave them a privileged view of the firm's activities were thus prevented from sharing what they knew. For their part, arbitrators were neither incentivized nor encouraged to contact FINRA's regulatory side with their concerns. And, finally, policymakers on FINRA's regulatory side gave low priority to the investigation of employee claims, further eroding the hopes that such claims would reach interested parties.

Informational dysfunction at the SEC and FINRA: "Kind of a goat screw" [148]

The first of four SEC investigations into Stanford began in late 1997, initiated by the Examinations Division of the SEC's Fort Worth District Office (FWDO). Finding serious circumstantial evidence of fraud, the Examinations staff referred its findings to FWDO's Enforcement Division, which reluctantly took up the case many months later (SEC-OIG, pp.29-33). Of primary interest was the relationship between SGC, Stanford's U.S. brokerage, and SIBL, its offshore bank and issuer of the fraudulent CDs. While Enforcement staff considered their options, Examinations opened a second investigation in mid-1998, reaching similar findings: the CDs' interest rates and their advertised risk-level were badly misaligned, indicating fraud; and, SGC's claims not to know the content of SIBL's investment portfolio and the identity of its customers was implausible and irresponsible at best (SEC-OIG, pp. 42-5). As they had previously, Examinations staff concluded that Stanford's CD sales was a probable Ponzi scheme (SEC-OIG, pp. 29,42).

Around this time, Enforcement's investigation of Examinations' 1997 referral sputtered to a close, after SGC rebuffed a "voluntary request for documents" (SEC-OIG, p. 36). Enforcement's

[148] This is the memorable phrase that one SEC Enforcement attorney used, in an email to a peer, to characterize the hopeless regulatory challenges surrounding the Stanford case (SEC OIG 526, p.92).

stated reasons for ending the probe are revealing. First, they argued, the “lack of U.S. investors” with money in SIBL CDs made it a low-priority case (SEC-OIG, pp. 38-9). Second, “the fact that SIB[L] was an offshore entity” and “the Staff’s Inability to Obtain Records From Antigua” posed jurisdictional hurdles too high to clear (SEC-OIG, p. 39). The SEC Inspector General’s 2010 report on the regulator’s blunders suggests that Enforcement may also have shied from the matter out of an SEC-wide preference for “quick hit,” “stats”-padding, and “slam dunk” cases (SEC-OIG, pp. 121-5), a goal at odds with the substantive and jurisdictional quirks Stanford presented. Moreover, later investigations revealed longstanding disagreements among staff as to whether the offshore CDs even counted as “securities” (SEC-OIG, pp. 69, 72-3). Regardless, by the time Examinations’ 1998 referral report was ready, Enforcement did not even bother to read it (SEC-OIG, p. 46), opening a period of hostility between the divisions that would last through two more investigations and well into 2006.

In the meantime, hints of fraud at Stanford had begun to reach FINRA, though not at first via regulatory channels, but through its arbitration forum. Yet, as I previously mentioned, FINRA’s rules and practices largely kept such allegations—including both subtle and blatant claims by ex-brokers that Stanford was engaged in a Ponzi scheme.[149]—from reaching its regulatory wing, Nevertheless, FINRA regulators soon caught wind of Stanford. From 2003-09, they would conduct five examinations of SGC, all but the last through FINRA’s Dallas office. Over time, there developed at Dallas a dynamic comparable to that at the SEC’s Fort Worth outpost, with examiners’ efforts to build a case against SGC serially undone by enforcement attorneys and office directorship. There too, the controversy hinged on whether Stanford’s offshore CDs were “securities,” as defined in the Exchange Act. A finding that they *weren’t* would give regulators a

[149] See FINRA-SRC, pp.13-20; also: Elfrink 2009; Lewis 2009; NASD Case No. 03-02025, pp. 2-3. Incredibly, as a result of FINRA arbitration rules and policy, only one of these accusations was ever *directly* relayed by arbitrators to FINRA regulation.

defensible reason to leave the matter alone. This is precisely the conclusion Dallas reached in its 2006 "conference report" on Stanford (FINRA-SRC, pp. 32-5) which effectively ended its involvement with the massive fraud taking place in its proverbial back yard.

If those SEC and FINRA offices closest to Stanford were internally rent around jurisdictional questions, what actually was at stake? Because of their centrality to securities regulation, the SEC and FINRA jointly exerted a gravitational pull on the worth claims of many and varied others. They were recipients of frequent tips from other federal and state bodies. The SEC, for instance, as early as 1998, met with the DOJ, the Postal Inspector, the Secret Service, and US Customs regarding Stanford's probable money laundering (SEC-OIG, p. 35). In 1995, 2000, and 2003, the Texas State Securities Board (TSSB) contacted the SEC and Dallas FINRA regarding SIBL's dubious interest rates, money laundering, and its similarities with a then-recent Ponzi scheme (FINRA-SRC, p. 19; Khanna, Powell, Elliott 2009; SEC-OIG, pp. 64-5). Additionally, both regulators took in complaints from private citizens about Stanford's doings in other countries. In 2001 and '02, respectively, SEC Enforcement officials heard from an Antiguan resident of the possible diversion of CD depositors' funds to Antigua's government (SEC-OIG, pp. 54-5, n.33) and received a complaint from a Mexican citizen regarding a parent's investment in SIBL's CDs (SEC-OIG-53-6). Similarly, in 2005, Dallas FINRA received (via NYSE) a letter from a Venezuelan national about Stanford's unlicensed securities sales in that country (FINRA-SRC, p. 29, n.27). Simply put, the SEC's and FINRA's privileged position in a network of information flow rendered them de facto stewards of a trove of negative worth claims concerning Stanford's activities. And yet, neither regulator seriously pursued any of these tips. Moreover, as we saw, the few allegations by ex-Stanford employees that managed to escape FINRA arbitration were similarly left to die of neglect. What is more, the preceding are only some of the claims the regulators were privy to in the years of Stanford's growth.

Despite the wealth of negative claims about Stanford, these failed to cohere into a clear picture of the firm's wrongdoing. Thus, not only did knowledgeable actors—other regulators, ex-Stanford employees, and concerned citizens—see their efforts wasted, but the SEC and FINRA failed too to put forth their own negative claims about the firm. To be sure, intra-office politics and, especially at the SEC, an institutional distaste for novel or complex cases were partly to blame (SEC-OIG, pp. 124-31). In addition, both regulators' post-fraud audits reveal risibly sloppy information-handling practices, within and between these agencies. However, while important, these factors are ancillary to a truer cause.

That, I submit, is the jurisdictional ambiguity occasioned by the firm's structure and by its signature product, the CD. As early as 1998, SEC Enforcement staff used the remoteness of Antigua as a rationale for not pursuing the case. In their view, SIBL—the one actor who could speak to the reality of Stanford's investments—simply lay beyond their regulatory grasp. To compel documents from a foreign bank, they argued, would prove a nightmare. Crucially, Enforcement also saw Stanford's CDs as definitionally outside their agency's jurisdiction. But their reasoning, while defensible, was less than airtight. The Supreme Court had ruled, in *Marine v. Weaver* (1982) that CDs were not "securities". And yet, brokerage activities fell right within the SEC's and FINRA's orbit. Moreover, the sale of SIBL's CDs was being facilitated by a U.S.-based, SEC- and FINRA-registered brokerage. Further confounding matters, subsequent circuit court rulings had held that *Marine* applied only to U.S bank-issued CDs, but that foreign-issued CDs *could still be* securities, contingent on other factors.[150] In short, the sale by Stanford's U.S. brokerage of CDs from its offshore bank was not readily legible, using standard regulatory

[150] E.g., such factors include a slippery factual determination as to whether the state of domicile affords investors some modicum of deposit insurance or regulatory protections (itself a slippery factual determination (See Committee 2009:25; 45, note 52).

frameworks.

Yet, by Stanford's arrival, "CDs are not securities" had become, for some, an article of faith. In 2003, for instance, a Washington D.C. FINRA analyst received a detailed letter from a "Stanford insider," claiming that:

> **STANFORD FINANCIAL IS THE SUBJECT OF A LINGERING CORPORATE FRAUD SCANDAL PERPETUATED AS A "MASSIVE PONZI SCHEME" THAT WILL DESTROY THE LIFE SAVINGS OF MANY, DAMAGE THE REPUTATION OF ALL ASSOCIATED PARTIES, RIDICULE SECURITIES AND BANKING AUTHORITIES, AND SHAME THE UNITED STATES OF AMERICA.**

(FINRA-SRC, pp. 14-5). The analyst, however, had been trained that "CDs were generally not 'securities'" (FINRA-SRC, p. 16). He posted an entry, but not the actual letter, in FINRA's fragmentary records system, noting "Product listed is 'offshore CDs,'" and adding "No juris[diction]" (16). By that time, at the Fort Worth SEC, battle lines had hardened around the CDs' regulatory status. Examinations staff had probed Stanford three times, only to see their work ignored or referred out by Enforcement. The division's fourth, final report in late 2004 made a forceful case for labeling the CDs "securities" (SEC-OIG, pp. 72-3, 76). But, after Enforcement took the referral, and failed to net incriminating data, the matter was shunted off to Dallas FINRA—with the request that they take up the CD question (FINRA-SRC, pp. 23-7; SEC-OIG, pp. 85-90). Recently, however, Enforcement's opinion on the CD issue had migrated to FINRA's Dallas office, with the latter's hire of an ex-SEC Enforcement attorney. In each of two 2005 investigations, the new attorney persuaded her FINRA colleagues that CDs were not, in fact, securities. Within months, they had co-written a report to that effect (FINRA-SRC, pp. 32-5). Nevertheless, they sought outside confirmation, and it would fall upon a lawyer in FINRA's Office of General Counsel to green-light their report. After a five minute conversation, in which she was spared key details of the case, that lawyer vetted Dallas' conclusions, reasoning: “CDs are typically not considered securities” (FINRA-SRC, p. 34).

Within the economy of worth claims about Stanford, the SEC and FINRA formed a crucial nexus. Because of their own authority, the regulators exerted a pull on the worth claims of other actors. In focusing on them, particularly on those moments where their respective authority was in doubt, we can discern the jurisdictional logic that governs the production and circulation of worth claims, from which trustworthiness is constituted. The ambiguity occasioned by Stanford’s structure—a U.S. brokerage referring clients to a sister firm in Antigua—caused particular consternation for the SEC. However, the uncertainty surrounding Stanford’s CDs caused deep problems for both regulators. Neither clearly “securities” nor “not securities,” the CDs fatefully disrupted the taxonomic sorting upon which determinations of authority are made.

That ambiguity, moreover, allowed other organizational problems to express themselves. Both regulators suffered from poor information-handling practices. This was especially problematic at FINRA. Without a clear sense for whether the CD was a security, and thus inside their regulatory purview, valuable pieces of evidence were not cognizable as regulatorily important. Individual examiners were thus unlikely to collate what negative claims they did come upon. Conversely, in encountering only shreds, ambivalent personnel were more likely to tip toward restraint than initiative.

The jurisdictional fog also allowed conservative elements at both organizations to assert themselves. As a result, both the Fort Worth SEC and Dallas FINRA were riven by sometimes bitter office politics. Had Stanford and its CDs fallen more clearly within their respective missions, and had discretion thus played less of a role, the case may have played out differently. Both the SEC’s and FINRA’s post-fraud reports excoriate those regulators for failing to assert alternative theories of jurisdiction that might have given them a fighting chance to shut down

Stanford's CD sales—at least in the U.S. The FINRA report's conclusion indicates that this was a real possibility. In 2008, it reveals, the FINRA's Boca Raton office took it upon itself to investigate, and subsequently raid, Stanford's Miami offices. Moreover, in preparing that raid, Boca Raton coordinated with the Fort Worth SEC, essentially forcing the latter to take up the case once more. Whereas jurisdictional ambiguity, and the exercise of discretion it made possible, had previously allowed Fort Worth and Dallas to wash their hands of the case, it also allowed FINRA's Boca Raton office to take an expansive, rather than retiring, view of their jurisdiction over the CDs.

Conclusion

In Chapter 2, I demonstrated that Stanford's constitution as a trustee, that is, as an actor even capable of making claims for itself, unfolded according to a jurisdictional logic. But for the unique circumstances and resident institutional actors in three socio-legal spheres—the Caribbean microstates of Montserrat and Antigua, the U.S., and Venezuela—Stanford could never have assumed the shape and size it did. Put simply, these jurisdictional spheres not only gave Stanford necessary places from which to "speak" but also helped to shape its very speaking self. In this chapter, I focused on the question of utterances—specifically, negative worth claims about Stanford, made by third parties—and the institutional landscape that frustrated their movement, keeping them from filtering out to investors. In the next two chapters, I turn to the structural pressures that channeled Stanford investors toward the firm and the jurisdictionally-specific folk schemas they used to make sense of the firm, in the absence of better information.

CHAPTER 4

STANFORD'S VENEZUELAN INVESTORS: STRUCTURAL COERCION AND JURISDICTIONAL SCHEMAS

In this and the following chapter, I turn to the perspectives of investors : the "trustor" side of the trustee-trustor dyad that I have sought to decenter and unsettle. In emphasizing the structural facets of the Stanford saga in the foregoing pages, I have certainly not meant to analytically cheapen trustor motivations. Rather, I submit, to grasp their true import, a study of "trustworthiness" must place them in their proper context, treating them as analytically subsequent to, or downstream of, the more structural phenomena I've discussed to this point. Thus, the experiences and reflections of investors figure prominently here, but reconceived as windows onto precisely the processes that *excluded* them from access to information, yet simultaneously enabled them to engage in what they genuinely understood as rational decision-making. Indeed, far from highlighting their misplaced credulity or greedy complicity, what these chapters foreground is the extent to which trustors in both contexts engaged in significant cognitive and affective *work* to make sense of their relations with Stanford. That they did so while relying on sometimes incomplete and sometimes willfully misrepresented information, multiply mediated relationships, and cultural schemas with long historical roots and immense symbolic power only reaffirms the importance of expanding our analytical gaze in the ways I have advocated. Both this and the next chapter begin by discussing what I call "structural coercion," the both objective and subjective political-economic pressures that convinced my respondents of the need to invest. From there, I turn to a detailed discussion of the jurisdictionally-inflected folk schemas they were forced to depend on, as subjects structurally and logistically denied access to better information.

VENEZUELANS' STRUCTURAL COERCION ON THE ROAD TO INVESTMENT

I've argued that a trustor's actions can only be fully understood in reference to the structural coercion that predates and envelops the trust encounter. By "structural coercion" I mean those institutional factors, outside any individual trustor's control, that make her participation in that encounter less than strictly voluntary. Such factors vary according to context, and are very often jurisdictionally-specific. In the following discussion, I turn to various forms of structural coercion, specific to the Venezuelan institutional context, that together helped to steer investors in Stanford's general direction. These find expression in my respondents' accounts of Venezuela's post-1983 political-economic decline and the resultant pressure they feel to become "investors."

Viernes Negro and a doomed currency

For most Venezuelans, who live hand-to-mouth, planning for "retirement" ranks low on their priorities. Neither is it of urgent concern to the razor-thin oligarchic and kleptocratic classes. Instead, the future, as an abstract eventuality that requires diligent planning, is a largely middle-class preoccupation. And, although inflation affects all Venezuelans one way or another, it is middle-class Venezuelans who have both the pressing need and opportunities to arrest its effects. So it was for the collection of professionals, small business owners, and widows who made up my interview pool. Nothing loomed larger in their narratives than the punishing effects of inflation, periodic currency devaluations, and currency exchange controls on their purchasing power and capacity to plan. Such narratives, moreover, were anchored, again and again, in the origin myth of Viernes Negro or Black Friday. On that date—February 18, 1983—the government of Luis Herrera Campins instituted a sudden, harsh devaluation of the bolivar, relative to the dollar, and instituted currency exchange controls to stem capital flight.

I met with Fiorello Ascari on a muggy Monday morning in October, at a dilapidated office tower in west-central Caracas. Ascari, a voluble man in his early 60s, was the second-generation head of a small construction firm. Black Friday, he told me, was "where the problem started. And that's where we learned the lesson that anything we had, it was better to send it abroad, because that's when we realized that our country was no longer what it had been. From then on, it was about trying to send anything we earned abroad because one could no longer trust in Venezuela and […] those of us who could take their money outside, did."[151]

Ascari makes several claims, each an act of boundary-drawing. Like most others, he regards Black Friday as a dividing line in Venezuelan history, an end to the oil- and credit-fueled prosperity of the 1970s. He doesn't just periodize, however. Rather, his views are suffused with moral distinctions. "For those of us who could take their money outside," he says, the event was a "lesson," proof that Venezuela—that is, Venezuelan governments—could no longer be trusted. He thus paints Black Friday as a betrayal of middle-class Venezuelans by a craven state. This rendering conveniently absolves that era's middle-class of any responsibility for economic governance to that point. But, in positing a state that "could no longer be trusted," it shields them from blame for post-'83 developments too. Without a morally credible state to bind together the body politic, Ascari implies, wealth expatriation and the purchase of black-market dollars become necessary, even commendable acts of self-preservation. Against this room-temperature Hobbesian scene, a phrase like "those of us who could take their money outside" passes without notice.

[151] Interview 10-18-10_1, Fiorello Ascari.

Convenient or not, such statements express real trauma and alienation. What's more, the era of disastrous economic stewardship that Black Friday marked the start of continues into the present. Successive generations of Venezuelans have thus seen their plans frustrated by the bolivar. I interviewed Guillermo Velasco and Luis Vasquez on consecutive September afternoons. Velasco, a retired human resources manager for a large construction-sector company, described Black Friday as "a devaluation from 4.3 bolivars per dollar to 9.5. That [is] 100%!"—"at this late date," he added, "it's at 8,500."[152] Vasquez, an architect about 30 years his junior, cited nearly identical figures, adding that it's "a devaluation of—I almost don't dare to guess the percentage, but it ought to be around 200,000 %."[153] In reciting such figures, my respondents betrayed both wonderment and disgust. Virtually all Venezuelans receive their salaries and bonuses in bolivars. Legal means for obtaining dollars are extremely restricted. Thus, even for a nominally well-paid Venezuelan, the conversion of her daily toil into value presents an immediate problem. Since the receptacle for that value, the bolivar, is sieve-like, she must either consume her earnings quickly or find a more stable vessel. Abstention—hiding her money under the proverbial mattress—is not an option. Rather, investment, even in the simple form of buying dollars, is virtually compulsory "for those of us who could"—particularly if they hope to stay on the right side of that line.

While most middle-class Venezuelans rationally understand the political roots of this problem, they nevertheless experience the bolivar's constant spoilage as a brute fact of life. This is true even, or perhaps especially, of the dramatic currency devaluations that punctuate this

[152] Interview 9-23-10_1 , Guillermo Velasco. To clarify, at the time of the interview, the exchange rate was not literally 8,500 bolivars per dollar. A few years prior, the Venezuelan government had introduced the "bolivar fuerte" (written "BsF.") or strong bolivar, which simply divided existing bank notes by 1,000. The figure Velasco cites thus refers to the then-current black market rate of roughly 8.5 BsF/dollar (or 8,500 of the old bolivar), compared to an official exchange rate of 4.3. Less than five years later, the black market rate currently hovers just below 400.
[153] Interview 9-24-10_2, Luis Vasquez.

process. My respondents spoke of Black Friday, the "original" devaluation, with almost talismanic dread. It's easy to see why. The notion that one's life savings—that is, one's past efforts and future hopes in condensed form—could be halved or worse in an instant, and by decree, elicits a kind of theological horror. Its causes, of course, are much more banal. Mario Napolitano, an IT specialist in his early 60s, traces his trajectory as an "investor" to the moment "I started to realize that […] governments in Venezuela could once again—once I understood what a devaluation really was—that they might once again use devaluations every time their money was tight."[154] Most of my respondents no doubt grasped this point—that is, that devaluations were a tool, a reallocation of wealth from the private to public sector, to bring short-term relief to the state's balance sheet. Few, however, ever discussed it explicitly. Rather, devaluations had become for them a cyclically occurring disaster, regarded as almost natural. For Venezuelans, however, the structural pressures to invest extend beyond their state's opportunism and their doomed currency.

A threadbare and threatened safety net

In my Venezuelan interviews, the insufficiency of both private and public pensions and social security provisions was a recurring lament. I met with Stanford victims Eva Costa and her friend Mercedes Conti at Conti's southeastern Caracas apartment one early November evening. Costa was a widowed and retired ex-nurse and special needs teacher in her late 50s. She described the circumstances that eventually led her toward Stanford:

> Well, after my husband died, I still had a 15-year-old adolescent son […and] I'd quit working. Well, thank goodness I had my retirement […] but the ministry of education here pays really poorly, truly. You don't get much considering how hard you worked, [just] the social security you receive as of age 55. There's a survivor's pension, but I'm telling you, that's 1,000 bolivars. […] After the water,

[154] Interview 12-03-10_2, Mario Napolitano.

> light, and telephone bill, it's gone. […T]he peace of mind and stability I had [with my Stanford investment] is now in limbo, and that's what most concerns me [155]

Another retired teacher, Virginia Marquez, a long-divorced woman also in her late 50s, fared slightly better.[156] She described to me, however, a life of nonstop entrepreneurial hustle, in which she'd ceaselessly bought and sold apartments and cars in order to preserve and build on her capital. When I interviewed her, she was living comfortably, if nervously, on a compound retirement pension, a result, she explained, of having started her career at a time when one could legally hold more than one teaching post simultaneously, and thus stack multiple pensions. Marquez feared that the Chávez government would eventually take away some or all of that support. Her fear was not totally unfounded.

Indeed, following the tumult of 2002–2004[157], pensions became a deeply politicized matter. This was especially true for oil sector workers. In late 2002 and early 2003, workers at PDVSA, Venezuela's massive state-owned oil company, joined a general strike that brought the country to a standstill and Chavismo to its knees. But Chávez would soon break the strike, and the reprisals were harsh. About 20,000 managers, engineers, and technicians were summarily fired. Many had worked at PDVSA for decades. I heard numerous stories, both first- and second-hand, of employees who had their retirement accounts, their life's work, expropriated for participating in the strike.[158] However, even PDVSA employees who'd retired before the troubles were not totally in the clear. Given runaway inflation, cost-of-living-adjustment freezes to retirees' pensions brought hardship to some. I met Tomás Gomez, a PDVSA retiree in his 60s, at his

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[155] Interview 11-05-10_4, Eva Costa.

[156] Interview 10-21-10_1, Virginia Marquez.

[157] I'm referring here to the 2002 coup attempt, the oil sector (PDVSA) strike of 2002-2003, and the opposition-led recall referendum of 2004.

[158] Interviews: 11-18-10_1 Osvaldo Saíd; 12-08-10_2 Felipe Estefan; 12-02-10_1 Hector Santos; 12-04-10_2 Matias Duarte; 10-14-10_2 Esperanza Álvarez; 11-22-10_1; 10-15-10_1 Julio Cortada.

home in the Baruta borough of Caracas, on a sunny afternoon. Gomez's Stanford investment was to be the difference between a comfortable retirement and an anxious one:

> [I] depend utterly on […] my oil industry pension. I left [PDVSA] in '99, January of 2000. […] with a more or less intermediate rank, that is, I was a technical executive […]. It was a good pension that—at least at the level of our currency, and maybe compared to another country it's nothing, but at our level, and for where I live—it permitted me a certain comfort. It's been five years since they raised my pension […] because the government thinks that PDVSA executives earned too much, which isn't true. […] It's unbelievable. [… My friends ask me] "but what do you live off of?" Well, I lived off my savings, from a little bit of rent I earned, and I managed these savings in my Stanford investment. […] Today we have a budget, which […] we were not accustomed to, at least in the last 30 years. Maybe when one is starting one's career, sure, because I remember when we were paying down the house, and we had to be very mindful, but once you pay off the house, you've reached another stage."[159]

Gomez's Stanford experience was not devastating compared with that of others. Still, when we spoke, he had racked up serious credit card debt and lacked the funds to fix his truck's air conditioning. He'd undergone a severe lifestyle adjustment, and, relative to the retirement he'd imagined, his family was suffering. Moreover, the fraud had put him at the mercy of PDVSA's pension adjusters. It was his monthly Stanford interest payment that had allowed him to weather the freezing of his income at 2004 levels, but now it was gone.

Overall, I sensed from my respondents that Venezuelans no longer thought of pensions, public or private, as a dependable source of old-age security. I thought it telling that of the few Stanford clients I interviewed in their 30s or 40s, only one volunteered anything on the subject. Jorge Rivera was a local logistics manager for a food transnational, in his late 30s.[160] With a trace of scorn, Rivera claimed that "[h]ere nobody saves for their children to go to university [and] nobody has pension or retirement plans." His broader point was that Venezuelans' consumerist and capitalist proclivities were second to none, but that in planning for the future

[159] Interview 10-25-10_2, Tomás Gomez.
[160] Interview 10-13-10_1, Jorge Rivera.

they lagged behind their U.S. counterparts. After swearing off dollar-denominated investments following the Stanford debacle,[161] Rivera had just recently signed up for a U.S.-based retirement plan—though not for the plan itself, he insisted, but rather for the generous life-insurance policy it included. He reasoned that the investment company was likely to fold before he could collect on his pension; but if he were to die young, his family would at least benefit from the insurance payout. I can't say for sure whether Rivera really harbored no hopes for this retirement scheme. What was clear, though, was that, from his perspective, he'd be a fool to admit it—perhaps even to himself. As for his earlier claim, it is of course not true that no Venezuelans save for their children's higher education or have pension plans. This is a caricature. And yet, we ought to read this statement not for its factual value, but as a normatively charged complaint. That a younger Venezuelan would even make such a claim is striking, and indicative of the deep unease and discredit that had attached to the very idea of the pension. For Rivera and others like him, the increasingly moth-eaten social safety net had made saving—which is to say, *investing*—for one's future that much more urgent.

The psychic weight of nostalgia and decline

To my respondents, inflation and devaluations, on the one hand, and a rickety pension system, on the other, made for a distinctly coercive pairing. And yet, to fully appreciate their effects, we must consider the ideational and affective context in which they were experienced. I characterize this context as one of nostalgia and decline. By nostalgia I mean the yearning many Venezuelans feel for the supposed golden age of the 1970s, when the country's still-recent modernization projects, increased social spending, and apparently sound democracy made it the

[161] He was in this respect a total outlier. The vast majority of my interviewees who were still able said that they would continue to save in dollars and keep U.S.-based bank accounts. Rivera swung in the opposite direction, claiming that he planned to invest his future earnings in his local business enterprises and property. At this point in my fieldwork, it was surprising—and almost refreshing—to hear an interviewee strike an economic-nationalist pose.

envy of its neighbors, and in which an overvalued bolivar gave Venezuelans unprecedented purchasing power. In interviews, this nostalgia often came out indirectly. I met with Gladys Ximenez on a drizzly November afternoon at her office inside a low-rise apartment building in central Caracas. Ximenez was in her mid-80s but still employed as an administrator for a wealthy businessman, whose family she'd served for 50 years. Midway through our conversation I asked her why she'd deemed it advantageous to invest in dollars. (My commitment to asking patently stupid questions never flagged). She replied that,

> It was for security, because of what I always heard here in the office […] and they were people I trusted. So yes, [buying dollars] is the tonic of all Venezuelans, [at least] the ones that more or less know what's going on. Of course, the poorer classes don't, but the more or less middle classes, everyone sent their money away and everyone had their little account abroad. Because Venezuelans also really like the United States, from the bonanza years of the "'tá baratos."[162]

This calls for a bit of background. When Ximenez invokes the "bonanza years," she means the late '70s period I've just described. In the U.S. of course, we associate this time with crippling inflation and queues at the gas pump. However, 'our' oil crisis was 'their' oil boom,[163] and a key feature of that boom was a giddily overvalued bolivar. Among other things, this allowed for middle-class Venezuelans to take frequent and indulgent shopping trips to the U.S., mostly Miami. According to lore, south Florida malls were overrun with gauche Venezuelans buying everything in sight while regularly exclaiming "'tá barato!—dame dos!" or "that's cheap!—give me two!" By the time the phrase bled into popular Venezuelan television shows[164]—and note that Ximenez uses "'tá barato" as a proper noun—the figure of the jet-setting, store-pillaging Venezuelan had become a full-fledged social type. A woman I interviewed in Valencia even swore to me that the 'tá baratos "would go to Miami with bolivars, and [merchants] would accept

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[162] Interview 11-03-10_1, Gladys Ximenez.
[163] In fact, the period gave rise to the nickname "Venezuela Saudita" or Saudi Venezuela.
[164] See e.g., Maninat, Jean, 2013, *El Universal*, (11-15-13) at http://www.eluniversal.com/opinion/131115/ta-barato-dame-dos. The phrase is a colloquial, Caribbean-inflected rendering of "está barato, dame dos."

these as payment."[165] Perhaps. In any case, the 'tá barato is today a kind of metonym for this uncommonly fraught moment in Venezuelan history.

Still, in Ximenez's statement, it is an afterthought. Her point is simply that the era of the 'tá baratos is when Venezuelans acquired a taste not only for U.S. consumer goods but its institutions too. Indeed, her aim is to explain how buying dollars and " [sending] their money away," to "their little account abroad" became "the tonic of all Venezuelans." Consider though that these activities only took on widespread significance and urgency for middle-class Venezuelans after 1983. Indeed, it's something of a cliché to say that the 'tá baratos were killed off by Black Friday, a kind of species extinction by monetary policy. There is thus a subtly poignant subtext here. For a stratum of Venezuelan society, the mid-to-late '70s had brought a brief and tantalizing, if illusory, moment of economic and institutional parity between Venezuela and the U.S.[166] When their economic prospects curdled, almost overnight, those middle-class Venezuelans were faced with both material and identity crises. In this context, to keep one's "little account abroad" in dollars is not just an act of self-preservation but, at least for some Venezuelans, an implicit repudiation of those institutions that failed to sustain that brief moment of national glory.

Often when my interlocutors invoked the era of the 'tá baratos, it was with some mix of melancholy, ironic amusement, pride, and embarrassment. According to one interviewee, however, that era's true bequest is a stubborn sense of entitlement. During my last week in Caracas, I met with Ángela Mora at a busy café up the hill from Plaza Francia in the wealthy borough of Chacao. Recently widowed and in her late 50s, Mora had just shuttered the small advertising firm she'd started with her husband decades before, and was trying to get a small

[165] Interview 11-23-10_2, Lorena Di Stefano.
[166] This, of course, takes place in the context of an *entire region* given to geopolitical, economic, and even cultural inferiority complexes vis-à-vis its brash neighbor to the north.

importing business off the ground. When we'd concluded the formal interview, Mora gave me a ride back to Plaza Francia. On the way, we had the following exchange, which I manically transcribed upon exiting the car. I quote here almost verbatim:

> F: You see them [the wealthy Chavistas] always walking with their nannies and their servants, in expensive clothes, nice cars...flaunting their wealth. And these people want everything easy in life. They think everything is supposed to come easy **[…]** But this is a problem with our country [that is, not just with Chavistas], with Venezuelans, and how they think. They think everything should come easy, and they're not used to hard work. At least when people [move] to the U.S. they realize that, if you go there, you have to work like a *gringo* [by this she means, to bust your ass, adopt an attitude of self-abnegation]. People here, they work to live; people in the States, they live to work.
> I: **Yes…unfortunately!**
> F: Well, fine, but they work—and they know the *value* of work. People here: it's like there's…there's an ingrained laziness here from older times. Like from the era of "'tá barato—dame dos!" where you would go to Miami for anything. You'd go to Miami to buy a candy bar. But people haven't changed how they think. They think things should return to the times when money was easy. So people still think things should be cheap—that the good things in life should come cheap, without effort. Venezuela, yes, we suffer from underdevelopment. But more than anything, we suffer from a mental underdevelopment.[167]

To be sure, her assessment is harsh and slightly self-serving: like many Venezuelans I met, Mora had a strong entrepreneurial drive and was proud of it. Still, for our purposes, hers is a richly suggestive bit of social commentary. Mora claims that the breezy affluence of the late '70s distorted Venezuelans' expectations and sense of proportion between effort and reward. Stripped of its normative content, Mora's statement points to a cognitive problem that is vitally relevant to any discussion of trust and trustworthiness. Both lay reflections and some academic treatments assume that trust and the excessive desire for the hoped-for outcome are in tension, even antithetical. Particularly when someone is defrauded—i.e., when their trust has been betrayed—such reasoning is used to cast doubt on whether trust was ever truly in play. The everyday

[167] Interview 12-08-10_1, Ángela Mora. Mora's gripe is not only that her fellow citizens had become Venezuela's answer to Steinbeck's "temporarily embarrassed millionaires," but that, especially for Chavistas, this had brought about a slackening of their ethical standards too.

polemical shorthand for this is “they were just greedy.” This is clearly a normative, not an analytical move, but the former often bleeds into the latter. The idea there, of course, is that the defrauded person’s outsized desire (e.g., for profit) has overridden the rational calculus on which trust purportedly rests. Among its many flaws, though, this way of thinking presumes that the line between “reasonable” and “unreasonable” desires is clear and fixed. But as Mora points out, the era of the ‘tá barato saw that line shift abruptly and dramatically for a wide swath of Venezuelan society. When the underlying conditions of that shift changed again, with equal violence, Venezuelans’ expectations did not adjust with them. Rather, “those […] who could” responded, and have continued to respond, to this trauma by disinvesting both financially and affectively from Venezuelan institutions.

At issue for Mora is her compatriots’ lingering sense of entitlement to easy money. I take a broader, perhaps more charitable view. In the following sections of this chapter, I will consider some of the jurisdictionally-inflected folk schemas that Venezuelans drew on in the course of both perceiving Stanford and representing Stanford to and among themselves. My purpose in the preceding pages has been to lay the groundwork for properly understanding those schemas. To that end, I’ve introduced the notion of “structural coercion” a concept that undercuts the purism of conventional trust theory in two ways. First, it calls into question that scholarship’s persistent voluntarism. It is accurate in some basic sense to say that Stanford’s clients “chose” to transact with that firm. And yet, if Stanford was but one of several menu options, we must also consider whether those trustors took their seats at the table willingly. I’ve argued that the forces of inflation, devaluation, currency exchange controls, and paltry retirement provisions left middle-class Venezuelans with no choice but to choose. In other words, their participation in the broad category of “investment,” an endeavor riddled with risk, was coerced by structural factors specific to the Venezuelan sphere.

Second, the concept of “structural coercion” helps discredit the notion that trust can be explained away, or somehow invalidated, by the apparent presence of “greed” (this holds too for its sister concept “gullibility”). If inflation and other economic forces I’ve described coerce “from behind,” as it were, impelling trustors and channeling them toward certain options, there are also jurisdictionally-specific structural factors that coerce by the power of attraction, drawing them toward given visions of duty and success. Social scientists generally agree that the attainment and maintenance of status is a key driver of human behavior—and that individuals have little say on the rules of the game. That such standards are imposed from without, however, tells us nothing about their coherence. Indeed, Angela Mora’s point was that the era of the ‘tá baratos and its grim aftermath reverberate today in the form of standards for success and effort that are badly misaligned with economic reality. If we imagine this as the substrate for the confusion ordinary people already feel when faced with unfamiliar financial products and concepts, then the edge of “reasonableness” becomes much harder to trace. I contend, as we move forward, that we ought to give these respondents the benefit of the doubt that they were sincere in trying to chart a “reasonable” course between risk and reward. Indeed, our analytical clarity depends on it.[168]

JURISDICTION AND VENEZUELANS’ FOLK SCHEMAS

I asked my respondents to narrate their educational and professional histories; their pre-Stanford experiences managing money and investments; and, the prelude, duration , and

[168] This is obviously not to say that there aren’t more and less wise choices, when faced with risky options, but rather that such a determination does little to advance our understanding of trust and trustworthiness.

aftermath of their time with Stanford. However, our conversations rarely focused only on financial matters, but rather touched on a range of institutional and cultural topics. In the course of reading my interview data, there emerged thematic regularities in how my interviewees described those experiences. Specifically, it became clear that they had enlisted certain schemas to make sense of investment generally and Stanford in particular.

Before elaborating on those schemas, it is helpful to recap where we've been and where we're going. In Chapter 2, I explored both the positive worth claims SFG circulated about itself and, more importantly, how the firm was constituted as an agent capable of making such claims. Chapter 3 considered the trajectories of negative worth claims about Stanford, paying special attention to those jurisdictional actors that acted as barriers or friction points to their movement and accumulation. Here, I shed light on how Stanford's clients not only perceived the firm but how they represented the firm to and among themselves. In doing so they drew on folk schemas that were, for the most part, distinctly Venezuelan—that is, jurisdictionally-specific. I also make two ancillary arguments. First, Stanford's clients were not merely passive consumers of Stanford's and others' worth claims about the firm. Rather, through the use of the jurisdictionally-specific folk schemas I discuss below, clients actively represented the firm to themselves and one another. Second, clients' impressions of the firm were not once-and-for-all productions. The act of signing paperwork and transferring money to Stanford was momentous for many, but it was only one point on a relationship timeline that, for most clients, lasted several years. Clients could—and did—reassess the firm along the way, either in response to new information or mundane cues, or on more formal occasions such as a meetings with their advisor or the maturation of a CD.

I've grouped my respondents' folk schemas under three headings: affective schemas, cognitive schemas, and material and place-based schemas. These headings are an attempt to impose categorical order on the themes that emerged from my interviews, but they are less statements about the ontology of the phenomena they gather together than labels of convenience. Admittedly, many of the following folk schemas could fall under more than one of these headings. What's crucial here, though, is why my respondents made use of them. I've characterized the world in which Stanford and its clients met as one constituted by varied zones of normative and epistemic authority—or what I've termed "jurisdictions." Though I've discussed this previously, it bears repeating here that I construe jurisdiction broadly, to include actors of very different sorts and at disparate scales: nation-states, regulatory bodies, the professions, even individual offices (e.g., "prime minister" or "head of enforcement"). I've done so to reveal the social topology that worth claims, of potential interest to trustors, must travel, from their point of production to their eventual reception or dissipation. If we imagine jurisdictions as spaces and circuits that enhance or impede the flow and collation of information, my respondents' reliance on folk schema makes quite a bit more sense. It was their exclusion from such zones of authority—e.g., their inability to compel information from Stanford (like a regulator) or parse the firm's financial statements (like an accountant)—that defines their subordinate position in this trustor-trustee pairing. Faced with such exclusion, trustors must draw on folk schemas, stitched together from cultural odds and ends, in order to assess the risk of transacting with a trustee.

Affective Schemas

Axes of affinity

Stanford's Venezuelan clients assessed the firm based partly on how it made them feel. In turn, how they felt about it often hinged on their degree of identification with other Stanford clients or firm representatives. I identified three such axes of affinity or identity during my fieldwork—Jewishness, oil industry affiliation, and adherence to opposition politics—of which I documented the latter two. My attempt to access Caracas' tiny Jewish community failed utterly. In his account of Stanford's Mexico City office, journalist Gabriel Bauducco describes the devastating success of David Nanes, the Jewish head of that office, in capturing Jewish clients from the city's wealthy Polanco neighborhood (2009). Shortly after arriving in Caracas, I read news reports claiming that Venezuelan Jews too had been hard-hit by Stanford (e.g., Bensman 2010). I made repeated attempts, in person, by email, and by telephone to contact Penchas Brener, the prominent chief rabbi of Caracas' largest synagogue, a noted Chávez critic, and himself a duped Stanford client, hoping to gain entry to that community. When I finally spoke to him by phone, he bluntly told me that he had no interest in revisiting a painful experience and that he would not put me in touch with others.[169] I did, however, learn the name of the Stanford financial advisor he'd worked with, who, when we spoke on the phone, expressed willingness to discuss the episode at some point "en el futuro." Needless to say, "el futuro" never came.[170]

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[169] Around that time, there was a rash of anti-Semitic graffiti in Caracas, including on synagogue walls, the culmination of eight years of increasingly anti-Israeli and anti-Jewish speech (and pro-Iran, pro-Hezbollah posturing) by Hugo Chavez and administration officials (Romero, *New York Times*, 2-12-2009; Bensman, 8-13-2009). That I, a total unknown, was seeking to speak with Rabbi Brener and members of his congregation in part because of their Jewishness, and at a palpably tense moment, could not have helped my cause.

[170] I wasn't long in Caracas before I learned that scheduling a conversation in the vague-but-perpetual "future" is a polite Venezuelan way of saying no. Nevertheless, the aforementioned news story sheds light on how Brener came to invest in Stanford: "Brener said he felt almost no wariness about reaching out to one of Stanford's 'account executives,' a local Jewish man whose family he'd known for decades, to invest his foundation's $50,000 reserve account. 'I didn't pay too much attention to the credentials,' Brener said. 'They were Venezuelan Jews. They

Toward the end of my stay, by chance, I gained entry to and interviewed several members of a loose-knit circle of friends, all of them oil industry veterans, mostly ex-PDVSA. It is perhaps unsurprising that ex-PDVSA employees would cite fellow oil workers' enthusiasm for Stanford as among the factors that positively inclined them toward the firm. The men I interviewed, however, were not mere work colleagues but friends who saw each other socially. And yet, rather than describe their esteem for Stanford as having been reinforced by their *friends'* apparent trust in the firm, nearly all made a point of foregrounding the others' identities as PDVSA employees. That is, the fact that they'd come to learn about and grow comfortable with Stanford *in that setting* seemed to them somehow significant. Taken out of context, this sounds banal. By the end of my stay, though, I understood better the cultural significance of the oil industry in general, and PDVSA in particular, in middle-class Venezuelan life. As the state oil company, PDVSA generates nearly all the country's export revenue and, thus, its foreign reserves. The state, and by extension import-hungry Venezuelan society, is hopelessly dependent on it. Moreover, although PDVSA, a firm once famed for its technological and managerial prowess, had suffered years of dilapidation by the time of my fieldwork, Venezuelans were then still quite proud of it. This, however, was a residual sort of pride, attaching to the time before the massive 2003 politically-motivated layoffs I mentioned above.

Still, when I interviewed members of this friend-group, the fact that other PDVSA workers had felt comfortable with Stanford figured prominently in their narratives. I met Osvaldo Saíd, a PDVSA retiree in his 60s, at a restaurant near the city's El Cafetál neighborhood. Describing his introduction to Stanford, he said "In the year 1998 or 2000, several friends from work, from PDVSA, recommended that I invest in Stanford Bank, because it […] was a small bank on the

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worked for a bank. He didn't have to convince me; I called him. This was made easier, so to speak, by the fact that he was Jewish'" (quoted in Bensman 2010).

way up. That's when I proposed to my family members 'Let's move here, to this small bank. My work-friends from PDVSA are telling me that, till now, it's been a stable bank.'"[171] Saíd then described having been impressed with his Stanford financial advisor's credentials and "brilliance," but clarified "it wasn't just him, rather, especially, it was my work chums from [PDVSA] who were much more sophisticated than I was, [who] suggested to me 'look Osvaldo, put your money over there, it's a really reliable bank.'" Similarly, Matías Duarte, another member of the group, recalled his introduction to Stanford as being "during that time, of around 2000-2001, since many PDVSA executives were flocking to Stanford. And of course, there were some of them whom we thought of as brilliant, intellectually speaking. **From PDVSA?** [Yes,] from PDVSA, the majority were PDVSA, and I just caught the same wave as these people."[172]

PDVSA's influence extended beyond the company's walls, but for decidedly political reasons. Indeed, it was the presence of ex-PDVSA Chairman Luis Giusti on SFG's International Advisory Board and Stanford Bank Venezuela's Board of Directors that most caught the eye of non-oil sector Venezuelans. As one of the last non-Chavista heads of PDVSA, and an outspoken regime critic, Giusti had become a minor hero to opposition-minded Venezuelans, a symbol for the type of technocratic expertise they thought was under siege by Chavista populism and cronyism. What's more, Stanford had made a savvy choice in hiring not only Giusti[173] but also journalist and anti-regime firebrand Marta Colomina to promote the firm. Colomina, whose family allegedly lost $2 million in the fraud, famously shilled for the company on her popular radio show. Both in interviews and less formal exchanges, Venezuelans often mentioned Giusti and Colomina in succession. I met Luis Antonio Rigau, an early 40s finance manager for a

[171] Interview 11-18-10_1, Osvaldo Said.
[172] Interview 12-04-10_2, Matias Duarte.
[173] As Allen Stanford's "Chief of Staff," Yolanda Suarez testified at a deposition, Luis Giuisti's value to the company partly derived from the fact that he "had a regular newspaper column [in Venezuela] and was interviewed at great length by the media." (Case 3:11-cv-00297-N-BG Document 54-4 Filed 06/17/14, p. 16.)

foreign materials firm, at the food court of the fortress-like Centro Tamanaco one evening.[174] Recalling his early impressions of Stanford, he said

> [I]n their magazine I saw an article that said that Luis Giusti […] was a member of the board of directors. And then you—"damn," I mean a respectable dude like an ex-president of PDVSA is a member of the governing board—and you say "these people look pretty serious," no? I mean, Stanford University, an ex-PDVSA [chief]. Later you'd hear that [prominent] Venezuelan journalists also had their money over there. Marta Colomina, for example, who later did advertisements for them. […] Later when it was time to renew my CD, I went to their offices in El Rosal […] and you see that office with the marble, the furniture, I mean […] the thing just looks solid.

For Rigau, Stanford's links to Giusti and Colomina were the social analogues of its opulent offices, each method signifying solidity. That investors could have perceived the firm favorably in part because of its ties with an oil executive and political pundit may sound odd to a U.S. reader. Yet, in Venezuela's polarized political climate, such ties carried a potent affective charge. Anti-Chavistas' statements often evinced an odd moral teleology in which Chavismo inherited blame for the decades of shoddy financial governance that predated it. Against that background, to posture against the government was to take a stand (albeit a cheap one) against the age-old economic factors that had forced investors to look abroad in the first place. For trustors primed to judge investment opportunities through an affectively charged political schema, attuned to the degree of affinity between the trustee and themselves, this was an effective display.

To assess a risky opportunity through affinity schemas is ultimately to take an affective detour where cognitive judgment is blocked by a trustor's lack of access or expertise. A final illustration comes, once again, from PDVSA, where this phenomenon unfurled not only in a deeply hierarchical setting but also within an enclosed social space of mutual regard, where the opinions of one's peers and superiors carried substantial weight. As Osvaldo Said put it

[174] Interview 10-18-10_2, Luis Antonio Rigau.

> One isn't just a dummy, Camilo […] I'd say I was at least adequately informed about the workings of banking. Many people widely considered smart, in terms of economic matters, had their money at [Stanford]. In this particular case, Luis Giusti, who was president of PDVSA when I worked there, he was one of Stanford's advisors. […] And so, that gave you more confidence. So, you—I mean,[Giusti], a serious character, president of PDVSA—if he's mixed up in that, damn, [and we can assume] that he's got advisors, probably of a higher caliber, than I could have had. And so, that carried you along, gave you more assurance. […] And so, look: my family believed in me, I believed in my advisors [and] in my friends from PDVSA, people who had dollar amounts [at Stanford] that were multiples of what my family had there, and so that gave you peace of mind.

"A question of feeling": customer service and 'friendship'

In the 1990s, Tomás Gomez sent his daughter abroad for a year, to a private high school in the Northeastern U.S. to polish her English. He flew there with her, not only to get her situated but also to take a longer trip for himself. Upon arriving, however, he learned that he'd had a misunderstanding with the school. He'd brought just enough money, in Stanford checks, for the year's tuition and incidentals, but he was now told that his daughter's program included a jaunt around important U.S. cities and even a pricey European tour. He wound up having to put those extra charges on his Stanford Visa card, which had a $5,000 limit. The rest of Gomez's trip was looking tight. "I'm not the kind of person that likes to ask for favors," he told me, "and much less from a bank. First, because that's how I am, and second, because I realize I'm not some VIP to be asking for special treatment [especially given the moderate] amount I had invested with them."

Nevertheless, Gomez remembered the name of a personable Stanford associate he'd previously dealt with. He called her, explained his predicament, and sheepishly asked if they might raise his credit limit. As he tells it, she replied that "'We banks are simply intermediaries. Visa is the one in charge of that, and it's a separate business. But let me see what I can do.'" She agreed to call him at his hotel the next morning with an answer. In the meantime he had second thoughts: "how did it even occur to me to call a bank to ask that they increase—something so, it's almost like a personal request. And by telephone. This isn't in keeping with my way of doing things," he said, "I had messed up." To his surprise, however, the associate called him at 10:00am sharp to tell him that they'd arranged for his credit limit to be raised—from $5,000 to $15,000. He was shocked: "When can I start using it?" "'It's all taken care of,'" she told him, "'you can use it *now*.'" Back in Venezuela, he soon realized too that he could stop by Stanford's offices at a moment's notice and be attended to. Compared with his previous banking experiences, he thought to himself "damn, what a difference!"[175]

For the Venezuelans I met, "customer service" was a fraught genre of interaction, nearly synonymous with status slights and blows to one's dignity. The affective arc of Gomez's anecdote is telling in this regard. Stuck abroad with a suddenly snug budget, Gomez broke with his usual habits by phoning a Stanford associate for help. His immediate regret at this "lapse" is striking. In his mind, he'd done something gravely self-important by asking Stanford for this "favor," "almost like a personal request." What's worse, in requesting this "special treatment" he'd pretended to a higher station than his own, assuming the prerogative of a "VIP" with sizable assets in play. Gomez had long-ago resigned himself to treatment that was, at its best, politely inadequate. I heard many variations on this theme, in both interviews and daily conversation. There seemed a consensus that, in Venezuela, surliness and sloth pervaded most kinds of "service" settings. On any day of the week, Yola Troconis carped, one could expect snaking bank lines that were "horrible, horrible, horrible" and that "have to be seen to be believed."[176] Her coping strategy was to avoid going until compelled. As Jorge Rivera told me, much of the

[175] Interview 10-25-10_2, Tomás Gomez.
[176] Interview 12-09-10_1, Yola Troconis.

allure of traveling to the U.S. was the respite it offered from such encounters: "Even if the [U.S.] immigration officer is trying to mistreat you—with what you live in your day-to-day, that dude seems tender [in comparison]. He thinks he's being really severe, but for a Venezuelan—with the mistreatment we're subjected to by both public and private bodies, [and] the utter lack of customer care that Venezuelans suffer—that immigration guy who thinks he's hard, to us he's an angel."[177]

With these grey narratives as their baseline, my respondents judged new financial institutions in part by how these made them feel. Indeed, for some of my subjects, this had been a lifelong criterion. As architect Luis Vasquez explained:

> For me it was a question of *feeling* […]. I remember I was sort of starting out my professional life, about 15 years ago, and I had a choice between two banks that I liked, which were Banco Mercantíl and Citibank. Citibank also had [foreign] accounts at that point. For Banco Mercantíl, the minimum to open up an account was about $1,500. At Citibank, I remember that they were asking me for $5,000 […] and it was no small matter to come up with $5,000 versus $1,500. So that's one thing. Second, the service charges. Citibank's were always much higher than Mercantíl's. And third, I had at that time—since I was starting out my professional life—I'd applied for credit cards, and Citibank denied me. In contrast, Mercantíl approved my application. And so, well, I said "well, I'm not going with Citibank!" It really upset me, and so I moved forward with Mercantíl[178].

The slights he describes are mild by any measure, and yet they influenced his choice of bank. For the ambitious, newly-minted architect, Citibank's onerous deposit requirement and service fees were too blatant a reminder of the distance he had yet to travel before he could claim financial success. In rejecting his credit card application, Citibank had also denied him an important tool—and symbol—of the upwardly-mobile young professional. Such slights, real or imagined, could trigger class anxieties even in relatively secure Venezuelans. Before a friend at Stanford Bank Venezuela invited him in, Jorge Rivera had never stepped foot inside: "[F]or cultural

[177] Interview 10-13-10_1, Jorge Rivera.
[178] Interview 9-24-10_2, Luis Vasquez.

reasons, if we can call it that, to me […] it looked like a very elitist bank, where they almost certainly would ask you for a large deposit to open up an account, and so I never went in there."[179] The same anxieties that Vasquez had felt as a recent college graduate, Rivera had internalized several years into his own career. Against this constant hum of negative affect, it is no wonder that Tomás Gomez would react with outright joy to an unexpected credit increase. As Javier Allende, an accountant of modest means in his late 30s, summed it up: "When a bank treats you well, you want to invest. They play with your ego. It was my first time to invest in dollars, and I felt great. [Stanford] made me feel good, even though I was investing only $10,- or $11,000. Imagine how they must have treated people with millions."[180]

Stanford instilled in its workers a culture of zealous, affectively-warm customer service My subjects reported that their transactions were handled, and problems resolved, with impressive speed and attention to detail. And, primed to appreciate financial institutions that treated them even decently, Venezuelans were quite taken with its over-the-top approach. Luis Vasquez noted that a "trademark of Stanford" was a "customer service [that] was very personalized, of a very high quality." To this he added wryly that the care he received was "almost like at a car dealership. It was almost like a used car dealership! [laughter]. And well, it was pleasant, no?" What is more, I often heard it said that the personalized attention, especially from clients' assigned financial advisors, was so obliging as to shade into friendship. To be sure, some of my respondents resisted this characterization. Rosa Moreno, a lawyer in her mid- 50s whom I interviewed in the Andean city of Merida, was blunt: "Within those boundaries, well, yes, you were acquaintances, you'd say hi, ask about each other's families, blah blah blah,." But, she

[179] Interview 10-13-10_1, Jorge Rivera.
[180] Interview 9-24-10_1, Javier Allende.

emphasized, it was absolutely not a "friendship."[181] Eva Costa was no less adamant, but more nuanced in her description:

> No—"bank friends," nothing more. I mean, never to, like, have them over. Sometimes if I had to give him some form, he'd say "if you want I can stop by for it, or I'll send the courier," that type of thing. But he was never a "friend." I thought we were "friends" in the sense that, well, I knew him. If I meet you today, now I know you, if I see you [somewhere else] another day. But any other kind of friendship, no. Truly. You always ask "how's your family?" He had a son born, during the course of our business relationship, and [I'd ask about] the kid and [see] pictures of the kid… But that's when I would go to the bank, to see the account statements [and] for him to look at the computer and see how [my investments] were doing. But that's it.[182]

For Costa, the door to her home marked an important boundary. Her advisor could stop by to pick up a document, but they would trade more elaborate pleasantries only at Stanford's offices, and then only as a prelude to discussing business. Indeed, to "have them over" socially would have mingled the pecuniary and personal in a way that obviously didn't agree with her. Dr. Ricardo Perez, a 50-something-year-old physician in Valencia, also resisted the label of "friendship" in regard to his and his wife's Miami-based advisor, citing in support the fact that "she never came to my apartment, and I never went to hers."[183] However, even their non-friendship was marked by a surprising degree of warmth: "My wife would have a birthday, and [our financial advisor] would send a bouquet of flowers from the U.S. She'd send a card, Christmas cards, like [all investment advisors] do. But that's it. We'd go [to Miami] and whatever, to make an investment and she might suddenly say 'hey, why don't I take you out for lunch.' Stuff like that."

Others were much more forthcoming about the affective bonds they had developed with their advisors—even when trying not to be. In a scattered but memorable quote, Mercedes Conti, a

[181] Interview 11-11-10_2, Rosa Moreno.
[182] Interview 11-05-10_4, Eva Costa.
[183] Interview 11-23-10_1, Ricardo Perez.

widowed housewife in her mid-50s, begins by describing the unease she felt when she sensed that her advisor was somehow pulling away, but ends up somewhere else entirely:

> [Something] caught my attention in 2008. […A]t that time, I was having personal problems, my mom was sick, and other things. And so—it's the kind of thing where you say, huh, something weird's going on here, but then you get absorbed in your day-to-day problems […] [My advisor] said to me "Mercedes, anything you need, if I'm not around, you can get in touch with this guy," this other advisor. I said to him "No, you've always been my advisor!" I mean, that caught my attention, because he was trying to pass me off to another advisor. He even introduced me to him. That was in 2008. [Also, that day] I saw him dressed really casually. And you know that those guys dressed, I mean, to the nines. And I'm going to tell you something, Camilo. In my mind, our interactions were always on the level of business, of work. If there was some friendship, it was of the how-are-you-whatever kind, but only up to there. But I think that [at Stanford] they acted so—they were so giving of themselves, that I thought sometimes that we even shared something else. Because, for real, they had a very elegant bearing. They advised you, they would listen to your problems, [..] it really got to that level. Because there was a lot of emotional intimacy ["compenetración"] with the advisor, I mean like, with a priest. He got to be a confidant—no really, he could even be a confidant. What I thought was "if one's not careful, this might even slip into something else!" [laughter] No, let's be very clear [laughing] **—Lots of these guys were very good looking!—** […] remember that in these environments, lots of things happen! […] One time, joking, he says "Mercedes, if you want let's get a hotel room," […], because I'm someone you can joke around with, but I draw a line.

Conti invokes a dizzying mix of roles—priest, confidant, flirt—to characterize the emotional support and jokey rapport she enjoyed with her financial advisor. Though she was careful to "draw a line," she nonetheless achieved a degree of closeness with him that rendered his shift in behavior disturbing to her. She experienced her advisor's suggestion that she get in touch with his colleague, should he be unavailable, and a slackening in his usually flawless self-presentation not only as a threat of rejection but as a shirking of his obligations to her.

In some respondents' "friendships" with their advisors, the arrow of obligation pointed in the opposite direction too. Virginia Marquez met the young woman who would become her Stanford advisor when the latter briefly dated Marquez's son. Several years in, they developed a tight enough bond that, when an advisor at another firm made business overtures toward her, Marquez rejected the idea out of hand:

> I'd developed with [her]—because she was very attentive, very pleasant—there had developed a friendship, no? To give it a name. […] [A]nd she would call me and say "how are you Ms. Virginia?" and whatever—she used to call me "pretty lady": "Pretty lady, how've you been?" She was very sweet. […] We developed a relationship because—with my son […] she struck out. Later she'd tell me that she'd loved him very much, and whatever, but that she had met this other dude, and whatever, and so we had […] a friendship independent of *this* stuff. And so, for me to call her and say "I'm going to take my money out and put it in another [bank]"—I didn't even consider it[184].

The final two sentences are especially noteworthy. Marquez's reference to "*this* stuff" could point either to her advisor's former romance with Marquez's son or Stanford-related matters[185]. What's certain, however, is her contention that their friendship had an independent reality. And yet, the very next sentence makes clear that the business and personal strands of their bond were braided, and that, in fact, Marquez had subordinated the former to the latter, making a move to another firm unthinkable. For some respondents, their sense of obligation to their advisors even survived the firm's collapse—and their own financial ruin. Guillermo Velasco, for example, spoke warmly of his two Miami-based advisors, noting that "they weren't just my financial advisors. I think it was a relationship of—a relationship of friendship […W]e've maintained a good connection."[186] He also spoke appreciatively of being kept abreast of legal developments by "my friends that worked at Stanford." When I asked if he'd ever felt betrayed by his advisors, he flashed annoyance and defended them as "victims" of a mastermind who "had everyone who worked for him fooled." That Velasco continued to understand his predicament through a

[184] Interview 10-21-10_1, Virginia Marquez.
[185] I lean toward the second interpretation. From Marquez's point of view, the fact that her advisor could speak candidly to her about her love life, despite the fact she'd once dated Marquez's son, was proof of a depth of friendship that exceeded the limits of an ordinary, even friendly business relationship.
[186] Interview 9-23-10_1, Guillermo Velasco.

primarily affective schema, anchored to a notion of friendship, attests to its power to guide action in the absence of more grounded information.

Cognitive Schemas

Alongside the affective folk schemas my respondents drew on, based on notions of affinity, personal attention, and even friendship, they also used cognitive folk schemas concerning the assessment of investment risk. It bears repeating that these labels—"affective," "cognitive," and, in the following section, "material- and place-based"—do not denote neatly severable phenomena "in the world," but rather are my attempt to group together the schemas I encountered by rough resemblances. In the present case, I use the term "cognitive" with particular care since it is the nature of my subjects' risk-themed cognition that is at issue. I wrote above that my respondents' jurisdictional exclusion, that is, their distance from authority and expertise, is what made them reliant on folk schemas. In the following passages, my interviewees invoke certain rules and concepts that, in all likelihood, once originated in expert domains, but have since entered common usage leached of content. Thus, as tools for estimating risk, or guides for action, they were of limited utility—and on occasion outright harmful.

Asset-type comparisons and risk hierarchies

The simplest schema my subjects employed concerned the comparison of asset types according to perceived risk[187]. Underlying such comparisons was a largely agreed-upon but vague risk hierarchy. Storing savings in a bolivar-denominated bank account ranked as the worst and riskiest option. When discussing the stock market, subjects tended to acknowledge its profit potential while deeming it too risky for their tastes or mostly retirement-age circumstances. Beyond that, it was essentially a toss-up. A common refrain in my interviews was the relative

[187] This, of course, is something that comes somewhat naturally to middle-class Venezuelans. On account of their currency troubles, they've come to view the bolivar and dollar as differentially risky asset types.

safety and profitability of real estate as an investment. However, at the time of my fieldwork, expropriations of both businesses and dwellings were on the rise, and thus on everyone's mind. Finally, rounding out the group of purportedly low-risk asset types were dollar-denominated mutual funds, bonds, and CDs.

My subjects expressed considerable ambivalence toward the stock market, viewing it as a sphere whose particular balance of risk and reward was unsuitable to those of moderate means. Luis Antonio Rigau and Fiorello Ascari, whom I fortuitously interviewed on the same day, offered complementary takes on this question. Rigau's attitude toward risk, and thus the stock market, had been shaped by the considerable hardship he'd endured growing up, after his father had a falling out with business partners that left him unable to pay his family home's two mortgages:

> Well, let's just say I've never felt like an "investor." I feel like someone who's got to save, because, well, you've got to save! But I've never had the kind of money to say "well, let me sell my GE stock and I'm going to buy…"—for example, last year someone told me about Apple. Looking back, dammit, if I'd bought it, I would've doubled by now [laughs]. But no, I don't know. I think I'm more risk-averse. I don't feel I have that X amount of money to be able to start "let me put a bit here, let me put some there, see how that's doing." […] So, don't think of me as an investor, but rather as a saver, a saver who's a bit on the conservative side.[188]

Rigau's discomfort with the idea of "investment" was unusual among Venezuelans, most of whom conceptualized "investing" as a refuge from the risk of "saving" in bolivars. Nevertheless, his quote is instructive. Rigau believes that one should only put into the stock market such money as one is willing to lose. Implicitly then, if one lacks the requisite cushion, built up through diligent saving, the market, and all its risk and reward, is best left to the wealthy.

In contrast, Ascari recited his family's lucrative past investments in bonds and stocks. To Ascari, their turn to Stanford had represented a partial retreat from the risk of "the market" to the

[188] Interview 10-18-10_2, Luis Antonio Rigau.

relative safety of a CD. After singing the market's praises, he explained that "with Stanford, no, that's not what it was about. With Stanford you'd put it in a time-deposit. And who'd invest in a time deposit at Stanford? People who only had a certain amount of money, not a huge amount, and who just wanted to have a little something in that bank. But people with lots of money weren't going to bother with Stanford; those who have a lot of money are going to put it to work in the stock market."[189] Ascari adds a new wrinkle to Rigau's risk hierarchy. To him, the "time-deposit" or CD is a low-risk, low-reward instrument well-suited to those of moderate means—those whose money is insufficient to do "work." However, for "people with lots of money," to invest in a CD would itself be risky, because of the opportunity costs entailed. Thus, the risk hierarchy, and the prudence it's meant to routinize, were for Ascari context-dependent.

Sometimes, asset hierarchies functioned by a logic of simple negation, in which the investor knew only what they *didn't* want. I interviewed Alejandra Masri, a widow in her early 60s, at the non-profit she worked at near Catia, a sprawling slum in western Caracas.[190] Her parents were political movers in the 1960s, but her adult life had been difficult, marked by hard work and financial constraints. However, she'd recently come into a bit of money, her share from the sale of family-owned land. "I wanted to invest it, but that the money not be in Venezuela, for reasons which are more than obvious." And yet, "there were people that said, 'no, but real estate is always a safe bet everywhere.' I probably should have listened to that view." In the fall of 2008, Alejandra's brother told her about Stanford International Bank, an option he described as both relatively profitable *and* safe. "And well, since you're always trying to add to what you have, I thought their rates were… attractive [but] without being too speculative. Because, you always

[189] Interview 10-18-10_1, Fiorello Ascari.
[190] Interview 10-11-10_1, Alejandra Masri.

hear that when they pay too much, you wind up with nothing, because it turns out the thing isn't real."

In reasoning by negation, that is, by identifying only what she didn't want (a Venezuela-based investment), Masri ruled out her friends' idea (Venezuelan real estate) and left herself open to her brother's suggestion (the SIBL CD). Indeed, in her retelling, the SIBL CD doesn't even register as an asset type. The only criterion left to her was the somewhat empty notion that she ought to avoid anything too "speculative." My respondents' sorting of investment opportunities by asset type, or according to hierarchies, is a type of folk schema precisely because it lacks a deeper understanding of those elements. Rather, it seems to facilitate decision-making by giving the subject a comforting but illusory feeling of discernment.

Diversification

The concept of diversification was by far the most common, and arguably consequential, folk schema my subjects employed. Although only a bare majority invoked the concept explicitly, many more did so indirectly. A risk management strategy, "diversification" holds that, when investing, one ought to split one's wealth among asset types, institutions, financial advisors, and even time (i.e., by laddering the start date of investment). It's an idea most people are familiar with from the folksy admonition against putting all your eggs in the one basket. My Venezuelan respondents offer a study in contrasts, between those who gave the concept meaningful application and those who tripped over it.

Influenced in part by Venezuela's high number of bank failures since the mid-'90s, a sizable number of interviewees evinced a commitment to institutional diversification in particular. Suni Noya, an architect in her late-40s, described the trauma of having lived through the scandalridden 1994 collapse of Banco Latino, then the country's second largest bank.[191] When Banco Latino was taken over by the authorities, Noya and her husband were left cash-strapped for months, until their reimbursement by FOGADE, Venezuela's equivalent of the FDIC. The experience turned them into dedicated institutional diversifiers, who since then had always split their savings among several U.S. banks at a time. Thus, when Stanford imploded, their losses were unpleasant but not devastating, since that particular pot of money was, as she put it, only their "emergency fund." I interviewed 60-year-old Juan Claudio Orozco, a mechanical engineer who'd made a late-career switch into finance, at a street-side café in Valencia.[192] Orozco was one of two Venezuelan interviewees who withdrew their Stanford deposit prior to the firm's collapse. Also a practicing institutional diversifier, Orozco explained that he'd never quite bought Stanford's claims, and regarded his SIBL CD as part of the high-risk tranche of his investment portfolio. Even if he'd lost it, like Suni Noya, he would have been fine. Thus, whether through life-learning or training, an appreciable number of my respondents grasped this vital facet of the "diversification" concept.

However, the experiences of Tomás Gomez, the PDVSA retiree I've discussed at length, illustrate the concept's potential for abuse and misapplication. Recalling the kinds of correspondence SIBL used to mail him, Gomez said that he would occasionally receive

> [..] a main report where they listed all the investments they had made. How they diversified their stuff and so forth. They never identified the investments they made by proper name but rather by… **By category?** [Yes,] by category. You could see, like, investments in currency or whatever, investments in American steel, investments in Bulgaria, investments in whatever else. And so you'd say, well, their policy is only to lend to their own clients [with clients' deposits as collateral…]. And so, the only risk is that they might have high-risk stock market investments. But since they also said that they had a very diversified portfolio, well then, you'd say, that's fine, every investor always leaves a small portion in

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191 Interview 11-05-10_1, Suni Noya. On Banco Latino, see, e.g., James Brooker, 5-1-1994, *New York Times* (http://www.nytimes.com/1994/05/16/us/failure-of-high-flying-banks-shakes-venezuelan-economy.html)
192 Interview 11-25-10_1, Juan Claudio Orozco.

> high-risk [allocations] and the rest in medium-risk, low-risk, and so on. And so you'd say, cool, these people are so organized with all this stuff.[193]

To be sure, Stanford did indeed represent its CDs as safely backed by a "diversified" portfolio. This, however, was just a marketing ploy. By placing nearly his entire net worth not only with one firm but in one instrument, Gomez violated the rules of risk management that "asset diversification" actually denotes. Whereas those rules dictate that one establish relationships with—that is, diversify among—several firms or asset managers, Gomez dealt only with Stanford, treating "diversification" as if it were a transitive virtue. By way of analogy, this is like "getting a second opinion," in the wake of a weighty diagnosis, by asking one's physician to restate her first opinion a second time. Gomez was hardly alone; this was a common mistake. He and others assessed Stanford using a folk schematic version of the "asset diversification" concept. But in their decidedly non-expert hands, it was a concept almost without content, less a strategy than an incantatory phrase. Primed to look for some ill-specified "diversification" they reacted positively upon hearing the term repeated back to them.

Where coercion and cognition meet

In concluding this section, I wish to briefly consider what it means for my subjects to have depended on cognitive folk schemas within the frame of vertiginous inflation and general economic upheaval I described at the start of this chapter. Take, for instance, the following exchange I had with Angela Mora[194]

> **I: You said the first investments you ever made were [CDs]. What attracted you to that?**
> F: Well, just that the interest rates were excellent. They paid you a fortune. The rates were *very high.*
> **I: That was in [Venezuelan] banks?**
> F: [Y]es, Venezuelan banks. They paid you an immense percentage, something like 36-40% annually. And so, you had your principal, from which you could live

[193] Interview 10-25-10_2, Tomás Gomez

[194] Interview 12-08-10_1, Angela Mora.

> off the interest even if you weren't wealthy, and, what's more, the cost of living was miniscule. To give you an example, in 1986 we, my husband and I, bought our apartment that I still have today, and it cost Bs.1,250,000. Today that same apartment is costing Bs.1,2- or 1,400,000,000. Okay, and so there's no proportionality. Before, a person earned Bs.2- to 3,000, of the old bolivars, per month and you could eat, clothe yourself, and enjoy your free time. Today, Bs.F.2,000 [of the new bolivars] won't even let you feed yourself. So, I mean, it's a senseless [situation], you can't make heads of tails out of it.

Here, Mora reflects on the near-impossibility of maintaining a stable or useful sense of valuation in a place where numbers are rendered fanciful by inflation. Although she hints at the 2008 switch from the "old bolivar" (Bs.) to the "strong bolivar" (Bs.F), which divided the old by a factor of 1,000, like many Venezuelans, Mora continued to quote prices in the old currency. The figures she cites are indeed confusing, almost grotesque. As she points out, Bs.F 2,000—that is, of the new bolivars—would scarcely have been enough to feed oneself for a month at the time of our interview (equaling less than $250 at the black market or "parallel" rate). Nevertheless Bs.F 2,000 were nominally worth Bs. 2 million of the old currency, and thus, in theory, 1,000 times the amount needed to fully support oneself in the mid-'80s halcyon days Mora describes.[195]

Now, consider this exchange with Yola Troconis:

> **I: Did you think that the interest rate [on Stanford's CD] was comparable with other banks at the time, or that they were too high, or what**
> F: Well, look, compared to other banks it was high, but at the same time it wasn't *risky*. Because around that time, I was looking into Commerce Bank and some bonds that offered a higher interest rate, right? But I don't know, those seemed more risky to me. Also I, around the time of opening my Stanford account, I left my employer—I had about $20,000—and I had the option of putting it in the company's pension plan, which I didn't understand very well, but that's where I put it, and it was giving me around 7%. And Stanford at that moment was around five point something, so like, I know the difference wasn't very big. I mean, you

[195] Only by converting each figure into its US$ equivalent, do things start to make partial sense, at least to a U.S. reader's eyes. Her apartment, for instance, was worth about $63,000 at the black market rate (~Bs.20/$1) in 1986. By 2010, her apartment was worth just south of $150,000 at the black market rate (~Bs.F. 9/$1). Surprisingly, in a place where real estate is considered an almost can't-lose proposition, her home had undergone an average appreciation of only around 4% in the 24 years since its purchase. Then again, it's doubtful whether conversion to the dollar, particularly where black market rates reflect scarcity and distortion, is the correct metric for comprehending the actual purchasing power, and effect on life chances, that these bolivar figures represent *to Venezuelans* at any given time.

> couldn't' say that the rates at Stanford were *super high*, right. That's why I thought the rates were conservative [laughter]. I *thought.*

Mora's quote illustrated the difficulty of valuation across time and in a context of near-hyperinflation. Troconis' illustrates a different problem, that is, the temptation to compare across asset types in the course of judging any one opportunity's risk. To assess SIBL's interest rates, Troconis compared them with that of an unspecified bond sold through her bank and the then-current interest rate on a mutual fund offered through an ex-employer. The more sensible course, which several respondents took, would have been to compare SIBL's CDs with U.S. bank CDs. Perhaps she did so, and these latter comparisons reflect a kind of motivated reasoning, an attempt to represent SIBL's rates to herself as not "risky" or "super high." Even if that were true, though, such a mental operation must have felt plausible to her, a comparison not of incommensurable products but of interest rates bunched into the same 5–7% range. Taken together, these quotes reflect the confusing terrain my respondents treaded, forced to make sense of a shifting menu of options while thinking in two currencies, armed only with folk schemas to ward off risks whose dynamics they did not grasp.

Material And Place-Based Schemas

In addition to affective and cognitive folk schemas, my respondents also experienced Stanford through what I call material and place-based folk schemas: that is, frames of understanding centered on the firm's physical self-presentation and socio-spatial location. Within these, I've identified three thematic clusters. The first concerns the firm's brute physical self, that is, its "offices, furnishings, and finishes." The second focuses on my subjects' interaction with the primary media of Stanford's claims, "paper, documents, and screens." Lastly, I discuss my respondents' reflections on "jurisdiction and place," making explicit how they situated Stanford and its activities within particular sociopolitical and sociolegal spaces.

Offices, Furnishings, Finishes

Following Stanford's collapse, media accounts of the firm's physical opulence were inescapable. However, while such descriptions were basically accurate, they provided little insight into how clients actually experienced the firm's material self-presentation. Although clients were generally, and predictably, wowed by the grandeur of Stanford's offices, their reactions were not without nuance or ambivalence. As did a vocal minority of my subjects, Alejandra Masri claims to have had subtle misgivings about the firm, precisely in response to its high-gloss façade: "[T]he impression I had of the place was that their offices were spectacular, with […] a marble floor that was spectacular. English-style furniture. Everything was top-flight, super-elegant! And that gave me some trepidation, because I thought […] they staged all this with the money I'm going to bring, or that their clients have brought. Because to me it all looked a little show-offy, you know? A bit exaggerated."[196] Next to the drably functional look of typical Venezuelan bank branches, Stanford's offices were remarkable. For Masri, though, Stanford overshot the mark, causing her a subtle discomfort.

With others, however, Stanford's efforts had the intended effect. And yet, even their views are not without subtlety. Guillermo Velasco opened his SIBL account through Stanford's downtown Miami offices and dealt exclusively with its personnel. When I asked him about his first impressions, he said[197]:

> M: Look, I thought it was a very solid firm, well-appointed. The offices in Miami were very, hmmm, nicely set-up offices. Very sober—elegant, but sober. There was no—well, *I* at least did not sense any ostentation there. Rather, they looked to

[196] Interview 10-11-10_1, Alejandra Masri.
[197] Interview 9-23-10_1, Guillermo Velasco.

> me like really nice offices in a really nice building, but they seemed to me...Really, I got a feeling of trust from those offices.[198]
> **I: Do you remember what the offices looked like?**
> M: Yes, yes, they were offices on a very high floor, with a spectacular view of the bay and the city of Miami. They were...there was a lobby with English-style furniture, in leather, very elegant, and then the offices, they were all nicely set-up, very bright, very pretty, those offices.

I hadn't asked Velasco whether he thought the firm's offices were ostentatious—he brought the point up on his own. Suggesting an aesthetic-cum moral spectrum on which sobriety, elegance, and ostentation abut one another, Velasco carefully placed Stanford between sober and elegant. And yet, he struck a slightly defensive note when he said that "*I* at least did not sense any ostentation," as if aware that others may have seen it differently. What's crucial here is that the meanings of Stanford's design choices were not pre-given, delivered by an authoritative firm to a passive consumer. Rather, such meanings seem to have been co-constructed by the parties. A few clients were wary of Stanford's material excess, if only in passing. For other, perhaps most, clients, the experience of stepping into the firm's offices induced a kind of flattery, a feeling that they'd arrived. Their receptivity to that flattery, I submit, is something they brought to the encounter. Specifically, they approached that situation using a schema according to which a suitor-firm's materiality not only reflects something about that firm's worth but about the client's too.

Though some worried—and worried what it meant—that Stanford was spending client funds on appearances, the firm's offices helped to allay a more visceral concern that some investors feel as they're entrusting funds to strangers; namely, that the firm might somehow not be "real," that it could just up and vanish overnight. Luis Antonio Rigau explained this phenomenon in a rich but distinctly off-color way:

[198] This quote presents us with the thorny problem of the conceptual conflation of "confidence" and "trust" that occurs in Spanish, as both are subsumed in the word "confianza": "Realmente, me dio confianza esas oficinas."

> When I went to [their office tower in El Rosa] and I saw two stories filled with people, you say "wow." They had an enormous reception area. They had a bunch of desks with lots of people and telephones. And so, obviously, this gives you some assurance. You say, well, this isn't some cardboard deal. […] I mean, for people that don't have any financial background, you see all that at and you say *okay*. […] I mean, that image of solidity. […]It's no random detail, that green marble, that wood. It gives you the feeling of solidity. Maybe a Jew would say "look at all this luxurious crap, they're stupidly wasting money." If you were a Jew, you'd think that. But a Catholic [Rigau laughs] sees it more like "wow, these people, they have serious support behind them!"[199]

Rigau's relief at finding a designated space in a nice building, packed with objects, people, and activity was real. Stanford's design choices—green marble, mahogany, and gold and brass trimmings—connoted heft and permanence. As Rigau notes, the lurid fantasy that one's "bank" might be nothing more than a cardboard front is precisely what such details are meant to dispel. Notwithstanding his casual bigotry (and it's worth nothing that my mostly Southern Protestant U.S. interviewees were no less taken with Stanford's splendor), Rigau also stumbles onto another insight. Although to a minority of clients such objects might signal a frittering away of their funds, to most they stand as tangible proof of the firm's past and future power to create wealth.

This was comforting not only to clients but to Stanford employees. As financial advisor Iván Soto explained,[200] the firm's physical aspect propped up his own confidence, allowing him to better carry out his sales function. Like all advisors, Soto had undergone a training regimen in Texas. His time at SFG's Houston headquarters, he said, had bolstered his faith in the firm, because "obviously you had some kind of physical evidence that, well— that they *existed*. Because they had their buildings, they had their offices, they had—it wasn't just a zip code [or] post office box somewhere." Soto then described Stanford's trademark "look," which, he said, was consistent "in all their offices around the world." When I asked him if clients responded well to the firm's interiors, he replied "Of course. I mean, that's just common sense." What's more,

[199] Interview 10-18-10_2, Luis Antonio Rigau.
[200] Interview 9-20-10_1, Iván Soto (financial advisor)

he felt heartened by the firm's appearance, since "[as a sales person] you felt that you had the backing of people that […] take the time to get those details right for the clients and […] for you too."

Paper, documents, screens

Few aspects of Venezuelans' ties to Stanford are as rich or complex as the mediation of those relationships through paper, documents, and screens. This is true for at least two reasons. First, as I stated in the chapter's opening, neither the appearance of a trustee as trustworthy nor the trustor's subjective feelings of trust are once-and-for-all affairs. Rather, these are remade and reassessed on an ongoing basis. And indeed, for my respondents, the mediation of the client-firm relationship through these objects took place almost entirely after the formal entrustment of their funds to Stanford. Second, although most of the schemas I've discussed bear at least some mark of their Venezuelan context, the influence of jurisdiction in the present discussion is especially pronounced. In what follows, I show how, from my subjects' perspectives, these objects simultaneously functioned as means of epistemic "immediation" and social "mediation."

Recent works in the anthropology of documents and bureaucracy (e.g., Gupta 2012; Hetherington 2011; Hull 2012; Riles 2006) have turned scholars' attention from the manifest content of documents to their material, epistemic, and social properties. Though such studies focus almost exclusively on state documents, their insights are broadly applicable to the work that corporate documents do too. Of particular interest for this case is the sweeping epistemic power we impute to these objects. Specifically, I am interested in what William Mazzarella (2006) has termed "immediation," that is, the apparent power of documents to point in an unmediated or indexical way to their putative referents. Although language is nearly always referential, we don't simply accept on faith that all referential statements are true. And yet, often, the presentation of truth claims in documentary form effects a kind of epistemic “value added.” This phenomenon passes unnoticed most of the time. Upon inspection, however, it changes from banal to intriguing.

Gladys Ximenez, an office administrator in her 80s, recalled the satisfaction she felt at receiving Stanford’s “prospectus in Spanish so that I could understand all their figures, their account statements, with everything they’d done and planned to do. So that you could see and analyze all of it.”[201] In Ximenez’s rendering, the firm’s printed balance sheet and purported asset allocations were numerical windows onto not only “everything they’d done” to that point but also what they “planned to do” moving forward. The presentation, in paper form, of the firm’s financial doings made them visible to her, amenable to her analysis and judgment. Indeed, Ximenez took these representations to refer to real activities and quantifiable substances in the world, so much so that the only possible obstruction to her view and comprehension of these documents was linguistic—hence her relief at receiving Stanford’s Spanish-language materials.

To supplement their periodic receipt of paper account statements and annual reports, some clients made regular use of the firm’s online account system. Consider the following statements by Luis Antonio Rigau and Jorge Rivera, two Stanford clients in their late 30s. Rigau revealed that as a matter of habit:

> Every month I’d check up on my Stanford accounts; They had a webpage and I looked at my interest every month on their website. **—One time a month?—** Yes, once a month, I’m a bit obsessive [he laughs], in that I sign into my account[s] all the time, but that one I’d check out monthly. But it did give me comfort, I mean, “hey, they’ve got a website, look at our interest, it’s there.” But anyway, when I’d roll over the CD, they’d recapitalize the interest, and we’d move forward [with the next]. [202]

Using remarkably similar language Rivera described how:

[201] Interview 11-03-10_1, Gladys Ximenez.
[33] Interview 10-18-10_2, Luis Antonio Rigau.

> [I]'d go online every week, see my account statements, see my money intact [….]. [T]he fact of seeing it on the screen … I mean, what was there to doubt? Since they did their business via checks or wire transfers […,] when you'd do a transfer, immediately you could verify it [online] to corroborate that it *had* been deposited. And the money was always there, and I really never saw anything out of place, or suspicious. My money […] was always *there* and I never experienced any problems.[203]

For Rigau, Stanford's online portal, like its sumptuous offices, provided yet more infrastructural confirmation ("hey, they've got a website") of the firm's "reality." However, its value went far beyond that. Whereas for Ximenez, SIBL's paper account statements, graphs, and charts had given her the feeling of monitoring the firm's activities, for Rigau the website's evidentiary value lay in the fact that it let him see *his* money in specific. It gave him immediate numerical and graphical proof not only of its existence but its growth over time in the form of compounding interest ("look […,] it's there"). And, as the benefit for which he'd staked his original deposit, his accumulating interest, and its visual depiction, held particular sway over Rigau. Indeed, one can infer here a backwards probative chain in which the online display gave Rigau proof of his compounding interest, which itself confirmed the safety of his original deposit, which, finally, furnished proof of the firm's probity. So self-evidently "there" was Rigau's money that, in contrast to moneys he kept at other institutions, he checked his SIBL account only once a month. The web portal's power of "immediation" is evidenced too in Rivera's repeated use of the phrase "the money was always there," where "the fact of seeing it on the screen" provided direct proof of its "intact[ness]," even "corroborat[ing]" its existence following anxiety-inducing check deposits and wire transfers.

Stanford's print and online materials effected an "immediation" between clients and the firm's purported financial doings, but they also performed various feats of social "mediation."

[34] Interview 10-13-10_1, Jorge Rivera.

The firm's "beautiful paper stock," "leather-bound folders," "gold-sealed" stationery, and even its physical certificates of deposit induced the same status flattery in some clients as its offices had, with one or two subjects claiming to have been alarmed by the frivolous expense.[204] The firm's print materials, in particular, mediated a number of more complex relationships. Though space does not allow for their in-depth discussion, they do merit enumerating. Stanford's disclosure forms and contract agreements, presented to clients prior to opening accounts or renewing CDs, mediated both between clients and the firm and clients and their financial advisors. As Hetherington (2011) and Hull (2012) observe, documents can dramatize power , status, and knowledge differentials between the actors they bring together. For example, in petitioning a state body for redress of a wrong, the poor or illiterate petitioner who approaches with forms in hand does so less as an interpreting agent than as supplicant. As the Stanford case involves private parties, and comparatively privileged clients, such differentials could be partly obscured by the ceremony of "customer service" and the leveling language of contract. Nevertheless, given the cryptic financial terms and legal fine print involved, and the chasm of money and expertise between the parties, the occasion of meeting with the firm's agents to sign paperwork also enacted the client's disadvantage and subordination.

Because this relationship was centered on property, such paperwork also implicated the state, thus forming, in theory at least, a triadic relationship among Stanford, its clients, and Venezuelan legal organs. As I detailed in Chapter 3, however, when it came to SGVAI, the firm's in-country stock brokerage charged with peddling the SIBL CDs, the Venezuelan government took a thoroughly hands-off approach. Moreover, given that many Venezuelans chose Stanford in part

[204] Interviews 9-24-10_2 Luis Vasquez; 10-18-10_2, Luis Antonio Rigau; 11-05-10_3, Mercedes Conti. Conti, in her charmingly over-the-top way, said that "Seriously, all of it was like, as if [you were] in London [laughs]. The prospectuses would show […] Allen Stanford—a business magnate!—and [the combined effect] it was like being in the palace. Really. And it gave me a feeling of security."

to evade their country's legal strictures, the state here is implicated mostly as a ghostly absence, made visible only in the fraud's aftermath when investors found themselves without domestic legal recourse. Likewise, for those Venezuelans who, based on Stanford's ambiguous representations and their own wishful thinking, imputed U.S. parentage to SGVAI and SIBL, the firm's collapse made clear that their stacks of Stanford forms afforded them little to no recourse from U.S. institutions either.

Finally, the functions of epistemic immediation and social mediation that these objects performed collided in a deeply Venezuelan way in the latter years of the firm's operation. For my subjects, Stanford's financial reports and their own individual account statements allowed them to keep the firm's doings and, most importantly, their nest eggs in view. For much of the firm's time in Venezuela, clients relied on mailed paper statements for this purpose. Later, when Stanford launched its online portal, anxious depositors could play Orpheus to their CDs' Eurydice, logging on as often as they liked. However, I wasn't far into my fieldwork before I'd heard from multiple respondents that, around the mid-2000s, they had opted out of receiving mailed paper statements, preferring to either pick up those documents in person or rely exclusively on their online access. I interviewed Andrea Saez, a retired accountant for an oilfield services firm, in her early 60s, at my IESA office on a weekday morning. Describing the logistical aspects of managing her CD account, she said:

> I'd call on the phone, talk to Elvira[, my Stanford advisor. …] She would ask me what I wanted to do once my […] CD would reach maturity. She'd send the motorcycle courier, I'd send back my original documents and instructions, and […] then I'd automatically see on the screen, through the internet, all my account activity, that my CD was there, money out, money in, etc. […] At first, [I'd get it] through the post and after [crime here] got to be such a problem, I said, no, don't send me any more account statements […] for the sake of safety. [After that] I'd get my account statements every three months [via courier] and the rest I'd see on the internet.[205]

[205] Interview 10-19-10_1, Andrea Saez.

Mercedes Conti described the same procedural switch, citing the same reason:

> Well, initially Stanford would send me [my account statements] directly from [the U.S. to my house]. And toward the end, In 2008 […] I said to Jose [my financial advisor] "keep my correspondence at the office and I'll come by to pick it up," […I decided this] for the sake of security, because, of course, several times I'd had my mail opened. And so I said, no, people are too nosy, I'm going to—for security.[206]

Finally, Yola Troconis made explicit the driving factor behind these and many other investors' decisions to discontinue their mailed correspondence from Stanford:

> No, no, I would […] see it via the web. As for the mail, I requested that they not send it because around that time in Venezuela you'd hear stories about [apartment building] doormen looking at your account statements—kidnappings and that kind of thing, see? And well, I, in fact, I didn't like having *anything* sent to my house for any reason, because I know there's always curious people out there, and I prefer the internet.[207]

Given the appalling violence in Caracas, and the growing incidence of kidnapping for ransom, my subjects' fears were plainly justified. But, the ironies here run thick—particularly if we remind ourselves that their Stanford investments and listed account balances were, essentially, fake. The firm's paper statements provided my respondents a numerical and graphical window onto their deposits, a feat of epistemic "immediation" that soothed their anxieties. However, in performing that function—in making my subjects' funds real to them—these printed documents also threatened to reveal that same pseudo-reality to "curious" third parties. That is, in addition to their immediating function, the account statements threatened to mediate a dangerous relationship between my subjects and their city's criminal element. Recognizing this hazard, they sought comfort in the firm's online account system, which furnished them an even more immediate, epistemically persuasive view of their money—placing them even more firmly in Stanford's own criminal snare.

[206] Interview 10-05-10_3, Mercedes Conti.
[207] Interview 12-09-10_1, Yola Troconis.

Jurisdiction and place

The most powerful ideas Venezuelans brought to bear on their dealings with Stanford were also the most straightforward. These consisted in affectively potent schemas about Venezuela and the U.S. as morally disparate political, legal, and regulatory spheres. In this chapter's opening I discussed the coercive force of Venezuela's chronic inflation, periodic currency devaluations, and exchange controls. The influence of these cannot be overstated. However, for my subjects, their country's disastrous monetary policy was simply a symptom of a broader governmental incompetence and even lawlessness. Indeed, a sizable number of interviewees claimed to have partly based their decisions to invest and bank with foreign firms on a desire to safeguard themselves against the potential (if unlikely) depredations of the Chávez government.[208] Recalling the first foreign bank account he opened, Luis Vasquez described an exchange he'd had with acquaintances at Banco Mercantíl, where he was contemplating opening a dollar-denominated account.

> M: During the time [I had access to] high executives and I could ask them "hey, how secure is it to have an account there," "Whose laws are they governed by, Venezuelan or gringo laws?" And so they told me—
> **I: - And which one was it?**
> M: —Gringo laws. They told me it's a bank that's totally separate from Venezuela, [and] the only thing they have in common is a board of directors, but they're governed by gringo laws.
> **I: And was that important to you?**
> M: Yes, it was important to me that Chávez not be able to just decide "let's repatriate all these accounts" or "let's access the names of everyone who has dollar-based accounts abroad." And, so for me it was really important that if these banks were to go belly-up—because the banks in Venezuela have always been volatile, for various reasons—that the process not be governed by Venezuelan law, [but] rather that the process actually work for me. For as long as I've been had the use of reason, there hasn't been "law" here. What we have here is the wielding of influence, the use of power and influence—but not law. And so for

[208] Though fears of expropriation might have been exaggerated among my respondents, I did interview one unlucky couple from Merida who, in addition to having lost $3.5 million in the Stanford fraud (the product of three generations of family savings), had recently seen their family business confiscated by the Chavez regime. Interview 10-21-10_1 , Marco and Paola Totti.

> me, it was really important than Commerce Bank offered me some kind of solidity, right? Some kind of legal solidity.

However, for Venezuelans, the belief that bolivar-denominated investments and Venezuela-domiciled firms were *ipso facto* risky had given rise to an opposite, and distorted, faith in dollar-denominated investments and U.S. firms. This faith too came encased in a larger set of beliefs about the U.S. as a lawful, well-functioning society. Jorge Rivera, a business owner in his late 30s, told me that it was especially galling to have been defrauded by an American. When I asked him to explain, he laughed and said:

> Because we [Venezuelans] were used to believing—from well before the financial downturn—that in the United States this type of [financial crime] was unheard of. Okay, because normally when you go to the U.S, you go to relax. And when I say "relax," people might think "relaxing" is sitting on a beach, in a reclining chair, drinking a piña colada. No. For us—or at least for me in particular—relaxing has simply come to mean *the fact of* going to the United States. Any time I'm able, I go to the U.S.—even if just for a weekend to the closest spot, which is Miami—because just the fact that you see people who respect traffic lights, right there you start to relax. When you see the clean streets, right there you start to relax. Without even getting into the more serious subjects, like the topic of insecurity (both physical and legal), when you see those things, you relax—you say "Wow! I'm where I want to be"--which is how my own country used to be […] And so when you ask yourself, "well if they'd [defrauded] me here" […,] you would've expected it. Because, the Venezuelan is somehow—even though he is honorable—there are also lots of cheats and scammers here.[209]

This reactive, outsized faith in the U.S., in conjunction with everyday geopolitical ignorance, allowed my subjects to think—or perhaps, to convince themselves—that their offshore deposits fell under a U.S. legal and regulatory canopy. Jorge Rivera made this point several times, leaning heavily on the fact that SIBL CDs were dollar-denominated, while also appearing to assimilate

[209] Interview 10-13-10_1, Jorge Rivera. This feeling, that Venezuela had undergone a general institutional and cultural decay, and that the United States was a beacon of law-abiding decency, was remarkably common. Echoing Rivera, Gladys Ximenez told me "I don't' know how long you've been here, but if you see an ambulance, the ambulance becomes exhausted from wailing its siren, and no path opens up. […] People won't open up a path. And I saw that firsthand with my mom, who got a heart attack, from which she'd later die, and [there I was] crying in the ambulance, insulting everybody. It was infuriating […] I mean, as far as I'm concerned, one doesn't live among human beings here. And [in my family] we're not like that. And so, when I get to [the U.S.]—well, once I've even sat in my airplane seat to be sincere, I collapse, and all the stress washes off me in an instant." Interview 11-03-10_1.

the country of Antigua and Barbuda to the U.S. Virgin Islands. His advisors, he told me, "explained to me that [Stanford] was in the Antiguan Islands [sic] but I imagined that the U.S. would answer for that…I mean, I placed [Stanford] there for being in dollars." Later, Rivera repeated this point, saying "I thought that someone would be responsible for it, because you assume that since it's in dollars, and you hear 'the Antiguan Islands,' you assume it forms part of the U.S. state, and that the U.S. must somehow regulate that, mostly for being in dollars, but when you analyze it you realize they're independent countries, that are totally separate, with their own laws."[210]

CONCLUSION

Once again, my aim here is not to judge in hindsight the naïveté of such views. To the contrary, it is to grasp why it may have been eminently reasonable to rely on such schemas in the structurally coercive context that Venezuelans faced. And, as I illustrate in the following chapter, the use of jurisdictionally-informed schemas—however inaccurate they were—was a meaning-making strategy Venezuelans shared with their American counterparts. It bears repeating that it was precisely because such investors were not embedded in the same networks through which more accurate worth claims about SFG circulated (or failed to circulate for that matter) that such seemingly crude and intuitive criteria for assessing trustworthiness were given such weight.

[210] Interview 10-18-10_1, Jorge Rivera. In contrast, Gladys Ximenez was surprised to learn (from me) that Antigua no longer formed part of the British Empire, noting that the association had given her comfort, since "the British are serious people" Interview 11-03-10_1. Stanford played up this ambiguity in a number of ways, including incessant boasts regarding its Lloyds of London insurance coverage, and its intimations that Allen Stanford's knighthood by the Antiguan government had instead been bestowed by the British royal family.

CHAPTER 5

STANFORD'S U.S. INVESTORS: STRUCTURAL COERCION AND JURISDICTIONAL SCHEMAS

Continuing with the format established in the preceding pages, this chapter is divided into two main sections. The first explores the kinds of jurisdictionally-specific structural coercion that channeled my U.S. respondents toward even wanting to invest in the first place. Again, by "structural coercion" I mean those institutional factors, impinging on investors from without, that shaped the conditions of possibility for their encounters with Stanford. Here too, my goal is to counter the implicit voluntarism of trust theory, in which coercive factors are thought to analytically "pollute" the concept of trust or are altogether excised from discussion. Similarly, I also take aim at the normative concepts of greed and gullibility. Here, however, I explicitly treat them as part of the coercive ideological architecture that U.S. investors must navigate in the course of trusting, and risking to trust, others. In the chapter's second section, I turn once more to the jurisdictionally-specific folk schemas with which my subjects approached and understood their experiences with Stanford.

STRUCTURAL COERCION IN THE U.S. CONTEXT

Public and private retirement schemes: a thin margins for life's "errors"

My U.S. respondents were driven to invest by a confluence of structural factors. Chief among these was the realization that traditional retirement schemes, such as social security and employer pensions, were no longer dependable means of old-age support. As several explained, this applied not only to the maintenance, into retirement, of a comparable standard of living to the one they enjoyed during their working years, but also, especially, to the weathering of unforeseen events. In their telling, the brute facts of the life-course—in particular, devastating healthcare costs, general cost of living increases, and the challenges of re-entering the job market—made investing for one's retirement a necessity.

I met Len Ford at an IHOP, a few miles outside of downtown Houston, on a muggy weekday morning. A retired schoolteacher with 30 years of experience, Ford had lost $160,000 in the Stanford debacle. He knew he and his wife were fortunate compared to others—their losses amounted to only one third of their liquid assets—but the fraud had still severely degraded their quality of life. I put to Ford the question I would ask virtually all my interviewees, to which he replied with a slightly circuitous answer:

> **I: [W]hy invest at all? Why is investing necessary? Why not just save money in a bank account and that's it?[211]**
> M: Well, we no longer have what they call a...I don't *think* we have "savings accounts". We used to have [that] here, and they would guarantee like, 5.25 % and you had a [checkbook]; this was back when I was a kid. And my banks had since closed all those accounts and don't offer it anymore. So you have the option, then, to put your money into a checking account, which gives you almost nothing, a money market account, which gives you a little bit more, or a [U.S. bank] CD.

Ford then explained that none of these bore enough interest, or provided enough tools for handling one's daily affairs, to make them attractive investment vehicles. "And," he added, cutting abruptly to the point, "I wanted my money to grow because, just by what I was making and able to save away, without any addition to it, I knew I wasn't gonna make it—I'd have to be working the rest of my life. I was tired. I wanted out." Ford's account of the prevailing conditions of his youth, in which even the lowly savings account was remunerative, help to frame the rest of his statement. The need he felt to invest was driven by an early realization that

[211] Interview 4-20-11_1, Len Ford.

the rules of the game were changing, and that even three decades of continuous, highly-structured employment, combined with relative frugality, would never be enough to see him and his wife through their retirements. Compared with many, Ford was investment-savvy, having split his savings among a tax-deferred annuity, a pair of IRA accounts, and a pot of "playing around" money, with which he'd profitably dabbled in day trading, prior to linking up with Stanford. However, he'd not only tired of work but of the stresses of "the market" too, and the turn toward SIBL CDs had been his attempt to balance the need for continued growth with some measure of safety.

Later that afternoon, I went to the home of George and Lynn Hardy—George, an un-retired petrophysicist, and Lynn, a retired schoolteacher, both in their early 60s. The Hardys were angry. Specifically, they were upset at a Social Security scheme that, they explained, was rigid and unresponsive to changes in one's life circumstances. They'd intended for their Stanford investment to shore up their Social Security benefits and provide the cushioning to withstand retired life's unexpected blows.[212] However:

> M: […] you find out how much the government is against you when you start getting Social Security. You would be absolutely amazed at what these assholes in Washington have done. […] Social Security is cut and dried with regards to how much they will pay, and then they're gonna start deducting money from Social Security if you earn too much money during the month, but the problem is, is that amount that you're allowed to earn--the $14,000 that you're allowed to earn over Social Security before they start taking it out—doesn't take into account […] heavy loss of funds at retirement, okay? So my wife and I find it totally impossible to live on the $3,000 a month. That's what we would get with her Social Security and my Social Security. It's impossible to live on that. […]
> **I: They've set that as the time of retirement?**
> M: Yes, 66 [years of age.].
> **I: Okay, otherwise you incur penalty or you're not [able to exceed it] at all?**
> M: Well, I could. But you have to pay a huge penalty […] So in other words, it's like they're trying to beat you down into the dirt and there are […] no alternatives to the one specific guideline that they have. And then, once you start Social Security early, you're stuck with that for the rest of your life. Okay? […] I do

[212] Interview 4-20-11_2, George and Lynn Hardy.

> contract work because […] I haven't been abl—I [haven't] had a constant job, I think in what--four years? I do—I do physical work and I sort of [take jobs on a contract basis] and in the last two years **[…]** I've had two surgeries; I had a surgery last year and surgery this year. And that's pretty much wiped out our fun money, okay? So we're going on that. And so basically--and we're also living on our savings right now, and her Social Security, which isn't just a great deal but it does help a little bit.
> F: Well, because mine was...I had Texas teacher retirement, so you know, I don't get--but I didn't teach all the time in Texas. So anyway, I get partial teacher retirement. You can't do that now; they won't allow that in Texas. You either have to take Social Security or Texas retirement. You can't have both, which is sad because there were people working two jobs.

Several of the Hardys' complaints were later echoed by other interviewees. Chief among these was the unpleasant choice they'd faced of either waiting until age 66 to retire on "full" Social Security—itself a paltry sum—or to start receiving it earlier but at a permanently reduced rate. On top of this, the Hardys pointed out, one's monthly payments would be penalized if one earned more than $14,000 from other sources. The system's unyielding rules—even in the face of a sudden and drastic drop in one's gross income—were a particularly sore spot for George Hardy. And, as Lynn pointed out, it was only lucky timing that had allowed them to stack her Texas teacher's pension atop their federal benefits. Without that, they might not have weathered George's surgeries or been able to keep up with health insurance bills that, even with hefty subsidies from George's ex-employers, then stood at about $700 per month.

Ironically, it was the Hardys' attempt to mitigate Social Security's deficiencies—that is, their investment with Stanford—that had put them at that program's mercy. However, the hypothetical hardships they'd hoped to head off only became actual following Stanford's collapse. Not so for Martin Ward, a recently un-retired engineer in his mid-60s. Over the din of pop songs at a dismal, strip-mall pizza restaurant, Ward narrated to me a sequence of life tragedies that beggars belief.[213] During a four-week span in 1999, Ward's youngest daughter, his brother, and mother

[213] Interview 4-22-11_2, Martin Ward.

all died unexpectedly. Soon after, Ward himself was almost killed in a freak bicycle accident. Roughly three years later, his oldest daughter too died suddenly. Ward and his wife took this as a sign that it was time to retire. And they proceeded to do so at the end of that year, buying a large house near Mrs. Ward's Midwestern hometown. Their retirements, however, were complicated by the fact that each of their deceased daughters had left behind a severely mentally or physically impaired child. It would fall on the grandparents, Ward and his wife, to raise them and arrange for their care into adulthood.

In 2006, the Wards met a Stanford financial advisor through some friends. The advisor convinced them that, by liquidating their $2 million 401K and investing it in a SIBL CD, they would have enough to pay down their new mortgage, generate a livable income stream, and set up a special needs trust to provide for their grandsons in the event of their deaths. However, their fateful choice to go with Stanford was only the last of several difficult decisions regarding how to time and structure their retirements. Indeed, it was against the backdrop of those constraints that Stanford gained much of its luster. Here Ward explains an early retirement conundrum:

> When I retired in 2003, when my daughter died, I received a [severance] package […] at a year and a half salary. […] We didn't start our pension until several years later because with the way the pension is structured is for every year before 60 you retire they take away 5% of the level of your benefits. So I retired at 57. That means I was going to lose 15-20% and I didn't want [that] because that was for life. I said we'll live off the [severance] package. But the tax bill was incredible. You can't, I mean I think if my memory serves me right, I wrote a check for $160,000 for income tax in one year.

Although these dollar figures—a $2 million 401K and a corporate pension—seem generous, even lavish, from a certain angle, given the Wards' new burdens, their margin for error was thin. For their needs, Martin Ward's pension plan was just as inflexible as the Social Security rules George Hardy railed against, and no better suited to absorb the personal and financial calamities the Wards met with as they neared retirement. In particular, the need to make private arrangements for their grandchildren's medical and life necessities rendered their savings and pension inadequate on their own. Reflecting on this confluence of problems, Ward said:

> The good news for me is I have a pension. The bad news on that pension is there is no guaranteed COLA [cost of living adjustment]. In fact I've had no inflation adjustments since I retired in January of '04. So this purchasing power keeps dropping. I didn't have it in my financial plan to raise two and provide significant financial support for the other two. So now we got hammered both ways. The 401k got lost in the Stanford fraud. I think the pension is not being protected against inflation, which is a frightening concept in the world we live in today with the way this country has taken on debt that can most likely only be inflated out of existence and so then wouldn't be able to pay it, to pay it off. You know taxes are coming, increased taxes and etcetera, etcetera, so it's kind of scary, and then not to have your financial plan include having to take care of kids. I read while back where the cost to raise a child now days is figured to be somewhere over $250,000 to $300,000 and the hit is hard.

Taken together, the Fords, the Hardys, and the Wards illustrate the breadth of problems my respondents faced on the road to retirement. Len Ford, a schoolteacher and his household's sole earner, realized that saving on its own would not ensure the couple's wellbeing into old age. However, after giving himself over fully to "the market" for many years, he sought an investment that would yield a decent rate of return, but with less exposure. Stanford seemed to thread that needle. The Hardys invested with Stanford to augment Social Security incomes they knew would never afford them a quality of life comparable to that of their working years. They'd conceived of retirement as their reward for decades of hard work. But their fears were realized in the fraud's aftermath, as their "fun money" was wiped out by medical expenses. This left them reliant on meager pension streams, in a state that George Hardy characterized as "just existing." The Hardy's, moreover, were lucky, having already paid off their house and qualified for Mrs. Hardy's teacher's pension. Finally, Martin Ward's case reads like a ghoulish satire of all the ways one's retirement can veer off script. The typical retirement plan does not envision, and can't accommodate, a late-life return to parenting and pricey caregiving on the retiree's part.

Paradoxically, however, the fact that this onerous new weight fell on the Wards *in time for them to plan around it* was ultimately be their undoing. Thus far, I've only described the pragmatic currents my subjects were forced to navigate. In the following pages, I attempt to place these structural pressures within their crucial discursive contexts.

Between gumption and "greed": the ideological pincers of U.S. lay investor culture

Among the forces that channeled my U.S. respondents toward Stanford are deeply American scripts about money and morals. Arrayed on one side are maxims about the necessity and virtues of investing. These range from the theological to the secular and civic (De Goede 2005; Mitchell 2008; Ott 2011), and tend to uphold entrepreneurialism, pluck, and acumen in the face of risk. These scripts are mostly motivating in nature, goading people toward investment activities. On the other side are harshly judgmental scripts, generally activated once someone has been defrauded. In such cases, the dupe is said to have acted out of greed or gullibility, and to have failed to perform their "due diligence." Unlike the motivating scripts, these judgmental scripts effect a moral closure, banishing the defrauded to a kind of quarantine, while affirming the meritocracy and fairness of investing.

I begin with two uncannily similar quotes, from a Venezuelan respondent and a U.S. interviewee, that exhibit a subtle but crucial difference. Toward the end of my discussion with Guillermo Velasco, the retired human resources manager from Caracas, I asked him if he would invest again, in the event that his money were returned: "There's risk everywhere," he replied. "And if I had money to invest, well, I'd *have* to invest. And, in the world there is lots of money, and there's *lots* of people investing *lots* of money. So then, you have to keep investing. [… And anyway,] money under the mattress isn't doing anything. The rats will eat it [laughs]. And the money at Stanford—the rats ate that too! [laughs more].”[214] Months later, I interviewed Hope Graeber, a retired small business owner in her late 60s, at her home in Baton Rouge. Graeber had inherited a large sum of money in the late ‘90s. It was that situation, she told me, that first brought her to Stanford’s doors. When I asked why she’d felt the need to invest the inheritance, she said:

> F: […] I was just looking […] to have [that money] wrangled by somebody, being taken care of, being invested, not having the money just sitting there not doing anything. That was it.
> **I: Why would it have been bad for it to not do anything?**
> F: Well, that kind of money needs to be not just sitting someplace in a bank. It needs to be invested and money needs to be, it needs to be working for you. It just needs to be working for you that’s all. I mean nobody has…
> **I: […] Where do you think you got the sense that you shouldn’t just leave a large sum of money doing nothing, that it has to work for you? Where does that come from?**
> F**:** I guess, just from, just from hearing in general that you don’t let money not work for you. If you have a lot, I mean you don’t take a million dollars and put it in a checking account.
> **I: Under the mattress or whatever.**
> F**:** Yeah, exactly. Ah, as a matter of fact, my son has a—I won’t say any names since we’re on tape—but my son has a friend who does a lot of cash business, and there was a lot of money stashed away that rats got to. Yeah. So maybe that’s where I got that. No, seriously.
> **I: Rats ate the money.**
> F**:** Seriously.
> **I: That’s so awful.**
> F**:** That’s so, yeah, well, that’s kind of what happened to my money actually. Rats ate it. [Laughter] I mean, I’ve just always known that you need to draw interest on whatever spare money you have that you’re not using. You don’t just keep it sitting around in a checking account. I guess I’ve just, that’s just always been something that I’ve thought, that you should—and you hear it advertised on TV and whatever—you just should be drawing interest and have your money invested in some kind of a way, that it is growing and it’s working, not just sitting there. *It’s a work ethic for your money.* [emphasis added].

On the surface, the fact that Velasco and Graeber both employ gallows humor and rat metaphors to describe their losses is just a droll coincidence. And yet, it is what their metaphors do that is

[214] Interview 9-23-10_1, Guillermo Velasco.

revealing. For Velasco, the proverbial “mattress” symbolizes withdrawal and inaction in the face of opportunity. This is seemingly what Graeber means too in her many variations on the phrase “just sitting there.” In both respondents’ telling, the punishment for leaving money in its brute, unconverted form is to see it gnawed away, either by inflation or natural culprits. However, it is in how they conceive of the underlying transgression that they differ. From Velasco’s Venezuelan perspective, when it comes to wealth, no matter how large or small one’s pile, one is always either winning or losing. Value is inherently dynamic, and to store one’s value in bolivars is to let entropy have its way. The normative issue here, though, is simply one of opportunity cost: why settle for losing when you could be winning?

In Graeber’s rendering, however, the moral subtext is stranger and more complex. Consider her insistence that money “needs to be working for you”; “you don’t let money not work for you”; you must keep your money occupied to make sure “that it’s growing and working.” This, I submit, is about more than opportunity costs. Money here is an alienated form of selfhood, one that must be made to toil around the clock. Left uninvested, “just sitting there,” money becomes slothful, wasteful, in a way that reflects poorly on its human master. However, properly invested and put to work, that person’s money not only augments but mirrors her primary productive activity, enacting her virtue even while she sleeps. Graeber merges these notions in her rhetorical coup de grace: “It’s a work ethic for your money.” What De Goede calls the “moral imperative not to let one’s money ‘sit idle’” (2005, p. x) here reveals animistic, even theological properties.

Mostly, however, this imperative took on mundane forms. Retracing his tragic path, Martin Ward admitted that “[o]ne of the things that I wish I had spent more time on was taking care of my personal life instead of working so hard to take care of my business life. By that I mean both family *and* investing. I wish I had taken some more classes and gotten like a [MBA…]. I’d probably [have] learned a little more about it." [215] Revealing a similar bent, retired businesswoman Tanya Morgan explained that, in her marriage, she was the one who took care of the couple's investments, a role she performed ably for years. Her husband "kept his focus completely on the business to make the money […]. And then he let me do whatever I wanted with it."[216] For both subjects, "investment" denoted a second, parallel track of economic activity, one they distinguished from their everyday "business life," and, crucially, assimilated to their "personal life." And yet, far from treating investment as an optional pastime, my respondents thought it indispensable to realizing their goals.

Thus, to save and prudently grow one's money had become, for my U.S. subjects, a mark of competent middle class adulthood, a facet of one's "personal" development quite apart from one's "business life." This was often couched in the individuating language of skill-attainment and self-discipline. However, the imperative to invest also had a civic component. When we met, Francis and Marjorie Schatzki were a Baton Rouge couple in their mid-70s.[217] Francis, a retired chemical company instrument technician with a high school education, had displayed a combination of knack and luck in managing the couple's finances over the years. Near the middle of our interview, the Schatzkis had the following exchange, in which Francis drew a direct link between successful investing and society's collective economic performance:

> M: […W]e invested in a, in a lot of equities, you know […] and they can go up and down. I mean the stock market can crash tomorrow—but where else can you put it, you know?
> F: In a mattress. [laughing]
> M: I mean our whole, you know, our whole economy is based on the equity market performing. Everything. I mean I buy a mutual fund [and] that's in equities or bonds or—it's all based on the industrial community performing, our performance, our productivity as a country and all that. It's just all based on the, the same thing. If, if anything falters then we all go with it, you know. […] [So,

[215] Interview 4-22-11_2, Martin Ward.
[216] Interview 5-18-11_1, Tanya Morgan.
[217] Interview 5-19-11_1, Francis and Marjorie Schatzki.

> you've] got to be in the equity market sooner [or later] somehow, you know. I mean that's—that's what drives everything.
> **I: So you don't like the mattress theory?**
> M: No. […] If we used the mattress theory we wouldn't have this house.
> F: Right.
> M: There's a lot of things we wouldn't have. […] Because we, we made a lot of return, through the years, on our money to get where we are.

Francis saw the roof over their heads as vindicating his decades of investing, a practice that (in his romantic retelling) had yoked their personal fortunes to the country's collective wellbeing. However, Schatzki's accounts were outwardly apolitical. In contrast, other subjects reported being swayed by politicians' appeals to participate in the market. Baton Rouge native Roger Breaux, for instance, claimed that after the attacks of September 11, he put patriotic duty above personal enrichment:[218]

> I didn't dump [all my investments…] at 9/11. I did not. It didn't feel right for the economy, because I knew it was going to be taking a big hit. And the President asked everybody [not to sell off]—and I was a Bush supporter—so I did not. I did not dump everything, and I could have very well made a hell of a lot more, hell of a lot more money, but I just didn't feel it was the right thing to do, so I didn't.

Houston resident Pauly Rosa, a retired draftsman in his late 70s, likened investing in equities to "going to the casino." He too, though, recalled having heard politicians' calls to invest in the market.[219]

> **I: [W]hy invest at all? What started you on the path of investment, even way back before Stanford, before any of this stuff?**
> M: That's a *very* good question. I was thinking about retirement. Of course, I was in a 401K building up a retirement. Our government, if everybody remembers, [said] "invest in the stock market for your retirement!"
> **I: The government says this?**
> M: Oh yeah. Republicans, Democrats, whoever is in office several years ago was always: "invest in the market for your retirement!" So I feel like, you know, if there's more money to be made for my retirement I could sure use it. I didn't have no retirement coming from any *company* that I worked for. Everything I had, I had to make on my own—until Stanford took it [chuckles].

[218] Interview 5-18-11_2, Roger Breaux.
[219] Interview 4-21-11_3, Pauly Rosa.

Such stories are easy to scoff at, but it hardly matters whether Breaux's and Rosa's choices were truly shaped by the market boosterism of politicians. Rather, the Schatzkis', Breaux's, and Rosa's quotes all evidence the presence of scripts that morally embed investing, and the individual risk it entails, within some concept of a collective good. This civic justification, however, was only one among several.

Taking a broader view, the ideological currents that carried investors toward Stanford were varied and forceful. As a whole, they make a virtue out of investment, by turns painting it as a place where the intrepid stare down and outwit risk, and as a staging ground for middle-class prudence. Moreover, investing itself becomes a badge of moral worth, proof that the investor has shown the requisite discipline and thrift to pay into this off-the-clock financial self-improvement.[220] Having accrued some wealth in her "business life," the investor sends it forth into "the market," like a spectral second self, to do "work" in her name. The power of these notions, however, depends on a basic faith in fair play. When that faith is dashed, such as when fraud occurs, the ideology of investment activates its peculiar theodicy, and its adherents close ranks.

This theodicy, as I've hinted, rests atop the concepts of greed and gullibility. Specifically, it functions through a collective tarring of the defrauded as grasping and stupid. My respondents learned this the hard way following Stanford's collapse. Bill and Adeline Griffin, a Baton Rouge couple, described what it felt like to overhear such claims being made about Stanford investors.[221]

> F: When all this broke, something that really struck me [was] when people would say "these people that invested with Stanford, they should have known. They

[220] Clearly this does not apply straightforwardly to money acquired via other means, such as by inheritance or lawsuit. However, even there, the investor can retroactively come to deserve their windfall by exhibiting competent stewardship over their money through their subsequent investment choices.
[221] Interview 6-05-11_1, Bill and Adeline Griffin.

> were being greedy. They should have known it was too good to be true." And that really hurt, it almost hurt my feelings because I, I never wanted the term "greedy" to be associated [with us]. Bill and I are not greedy people. We're not ones to—
> M: We were diversifying.
> F: We were simply diversifying and it […] was a percent to two percent higher. It wasn't like we're going to get 10% when everybody is else getting 3%. It wasn't that much of a [difference…].
> […]
> M: [P]eople that didn't know that I was a Stanford victim, I would—everybody talked about it—[I'd] hear them say, just like what she said, they all: "oh those people," you know, "they got what they deserved." I'm just going like—so, I always set them straight—I said "you don't know what you're talking about because the interest rate just wasn't, it wasn't like that." You know, you might would think this. My mother, ah, ten years ago, twelve years ago, she had CD's at the local banks that were making 12%, 11% and then gradually fell 7%. Nobody said anything then when, when banks [paid…] those high interest rates […].

Indeed, it was a common complaint among my subjects that they'd become objects of scorn. As Houston realtor Tyler Brun told me, "that's the part that kind of hurt me the most because I know some people looked at me like 'you are stupid, you are greedy,' and we're not greedy people at all. Neither one of us have a greedy bone in our body. But that really upset me because I had somebody finally tell me 'why did you ever think you could [get such high interest rates?].'"[222] A read of the comments sections to Stanford-related articles written in the fraud's aftermath confirms that, in fact, such aspersions were cast often and gleefully. The following are typical.

> […] But much of this sounds like the usual 'fools and their money' [are soon parted], it really does. [One of the victims] googled the firm and talked to her father? So? Everyone knows regulators aren't always on the ball, scams abound, and also KNOWING that these investments WERE NOT INSURED, well, they were all gambling. "Low risk" is not "No risk" and never will be, especially these days […][223]

[222] Interview 4-22-11_3, Aaron Shepard and Tyler Brun.
[223] Comment by user name "nola67," in "Stanford Ponzi scheme claims Louisiana victims," in *Times Picayune,* 7-28-2009, Available at: http://blog.nola.com/tpmoney/2009/06/stanford_ponzi_scheme_claims_l.html#comments

> Let [Senator] Vitter pay [for the investors' restitution]. If these people weren't so greedy, and didn't think they were special, they wouldn't have put their money in the scheme. As a taxpayer, I damn sure don't owe them anything.[224]

> These suckers invested in financial instruments from a non-us bank offering too good to be true rates of return. They were greedy and/or dumb. Had they invested in an american bank they would still have their money.[225]

> Golden rule of investing. Don't put all your eggs in one basket. If it's any consolation, many of us have worked hard all our lives and have no pension on which to retire.[226]

Moreover, a recurring feature on such pages was the charge that Stanford investors had not done their "due diligence." If they had, such comments imply, they would've seen Stanford for the flimsy racket it was. And yet, a large number of my subjects insist that they scrutinized the firm to the best of their abilities. As Baton Rouge resident and seasoned investor Jodi Clemson told me, "I inquired [with] who I knew that invested with them. I did some homework. I took [my prospective Stanford advisor] to meet my CPA. I mean I thought I did due diligence.[…] I thought I did enough due diligence, as much as I had ever done with any other investment, I would put it that way."[227]

The concept of "due diligence," I submit, is the key to the investment theodicy at issue here. As Maurer observes, the phrase is most often used to denote the investigative work corporations do prior to mergers or acquisitions, and, more recently, the duty of offshore financial institutions to screen prospective clients for criminal links. The difference, not only in scale but power and resources, between such actors and a typical investor planning her retirement should be evident.

[224] Comment by user name "Sparkzz" in "Sen. David Vitter presses for compensation for victims of accused Ponzi scheme operator Allen Stanford" in *Times Picayune,* 12-10-2011. Available at: http://www.nola.com/politics/index.ssf/2011/12/sen_david_vitter_presses_for_c_1.html
[225] Comment by use rname "Richard Dunn," in "Baton Rouge victims of Stanford financial fraud meet with Sen. Vitter to push for compensation," in *Times Picayune,* 5-30-14. Available at: http://www.nola.com/politics/index.ssf/2014/05/baton_rouge_victims_of_stanfor.html
[226] Comment by user name "krpeppy" in "Stanford Ponzi scheme claims Louisiana Victims," in *Times Picayune.* 7/28/2009. Available at: http://blog.nola.com/tpmoney/2009/06/stanford_ponzi_scheme_claims_l.html#comments
[227] Interview 5-27-11_3, Jodi Clemson.

Moreover, when undertaken by wealthy organizations, “due diligence” is done with an eye toward future exculpation, in the event they are sued. In the case of the individual investor, it’s less clear what use it serves. As Maurer reminds us, “due diligence” need not refer to specific investigative protocols. Nor is it even geared toward ascertaining, much less “calculating,” concrete dangers. Rather, it is, as he puts it, an “ethical mode of knowledge”—one that often amounts to little more than a performance of ethicality (Maurer 2005, pp. 477, 489).

In the case of a corporation guarding against future lawsuit, performing “due diligence” has obvious value. By contrast, whatever precautions the individual takes prior to investing, it will never be said to have met the bar of “due diligence” in the event she is defrauded. Rather, definitionally, she will virtually always be deemed to have acted greedily or stupidly. As such, “due diligence” is less a standard of care than an empty, opportunistic concept, a rhetorical cudgel used to mark as exceptional those whose victimization might bring discredit to the whole enterprise.

Thus, charges of greed and stupidity, whether whispered at parties or posted to websites, do crucial moral work, effecting a social closure, and affirming a basic fairness within the community of risk comprised of self-styled “investors.” Such crowdsourced affronts, however, are not just normative in nature but rather also serve a crucial epistemic function. In transferring fault for investor harms from a fraud’s perpetrators and inept or captured regulators to its victims, these judgments obscure the fact that ruined investors are the “externalities” of the political disorder and poor institutional design that allow frauds to transpire in the first place, and at a toxic rate and massive scale. Indeed, a high tolerance for investor harm is “baked into the cake,” presupposed by existing arrangements between regulators and regulated, whose relationships are the economic analogue of the courtroom work group. As I turn to the jurisdictional folk schemas that my U.S. respondents invoked, it's important to remember that such schemas are products of my respondents' exclusion from circuits of authority and expertise, and as such, the institutional actors discussed in Chapters 2 and 3 are as much their authors, albeit in a negative sense, as my subjects were.

JURISDICTIONAL FOLK SCHEMAS IN THE U.S. CONTEXT

Here too I repeat the general approach of the previous chapter, elaborating the jurisdictionally-informed folk schemas that my U.S. respondents used. And once more, I divide these into broad groupings: here, affective schemas and place-based cognitions.[228] Moreover, the same caveats apply: most of the following schemas could fit under both of these categories (and many more besides). As such, these groupings are provisional, their contents sorted on the basis of rough family resemblances. What is more, my theoretical stance here is the same. I submit that these schemas were not mere lenses through which investors passively perceived Stanford prior to the moment of entrusting their savings to the firm. Rather, they are tools with which my subjects grasped the firm, and represented it to themselves and others, on an ongoing basis. However, if their use of such schemas was at least intermittently active, the agency it represents is of a debased sort. It was my respondents' exclusion from zones of authority and expertise (i.e., "jurisdictions") that prompted the fashioning and use of these interpretive tools.

[228] In this chapter, I've collapsed the "cognitive schemas" and "material- and place-based schemas" of the previous chapter into one overarching category, while eliminating much of the corresponding content that would have felt repetitive in this chapter. In doing so, I've eschewed strict topical parallelism between the chapters in favor of highlighting the distinctive aspects of each "case."

Affective Schemas

Much like Venezuelans did, my U.S. subjects made sense of Stanford partly on the basis of how the firm made them feel. For instance, they experienced the personalized attention of Stanford financial advisors in a similar way to their Venezuelan counterparts, albeit with a difference of emphasis. Liz Gallo, a retired middle manager for an airline, described meeting up socially with her financial advisor at chili cook-offs and like events. “It just seemed like that was why they were successful,” she told me “because they had this one on one [service].”[229] Like my Venezuelan subjects, Gallo and other U.S. interviewees were keenly aware of the quality and intimacy of customer service they had received. However, unlike the Venezuelans, they were much more apt to characterize that relationship as one of friendship. Perhaps as a result, U.S. investors seemed more frequently to extend friend-like gestures toward their advisors. Gallo herself reported that “I’d bake them cookies and send them [off with] cookies when they left, that kind of stuff.” A few days later, Carla Debevic, another Houstonian retiree, admitted that while “we got Christmas cards, we got birthday cards, you know, [they] bought me flowers on Mother’s Day,” she also was “always baking cookies when they’d come over too.”[230] Although it’s difficult to draw strong inferences from such data, it is possible that Stanford’s zealous customer service may have succeeded for different reasons in the two countries. For Venezuelans, the personalized attention stood apart from the surliness they associated with ordinary banking, benefitting from the contrast. For U.S. clients, however, such affectively warm

[229] Interview 4-21-11_2 Liz and Gary Gallo.
[230] Interview 4-27-11_2, Judd and Carla Debevic

service may simply have dovetailed with and catalyzed their comparatively open, middle-American attitudes.[231]

Class flattery and the "accredited investor"

However, the basis of my subjects' feelings for Stanford extended far beyond these quasi-friendships. In the remainder of this discussion, I concentrate on two aspects of that "feeling": the classed and status-based dimensions of client-firm interactions; and, those axes of affinity—notably, religiosity—that joined Stanford investors both to one another and with their financial advisors. On the surface, the class dynamics of client-firm interaction in the U.S. seem to closely track those I described in the previous chapter. For Venezuelans, the firm's personal attention and posh offices effected a kind of status flattery, one made more potent by contrast with the prevailing standards for service and presentation. The U.S. case, though, features some subtle differences. First, the "floor" of service to which respondents were accustomed was quite a bit higher. Certainly, no one complained of having suffered surly treatment and snaking lines at other investment houses like A.G. Edwards or Charles Schwab. Thus, the affective bases of their receptivity to Stanford were likely different. Second, the common observation that most Americans identify as "middle class," regardless of their objective socioeconomic status, certainly held true among my respondents. Though the majority would actually fall within that category, "middle class" was at least as much a cultural measure for them, a badge of identity, as an economic one. Thus, for most, to enter Stanford's offices and experience its trademark service and perks, was to be transported into a stereotypical vision of what the well-to-do experience on a daily basis. When I asked Len Ford to recall his first impressions of the firm's offices, he described them as:

[231] One is always on thin ice with such stereotypes, but insofar as impressionistic data is valuable, it was my strong impression that this was the case! Once U.S. clients were committed to a financial services professional, they seemed much more eager to break down the professional/personal barrier than their Venezuelan counterparts.

> M: Out of my league. Oh my god. The building was so nice. The security was so tight. They had a security guard at the parking lot, and he would question "who you gonna go see" and everything. And he would immediately call in to somebody and they would tell the broker about it, and strictly by appointment. And then when I got to the doors, you had to have the security open from inside, open the door for you to get into, like you did in Fort Knox. I had to report to a desk and sign in; I had to wait for the broker to come down and greet me and take me up. Oh, my god! And the whole time you're granted all these luxuries and everything. And they would always invite us to stay for lunch, have something from the chef downstairs in the private dining room.
> **I: Did you ever have lunch there?**
> M: [Yes, and] it was very impressive […]: nice tables and the chef would always come out and greet us and take up the order mentally. He wouldn't write them down, and he would tell us what's on the menu that day and talk to us a little bit about it. And damn, the chef is coming to my table. I feel important. And then he would disappear, and later on he would actually bring the food. Wow! It was probably him and the dishwasher that's all they had down there, poor guy working his tail off. […] [T]his was a class 'A' operation all the way.[232]

Although Len Ford was a schoolteacher, comparatively well-off respondents reacted similarly to Stanford's "high class"[233] stagecraft, characterizing it as a window onto a world they'd rarely glimpsed. Retired banker turned energy investor, Ben Cooter put it memorably:

> I mean there was nothing in town to being compared with it. It was totally different. I mean, they literally had a 5-star restaurant on the ground floor. All of them…I mean the finest steak house you've ever been in. All of the mahogany, all the china, all the silver, all the crystal, you know…and then of course, the waiter knew your name before you got there. He'd walk to the table and you know, he'd say, "Hello Mr. Jones, how are you today?" "I'm doing great" "Mr. Cooter, what can I get you to drink?" I mean, it was just, you know. It's how really, really, rich people live all the time. It was just you know…a redneck like me don't get to see that kind of stuff. It was pretty… it had an allure to it, it really did.[234]

U.S. investors' middle-class self-image and aw-shucks wonderment before such excess had the odd result of helping to turn one of Stanford's potentially greatest handicaps into a strength. In the late 1990s, Stanford founded Stanford Group Company (SGC), its U.S.-based chain of

[232] Interview 4-20-11_1, Len Ford.
[233] As Liz Gallo told me, "I'm just regular. I don't even like to shop the Galleria. It's too high class for me. I'm not a Wal-Mart person but I just don't go for all that show. But, anyway, it was fun to go to all of these places and have all of these people who were much wealthier than us, but because we had been frugal we also had a comparable amount of money to invest." Interview 4-21-11_2, Liz and Gary Gallo.
[234] Interview 4-26-11_1, Ben Cooter.

brokerages, for the purpose of opening the U.S. market to its CD sales. As always, though, the firm sought to maximize access while keeping scrutiny at a minimum. In furtherance of this goal, SGC arranged to sell the Antiguan CDs to U.S. investors via what's known as a "Regulation D" or "private placement" exemption. According to the 1933 Securities Act, all securities sold in the U.S. must either be registered, by their seller, with the SEC or qualify for an exemption. Regulation D of the Act groups together several such exemptions. Seeking to shield both its brokerage and the CD from SEC oversight, Stanford arranged to sell the CDs through the exemption specified in rule 506(b)[235]. Among that rule's provisions—most of which SGC regularly flouted—was a ban on "general solicitation," or marketing to the public at large, and, crucially, the requirement that the company sell the exempted security only to "accredited investors."[236] This latter term of art was defined at that time as any investor with a net worth of at least $1million *or* who has earned at least $200,000 (or $300,000 for a married couple) in each of the previous three years.

The plain purpose of these rules—both the general solicitation ban and the accredited investor proviso—is to screen out amateur investors. The requirements, in other words, were written as proxies for "financial sophistication." Indeed, they assume that anyone who meets those dollar thresholds has the requisite savvy to analyze opaque investment products or the wherewithal to absorb a bad loss. Conversely, in theory, the "Regulation D" label should alert others to a product's heightened risk level. In the Stanford case, however, such assumptions proved rash. Instead of protecting or warning SGC clients, the accredited investor rule, especially in Stanford brokers' crafty hands, facilitated a kind of "millionaire effect." Here, Len Ford recounts not only

[235] Rule text is available at: http://www.ecfr.gov/cgi-bin/text-idx?SID=0a94ea1a8a9ecce212ec25025efed3af&node=17:3.0.1.1.12.0.46.181&rgn=div8
[236] The text of the "accredited investor" stipulation is available here: http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=8edfd12967d69c024485029d968ee737&r=SECTION&n=17y3.0.1.1.12.0.46.176

how his unscrupulous advisor "qualified" him under the rule but how pleased Ford was to have qualified:

> M: I'm not an accredited customer. And you may have heard of the term "accredited"—means you had at least a million dollars in liquid [sic] assets. I didn't have it.[…] How my broker qualified me, I don't know. But he didn't exp— he told me, "Now, you see, we only do this for accredited customers." You know, like it's some kind of *big deal*. "Well yeah, I wanna be one!" So he started asking me questions and I answered all of those questions. Somehow or another he falsified the form. And everybody says, "Well did you get a copy of it?"—nooooo, they didn't give out copies of *anything* And I don't have it, and nobody knows how he qualified me, but I have all my records from back then; I wasn't accredited.
> […]
> M: I knew they had locations all over the place and I had actually begged to get on one of those trips, since I was now an accredited customer; they give one of those trips down to Antigua. "We've never been to Antigua," you know, "let me go down there." [**Did they?]** Nah, I wasn't big enough; I was a minnow [laughs]. And they knew there was no more money to get out of me.

Others told similar stories of advisors using creative math to hoist them over the $1 million net worth bar. And like Ford, several recalled with bitter amusement the ego boost that the "accredited investor" label had provided:. "You had to […] be in the 'million class,' you know, to join the company"[237]; "Yes, accredited investors […] We were so thrilled that we got to that point"[238]; "All of it was just like […] 'Stanford is very special, you're special, we're all very special people.'"[239]

In sum, my U.S. respondents' cultural identification with an unfussy, middle-class ordinariness disposed them to experience Stanford in a particular way. The firm's doting service, posh offices, and numerous perks combined to give its customers the feeling of having been admitted—accidentally—to an exclusive club. In turn, my subjects' dispositions, combined with an unlikely assist from the SEC, enabled Stanford to turn a glaring weakness into an asset. The

[237] Interview 6-1-11_1, Clint Bailey
[238] Interview 5-23-11_1, Dan and Julia Willis.
[239] Interview 4-22-11_3, Aaron Shepard and Tyler Brun.

legal marginality of the firm's business model, wholly dependent on the sale of Antiguan CDs, should have raised red flags in clients' minds. Indeed, that marginality is precisely what the "Regulation D" designation ought to have communicated. Instead, the firm transformed that rule's "accredited investor" requirement into a prestigious qualification, one more sign to my subjects that they'd "made it."

Axes of affinity

As on the Venezuelan side, I encountered several axes of affinity or identification that attracted Stanford's U.S. clients to the firm, both directly and through one another. These were: retirement community membership, oil industry affiliation, and religiosity. Once again, I had uneven success in accessing the corresponding social groups. In a south Houston suburb, I interviewed three and a half couples from a large, middle-class retirement community.[240] According to my respondents, they made up only a fraction of the defrauded Stanford investors who either still lived there or had recently moved away due to their losses. My subjects described a well-oiled operation that began in the early 2000s, whereby Stanford representatives would visit the community and give slide presentations ("bar charts and things like that") about the firm and its products. Community residents Gerald and Judith Miller were among the attendees:

> M: They came here… probably the golf club. […] They served some light meal. And they sent out fliers, anybody who wants to attend this presentation on investing with this company. And of course any time in—this community, particularly, is a retirement community—every time you offer a free meal, you don't have to use much gas. A lot of people won't even drive, they walk over here. That's quite an attraction, it's like a… like flies to honey. […] So it's full. And they had a presenter there with some brokers too. [They] came out with the

[240] Interview 4-21-11_1, Gerald and Judith Miller; 4-21-11_2, Liz and Gary Gallo; 4-21-11_3 Pauly Rosa (Mr. Rosa's wife could not attend, hence my reference to "three and a half couples"), and 4-27-11_2, Judd and Carla Debevic.

> slides and things like that, of how… how profitable they were over the years and go down. […. T]hey were selling annuities…[…] They made their presentations here and fed people. And it's brilliant if you stop and think about it because the old story which is true, is most of the money is with the seniors. You know, having years and years of earning and then they retire, and they have to retire in a place like this to have some money—logical. So why not talk to the people who have money, which is reasonable.[241]

The Millers also revealed that this was a regular feature of life in their community, with not only Stanford but other firms putting on such events multiple times a year. In addition, Stanford would frequently invite community residents to more elaborate seminar-style presentations, over lavish dinners ("wines I could never afford," "wild boar"), at the firm's downtown Houston headquarters, with dozens of residents in attendance. It was through a mailed invitation to such a dinner, in 2002, that Judd and Carla Debevic were first made aware of Stanford:

> F: We actually got an invitation in the mail to a dinner at their place, and they were going to … they sent it to everybody [here], I guess.
> M: They were doing a lot of recruiting, yes.
> F: They would pick us up in the little, really nice little mini-buses and take us to their big building on Westheimer. They had a chef and a big dining room, and wined and dined, […] and they had a big conference room, […] theater seating where they did presentations. And they had folks from all different, from insurance companies, from all kinds of investments would come in. […] We went to … they entertained their clients several times like that, just as new products came available that they could invest in. And I think that is how, at one of the dinners, I mean it got to where it was almost, well I want to say once a month but it wasn't, but it felt like we were going quite often.

Stanford's strategy—what Gerald Miller termed "mining the seniors"—was successful not only in attracting individual clients but in fostering a silent esprit-de-corps among community residents. Indeed, as Judith Miller observed, the community's Stanford clients learned of one another's identities because "they didn't repeat inviting them [to dinner] unless they were invested, so we know there were other people." Others made the same point.[242] In attending

[241] Interview 4-22-11_1, Gerald and Judith Miller.
[242] As Pauly Rosa said of a couple down the street, "I knew that they were in these funds […] because we'd attended the same meetings." Interview 4-21-11_3.

these functions, and deducing which of their neighbors were Stanford depositors, my subjects could take comfort in the fact that peers with similar life circumstances had also deemed the firm safe enough to invest with. Ironically, it was their residing in this retirement village that allowed them to experience investment in a more communal and thus reassuring way, even as it facilitated their efficient capture by Stanford.

I had mixed luck accessing the second group I've named. Both in terms of social identity and professional affiliation, Exxon Mobil retirees in southern Louisiana constituted the largest cohesive group of investors. They were certainly the most talked about. Once in Baton Rouge, I was frequently asked whether I planned to speak with the "Exxon people." I soon learned, however, that this label described several distinct sets. Most broadly, it referred to company employees who'd lost money in the fraud. But this group was itself tacitly split according to professional status, with engineers and the managerial class, at one end, and technicians and tradesmen on the other. It was this latter group that my interlocutors meant when they referred, often in hushed and pitying tones, to the "Exxon people." Because of a generous company pension plan, denominated in Exxon stock, even the oil giant's non-professional retirees often left with considerable sums. As the wife of one middle-manager told me, "I mean, you can be 'an hourly' and retire with over a million here. So, a lot of people are going to have a lot of little nest eggs here in Baton Rouge."[243]

By most accounts, this latter group comprised the bulk of the estimated hundreds of Exxon-employed Stanford victims in the Baton Rouge area.[244] Indeed, these were the people I was most eager to reach, but my plans were derailed by legal developments. A large contingent of these Exxon workers had been served by the court-appointed Stanford receivership, with so-called

[243] Interview 5-30-11_1 Hellen Gallaudet.
[244] See "Follow the Money," 12-14-2009, *Baton Rouge Business Report*. Available at: https://www.businessreport.com/article/follow-the-money-2

“clawback” claims, after many of them were able to withdraw some or all of their deposits months before the firm’s collapse, under opaque circumstances.[245] Many other (i.e., non-Exxon) investors who’d had the luck to draw out significant sums from their CDs were also targeted in that suit. The division of Baton Rouge’s Stanford victims along such lines made for strange and tense moments. Dan and Julia Willis were Stanford investors peripherally involved in local efforts to agitate for restitution. During our interview, Dan asked me if I’d been able to reach any Exxon folks. Julia quickly shut down that line of conversation:

> **I: Well, actually, I haven’t been able to talk to any of them. I’ve only talked to one or two.[246]**
> F: [To her husband] And I basically told him [on the phone] that he’s not going to get those Exxon retirees.
> M: They have a separate issue…yeah, gotcha.
> F: Yeah, they’re not going to step forward.
> **I: I see.**
> F: They’re very clannish I guess is the word and they have certain things that are going on that they—and they don’t want to talk about it.

It is likely that Dan and Julia were themselves on the wrong end of a clawback suit, perhaps being represented by the same law firm then defending many Exxon retirees. Still, despite her reticence, Julia’s characterization of lower-tier Exxon retirees as “clannish”—“Get one to fall and then you’ll get them all”—was useful and accorded with others’ claims that “they had a culture […]. The Exxon employees all knew each other. They all stayed together.”[247] Of the eight people I interviewed who were Exxon employees or their spouses, all either came from the

[245] Many had been clients of a Stanford financial advisor named Michael Word, who left the firm in late 2008, taking a broad swathe of his client book with him to Merrill Lynch. I heard conflicting reports as to whether he’d suspected fraud at Stanford prior to leaving.
[246] Interview 5-23-11_1, Dan and Julia Willis.
[247] Interview 5-26-11_1, Sue Caldwell and Thomas Byrd. It being Baton Rouge, class was never too far from any discussion. Beneath the pity that some expressed for defrauded Exxon laborers was an unmistakable class condescension. Stanford investor and quasi-socialite Jodi Clemson had the following to say about their plight: “[Stanford] must have had their list [of retirees] and gone down the roster. And, again, don’t you think that’s -- if Joe and Frank and Al and Jimmy have worked together at Exxon for 35 years and they’re all investing in it, it’s kind of a fraternal, you know, ‘can’t wait to go fishing with the little momma after I retire! […] We’re going to build a camp and brim fish. […] That’s what I’m going to do with my retirement […] cook hot dogs for the grandkids and I’m out of here!’ Those are the people that it breaks my heart because they were counting on their $3,000 a month or whatever it is to live on.” Interview 5-27-11_3.

company's managerial tier or had retired long before investing with Stanford. Nevertheless, they too evidenced some of the insularity usually imputed to that company's less credentialed workforce. When I interviewed Barry Dubois, a retired refinery engineer, he described the circumstances that led him to Stanford:

> The reason we went and even considered them was because one of my friends from work, that had retired a few years before me at Baton Rouge, he recommended them highly. And, so, we went and we talked to them, and I asked them for some references. They gave me the names of several other Exxon people that I knew, and I called and talked to them, and they were all very happy with them.[248]

In a telling moment, Barry's wife said that such references carried weight because they'd come from people "in a similar situation to what we were in," which I took to mean newly retired, or perhaps newly retired from Exxon, until Barry added "Yeah, they were supervisory […] They'd all been Exxon supervisory."

Though I was afforded only a partial view into the Exxon community, I offer these tentative conclusions about the particular affective schema that its members brought to bear on their dealings with Stanford. Across the board, the cohort of Exxon employees that fell to Stanford enjoyed unusually robust, and an increasingly rare form of, private retirement provisions. Moreover, because Exxon's pension plan was so generous and well-performing during those years, many employees reached retirement never having given their finances much thought. However, encumbered with large lump-sum payments, they suddenly had to choose from among a field of financial suitors. Most turned to the best resource they had: the dense interpersonal network they'd become enmeshed in over decades at Exxon. Owing to Exxon's close fraternal culture, an approving word from an ex-colleague was all it took to positively dispose employees toward a given investment firm. So it was that Exxon's superlative retirement benefits and its

[248] Interview 6-03-11_1, Barry and Martha Dubois.

enviable organizational culture left its employees more susceptible to a kind of employment-centered affinity fraud.

The tacit approval of neighbors, in the case of Houston retirement community denizens, and the recommendation of colleagues, among Louisiana's "clannish" Exxon retirees, functioned as tools for those groups' members to assess Stanford's probity. However, of the affinity-based affective schemas I identified, none was more pervasive or overt than the role of religiosity among Louisiana investors. And it's hard to imagine a firm more fitted to their worldview. Stanford's odd, Southern Baptist-infused corporate culture is widely noted in press accounts.[249] Allen Stanford and, in particular, his second-in-command, CFO Jim Davis, were notorious bible-thumpers. At trial, SFG's former head of communications remembered Davis as a "hyper religious, moralistic person […] that began and ended every conversation with, 'May God bless you and guide you'" (RAS Tx, p. 4962). Indeed, Davis used the Baldwyn, Mississippi church, at which he once led a bible studies class, as a hunting ground for Stanford hires, practicing both a familial and religious nepotism for which the firm later became infamous.[250] What is more, all sorts of company meetings and functions were regularly begun and concluded with prayer.[251] Jason Green, a Baton Rouge-based Stanford advisor known to everyone in the area, testified that prior to being hired, he was told by Davis "every decision of this company is bathed in prayer"—

[249] See, e.g., "Broken Trust," Olivia Watkins, 6-15-2009, *Baton Rouge Business Report*; "Stanford Prayer With Dying Man Pumped Agents in Alleged Fraud" Michael Forsythe and Alison Fitzgerald, *Bloomberg News*, 3-09-2009.

[250] Davis filled important financial-analytical vacancies through such hires, often bringing aboard stunningly ill-suited and incompetent people, particularly at the Tupelo, Mississippi, Stanford office that was his personal fief (RAS Tx.,pp. 1702-15, 5827-9). Davis would eventually hire SFG's third-in-command, Chief Investment Officer Laura Pendergest-Holt, in this manner, after meeting her in a bible studies class Davis was co-teaching with his wife. He and Pendergest-Holt would later have a lengthy affair, which Allen Stanford condoned, reasoning that it was likely to ensure her loyalty and discretion (RAS Tx., pp. 2865-9, 3401-3).

[251] See "Stanford Prayer With Dying Man Pumped Agents in Alleged Fraud" Michael Forsythe and Alison Fitzgerald, *Bloomberg News*, 3-09-2009, and RAS Tx., pp. 1102-3.

which prompted the evangelical Green to remark that he "would work [at Stanford] for free." (RAS Tx. 1403-4).[252]

Many Stanford clients exhibited that same fervor. Indeed, my respondents were so steeped in religion that the topic was unavoidable during my fieldwork in Baton Rouge.[253] Numerous subjects recounted having met their advisors through church networks. Moreover, several Stanford advisors were heavily involved in church affairs, serving as deacons or leading bible study "cells." Baton Rouge native and Stanford investor Joe Wilson, himself a church administrator, recalled that as early as 2002 "there were several Stanford representatives in our congregation here."[254] When I asked if the Stanford advisors were active church members, he replied that, yes, "[they] were and are still very active," adding ambivalently, "I never got the sense that they used their relationships in the church to market, you know, Stanford. I'm sure they probably did but that's not how I, I came to be with Stanford, so..." Regarding one of those very men, who was also their Stanford advisor, couple Gene and Marcy Thrall attested to his character, offering that:

> F: - he's an elder at [our church…] he's a Sunday school teacher -
> M: - and we attended services there at the church, we were always welcomed there out in front of the church with [mimes handshake] "Hi Gene and Marcy, welcome!" you know.[255]

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[252] Both Davis and Green were able to convince Allen Stanford to donate several millions to their respective churches. Green in particular hoped to finance Christian missionaries around the world with his Stanford bonuses (RAS Tx., pp. 1096, 1133, 3294-5).

[253] With one exception, my Houston respondents did not report the mingling of business and religion that so many in Louisiana described. Jessica Nash, a widowed adjunct college professor, was the one outlier, having attended Christian theater productions and a pricey bible studies course with her financial advisor (and friend). Interview 5-05-11_1. When I chatted about the role of religion in the fraud with Dr. Stephen Owings, another Houstonian subject, he observed that "Here in Houston, it's the Church of Money, baby. We're, I don't think, as bad about [religion as Baton Rouge] but that's pretty much what Houston is about. It's the Church of Money here." Interview 4-21-11_4.

[254] Interview 5-17-11_1, Joe Wilson.

[255] Interview 6-01-11_2, Gene and Marcy Thrall.

However, the Thralls too were ambivalent. When I asked them if they thought their advisor and co-congregant had used his church credentials to dupe them, they replied “No!” in unison, shaking their heads and flashing pained expressions. Minutes later, however, Gene Thrall admitted to doubting whether the advisor had truly put his own family’s money in SIBL CDs, as he’d claimed.

Religiosity functioned as an affectively-charged schema for my subjects, allowing them to gauge the integrity of prospective financial advisors. And there is little doubt, in turn, that religiosity, and integration within church-based networks, allowed Stanford advisors to signal their worth in ways they might not otherwise have been able to. Dave Lee, an investor in his mid-50s, and one of my most outspokenly religious interviewees[256], reflected on the professional advantages of active church membership for Stanford advisors:

> M: […] I laugh when I see these young guys and their faces on these billboards and they’re brokers, you know, “yeah, come invest with me!” I’m a 55 year old guy and I laugh when I see that. I know you’re a young guy but I’m like […] what do the hell do you know? I mean you just put a shirt and tie and a suit on and you can work at AG Edwards or […] Edward Jones, and what do the heck do you know? I don’t know you. I knew these people, you know? I knew [my broker’s] sister, I knew who his daddy was, I knew people that knew him so it wasn’t like he was a stranger off the street, you know? And I knew Jason [Green] from church and I knew people that knew Jason […][257]

We were well into our interview, however, and I still could not tell whether Lee had regarded his Stanford advisors’ expressions of faith as sincere. When I asked him, he revealed the same pained ambivalence as so many others:

[256] That some clients’ financial decisions were also “bathed in prayer” became clear to me upon hearing Lee describe his first deposit at Stanford, a decision prompted by his sale of some real estate: “I think I started off with $350,000 and [my broker] said, ‘look, Stanford has this international bank and they’ve been in business for 20 years and they never lost money. It’s the safest place you can put your money. It’s, ah, you know, why don’t you consider that?’ So I thought about it and prayed about it and, ah, ah, eventually decided to put in like $250.”
[257] Interview 5-30-11_2, Dave Lee.

I: Did you think that the people at Stanford—I mean it's probably hard to say because I think here everyone is pretty religious—but did you think they wore their religion on their sleeve, in a way, as a -
M: - Selling point?
I: Yeah.
M: [Pause]…I don't know. I don't, I hope not, you know, because I went to the same church and stuff as, ah, Jason but afterwards after this happened I heard he kind of jumped around from church to church and from what I understand my church […] had money invested with him too. I don't know. It's almost like that they, some of them anyway, got up into the hierarchy of the church or whatever, you know. But, ah, I don't know. Yeah, who else, who should you trust more, you know? But I'm a Christian and it didn't […] weaken my faith and I think it's more that Stanford was maybe looking for people […] that he […] saw it as a good, you know, direction to go, find a bunch of Christian people to do it. It may have been that. It could have been either way. It could have been either way but it certainly didn't hurt them in solicitation.

I took such answers to indicate that although my respondents had been perfectly happy to mix religion and business, and to use the former as a proxy for ethicality, the experience had in fact shaken them and cast into doubt the accuracy of faith as a criterion for judging others' intentions.

Not everyone was totally at ease with the mingling of religion and business. Even in such instances, however, my respondents took their Stanford advisors' purported piety as proof of decency. In explaining what first attracted her to the firm, Martha Dubois recalled that "it was [mostly] the feeling that this was a good Christian organization, and I'm not really religious, but I was impressed that they were. I like people who believe in something, and […] they did."[258] Martha's and husband Barry's Stanford advisor was well known for his faith and involvement in church activities. Because I'd heard that client meetings could involve prayer, I asked them if their advisor had ever initiated that sort of thing, Martha replied that "No, no, nothing like that. I would have been, actually—I would have been upset if he had done something like that. That's not appropriate in a business setting […] I would have felt like that was totally inappropriate in a business setting."

[258] Interview 6-03-11_1, Barry and Martha Dubois.

Not quite grasping how their advisor had signaled to them his faith, I pressed Martha and Barry to specify what he'd done or said. As Barry put it,

> I guess he was a deacon of his church or something. He was a, I don't know, he was a church official. I guess he mentioned different things in the church or whatever. And we weren't members of his church, so… But, uh, we did feel that… I don't know. He gave off the impression that he was a religious, good man. […] And he probably talked about his faith or something. […] But it wasn't, it wasn't a hit you over the head. It wasn't like he was trying to convert us or anything. […] Which wouldn't have gone over well. I just got a comfortable feeling that this was a very straight, honest, religious guy that you could trust…and also was extremely competent. You know?

To this Martha added "Yeah. One without the other wouldn't have done it for us. I don't care how—particularly when dollars and cents are involved—I don't care how religious somebody is." For Martha and Barry, their advisor's faith was evidence that he was inclined to do right by them, the "moral" factor without which another's "competence" is insufficient grounds for trust (Barber 1983). Still, rereading the interview I was struck by Martha's vacillation as to whether their advisor's religiosity was a good thing. She claimed she would've objected to its flagrant display during a business meeting. Nevertheless, it formed the basis of her esteem for him.

Finally, I came upon the probable key to her ambivalence: "[T]he fact that they were obviously very good Christians, you get the feeling that, you know, particularly when you're not wildly Christian yourself, you get the feeling that people who are that way might have something over someone like me. So, that played into it." This is a striking admission. It suggests that, to the degree that religion furnished a schema with which the Duboises assessed Stanford, it did not function by means of straightforward identification, as it did for most Louisianans. That is, they did not choose the firm because they saw their own religiosity reflected back to them in its personnel. Rather, Martha hints, her own sense of religious inadequacy may have caused her to overestimate their broker's virtue. So faith-soaked was Baton Rouge that its residents drew on this particular schema whether or not they fully identified with its underlying values. As a form of locally-produced meaning, such schemas could thus function via both positive and negative pathways.

Place-based Cognitions

Lacking the expert's evaluative tools or the regulator's access to privileged information, my U.S. subjects relied on the locally-sourced affective schemas I've just described. However, like Stanford's Venezuelan clients, they also made use of "cognitive" and "place-based" schemas to understand the firm. In the present chapter, I combine these into one category that I've termed "place-based cognitions." In the process, I've also cut out some topics. However, these should not be taken to imply that U.S. clients didn't use similar cognitive schemas to those I identified in the previous chapter, such as asset comparisons, risk hierarchies, and diversification rules. Indeed they did, albeit to differing degrees. But what mostly gave those tools their local specificity in the Venezuelan context was their having been forged in the shadow of inflation, devaluation, and currency exchange controls. In the U.S., by contrast, such schemas could take for granted the dollar, an undisputedly sound currency, as a kind of analytical bedrock for their mental operations. While this contrast between the countries is of potential theoretical interest, I've opted not to address those schemas here, both to avoid a repetitious discussion and in favor of highlighting other phenomena unique to the U.S. context. For similar reasons, I've omitted discussing how my U.S. respondents made sense of the firm through "paper, documents, and screens." Venezuelans' use of these objects, and the relative comfort they drew from them, was partly conditioned by the fear that their account statements could fall into the wrong hands, putting their or their loved ones' lives at risk. That U.S. customers' use of these objects transpired atop an unexamined foundation of safety and order is, again, theoretically interesting, but its discussion is best left for another day.[259]

What's in a name: the "certificate of deposit"

It quickly became apparent, during my U.S.-based fieldwork, that the "certificate of deposit" or CD had its own particular mystique and mythology. A large segment of my respondents described CDs the same way, perceiving them as conservative and safe, especially relative to equities, and strongly associating them with their parents' generation. What is more, the label seemed to draw from a well of thoroughly American, emotionally resonant meanings. Certainly, for some, to invest in a CD was simply a refuge from risk. As Len Ford stated repeatedly, "I didn't want to invest in the market or anything […] we didn't want [that money] in the market in case something happened."[260] For many others, however, the term connoted a tradition of specifically American cautiousness.

Prior to retiring, Martin Ward had never put a significant sum into a CD, since his ex-employer's thrift fund offered both decent returns and a guarantee of safety. Nevertheless, he had learned about CDs vicariously, such that when the Stanford CD came to his attention, he had a ready-made framework for assessing it:

> [T]o answer your question on CDs […] I had watched, over the years, my mom—my mom and dad had an inheritance from my grandfather. I told you he was a self-made man, but he had nine children so it got split nine ways—so she had a certain amount of money that came from that inheritance and she put all of that in CDs. So, she used CDs along with Social Security for my father and her. That was their income stream that they lived on very comfortably until the day she died, they both died. So, I had a lot of experience watching the CDs, and coaching her, and asking her what's she doing and who's she going through, and

[259] The pervasive feeling of disorder that enveloped even the most banal of Venezuelans' daily activities is illustrated in the quotes of Jorge Rivera and Gladys Ximenez, in the previous chapter.
[260] Interview 4-20-11_1, Len Ford.

> etc., how is it insured, keeping it so that you're not all your eggs in one basket so to speak type thing.[261]

The personal and the political-economic are entwined in Ward's account, a story packed with discordant American archetypes. His grandfather's Horatio Alger story (a genre that extols both personal and national virtue) made it possible for his mother to live out the very different American myth of remunerative prudence. However remote and inapplicable to the present, his mother's experience provided Ward a template according to which the joining of humble elements, CDs and Social Security, could furnish a comfortable retirement for two. Indeed, that the structural conditions that made this possible might no longer have obtained when Ward bought his Stanford CD was irrelevant. Rather, that it once *had* been possible, and that Ward had a direct link to that time, is what mattered.

The density of meanings attached to the CD was also on display in my interview with Alan Gottfried, a project superintendent for a construction management firm.[262] Gottfried's employer had been acquired by another company, several years before, leading to a stock buy-out and subsequent windfall for him and fellow managers. It was that money that formed the basis of his Stanford investment. When he mentioned that the market drop in late 2007 had inspired him to move some of that windfall to an ordinary CD, I asked him why:

> **I:** […] **It sounds like at the time that—shortly after the buy-out happened and you're kind of flush with cash and you didn't like the way the market was headed—you were thinking of putting money in CDs, not necessarily Stanford CDs, but CDs. Why is that? What does "CD" -**
> M: - Because I thought it was safe.
> **I: So, the CD has a connotation of safety for you? Where does that come from?**
> M: I think, I guess it comes from my dad. My dad used to...I mean that's where he invested all of his money. My dad didn't believe that the stock market could do anything. I mean, of course, he lived through the Great Depression and he saw what happened to people there. So, everything went into CDs, and so I always

[261] Interview 4-22-11_2, Martin Ward.
[262] Interview 4-22-11_1, Alan Gottfried.

> grew up [… witnessing] my dad always working on a mature CD that he's gonna have to [roll] over and redo and this kind of things. And he...I mean, I always looked at that as very safe because my dad was like that—his money was gonna be safe. And […] I looked at a CD that's FDIC-insured now. I looked at that and I don't know what's safer than that. If they...if you put money in there even at 0%, if you put it in the bank right now, the federal government guarantees that, that up to a certain amount, that you're gonna get that money back. I don't know too many things that are much safer than that.

Like Ward, Gottfried traced his taste for CDs to a parent's example. His father had seen firsthand the havoc of the Great Depression and concluded that the stock market was a fool's game. At first blush, it appears that Gottfried is simply using that narrative to lend his own choices a sort of vicarious, historically-rooted wisdom. His discussion of deposit insurance, the Depression-era innovation on which regular bank CDs' safety rests, seems to support that reading. And yet, by his own admission, Gottfried was never under the misconception that Stanford CDs were FDIC-insured. Indeed, although a small handful of my subjects claim to have thought SIBL CDs were identical to regular CDs, the vast majority understood that they were different and lacked the precise protections of U.S. bank CDs.[263]

So why his digression? Minutes later, Gottfried shed more light on his father's financial conservatism and his own relationship to it:

> […] All of his money was in CDs. I mean, it was always very protected and I always used to think, when I was growing up, what would happen if he would have really got in there and got into the market and invested smarter? I mean, the guy could have been worth a whole lot more money. […] He was very conservative and I used to always think that it was a mistake. And […] now I'm going "ah, I know what he was talking about." You know, "if I would have been a little more conservative. […] I wouldn't find myself in the position I'm in now." So yeah, he would...you know, there's a balance in there. My dad was on one extreme and I was probably on the other extreme.

[263] It's important to note, though, that the similarities among those respondents largely end here. Among those who knew Stanford CDs were fundamentally different there was a wide range of misunderstanding regarding the nature of those differences, with some believing the CDs were protected by SIPC (that is, U.S. brokerage) insurance; others thinking that their deposits were shielded by Lloyds of London and "excess FDIC" insurance; and still others believing that Allen Stanford's own personal wealth was the ultimate guarantee of their investment.

These two extended quotes, I submit, must be read together. Like so many others, Gottfried sold off “riskier” but potentially higher-yielding equities to fund his SIBL CDs. That is, he and many other investors truly were after a refuge from “the market.” Nevertheless, it was also true that SIBL CDs boasted returns that were above market rate, sometimes significantly so. And yet, that the “certificate of deposit,” as a type, came festooned in rosy connotations and a regulatory halo allowed Stanford’s U.S. investors to square the circle of enjoying SIBL’s facially risky returns while reposing in an illusion of safety. In other words, those connotations provided investors with just enough scaffolding to keep up—for themselves—a pretense of caution. It is just this incoherent position that we see dramatized, albeit in biographical form, in Gottfried’s claims to have both abided by and rejected his father’s example.

Despite their discomfiting quirks, the fact that SIBL was a “bank” and its signature offering a “CD” allowed investors to assimilate that product to the broader, more familiar category. Combined with the fact that, as a rule, stateside investors bought their SIBL’s CDs through a U.S.-domiciled stock brokerage (SGC), this allowed Stanford clients to make crucial inferential leaps about the regulatory protections afforded them. George Hardy, the Houston petrophysicist in his early 60s, gives this perhaps its most colorful expression. Like Ward and Gottfried, Hardy recalled how his parents had put money in CDs as a way of sidestepping the dangers of “the market.” For Hardy, though, the CD’s safety was ultimately rooted in the efficacy of U.S. financial regulation. As he put it:

> Yeah, you always think of CDs [as conservative investments], and the Stanford CDs were *American-approved CDs*. In other words, they were giving the impression that they have been reviewed; their mechanics had been reviewed by the government; that they were okay, just like eating beef—U.S. “grade A” beef, okay? You think when you eat a piece of meat, that it’s been inspected, […] that they’ve taken a random sampling and they haven’t found problems with it. And so you feel the same about your investment.

To Hardy, the fact that he'd transacted with Stanford via its U.S. brokerage was enough to render his offshore CD "American-approved." Moreover, in elaborating that point, he reveals an assumption many investors harbored: namely, that there exists a watchful American state, using scientific methods to guarantee that the "mechanics" of one's investments are up to some kind of standard. That there is a current of willful naiveté in his reasoning is undeniable—but beside the point. Rather, of note is how he draws on interpretive schemas autochthonous to his own legal and regulatory sphere to render Stanford trustworthy. Given plenty of material to work with by the firm, and in the absence of forcefully disconfirming facts, this interpretive work became much easier.

Seeing jurisdictionally

In this and the previous chapter, I've highlighted the sorts of jurisdictionally-inflected discursive tools or "schemas" that Stanford investors applied to their encounters with the firm. It is worthwhile to quickly remind ourselves that jurisdiction's "discursive" and "logistical" bearing on the production of trustworthiness are often practically entangled. The peculiar origins of the Stanford CD aptly illustrate this point. I heard the preceding narratives on a loop, during my U.S. fieldwork. Not only did they accord with my own assumptions about why Allen Stanford would have named his product a "CD," but they illustrated how effectively he had arrogated to his firm a generations-old store of faith in U.S. institutions. However, what had seemed a clear-cut case of a trustee putting jurisdiction to discursive use turned out to be anything but.

At trial, early Stanford employees revealed that the firm's signature product in the mid-1980s was not a CD but rather a "money market" account. In those days, Stanford's customers were uniformly Latin American, nearly all of them based outside the U.S., and the bank was still a decade away from targeting U.S. investors. Over time, however, Stanford's sales staff kept fielding the same request from clients: they wanted the bank to offer a CD. As one salesperson testified, "[m]any of our clients, because they were coming out of banks in the U.S., were accustomed to having certificates of deposit […] It was an instrument the[y] understood" (RAS Tx., pp. 589-91). In other words, Latin American investors, forced abroad by tumult in their own economies, had acquired a taste for U.S. bank CDs, and were now demanding that product from Stanford's offshore firm. Once sales staff conveyed the requests to Allen Stanford himself, the offshore CD was born. Given the thick husk of positive connotations it bears, the term "CD" was arguably the most important worth claim Stanford ever made about itself. Moreover, it would prove indispensable to the firm's "success" in the U.S. market. However, that it originated in the tortuous and counterintuitive way it did is a potent reminder that the exchange of meaning between trustee and trustor is very often more mediated than it appears.

In the course of deciding to invest, Stanford's customers had to make sense of, and accommodate themselves to, a legally and regulatorily complex tableaux. As we saw in Chapter 3, Stanford's business model, and the relationship among its various companies, was sufficiently weird and opaque as to stymie the efforts of trained regulators. In some sense, regular investors never stood a chance. It's worth reciting once more the scheme's convoluted design, as it functioned in this country. Stanford sold "CDs" issued by Stanford International Bank, Limited (SIBL), an Antigua-domiciled "bank" (that, in reality, functioned more like a hedge fund) to U.S. customers, either through Stanford Group Company (SGC), its U.S. broker-dealer, or, at one more remove, through its Louisiana-chartered trust company, Stanford Trust Company (STC). In reality, these were "sister" companies, that is, positioned horizontally with respect to one another. In both print and speech, however, Stanford and its personnel tended to encourage clients to believe that the offshore bank existed in a position of subsidiarity with either the U.S. brokerage or the fictitious parent company, Stanford Financial Group (again, not a company at all, but a trademark and label for the entire group of companies).

Although SIBL's Antiguan domicile ensured the fraud's architects the requisite obscurity to pursue their aims, it came at a high symbolic cost. Certainly, the fact of SIBL's offshore location was not immediately appealing or reassuring to most U.S. investors. This is so not only because of decades-old associations between the offshore and legally dubious ends but also because of vague but disparaging stereotypes that U.S. investors attached to the Caribbean. Scholars of "offshore" have long noted the racism and racial politics inherent to discussions of technical competence and regulatory safety in Caribbean offshore financial centers (OFCs), virtually all of which are Anglophone, postcolonial, majority black territories (Maurer 1997, 2001; Shaxson 2011). As Maurer in particular has documented, some Caribbean OFCs have managed these challenges by trumpeting their British heritage, their extant British institutional links, and their adherence to British legal norms, a labeling strategy his respondents memorably dubbed "brand-name British!" (Maurer 2012, 1997, 2001).

Allen Stanford pursued this strategy, if in diluted form, through his purchase of Lloyds of London insurance, his sponsorship of cricket, and by misrepresenting his knighting by Antigua's government as having been a British initiative. Stanford's rank and file, however, had other tools at their disposal. In Chapter 2, I discussed SIBL's correspondent banking relationships, which dictated that SIBL's North American customers route their CD deposits through Toronto Dominion Bank in Canada. As I learned from my respondents, several ingenious financial advisors used this fact to represent to their clients that their funds were somehow "in Canada." Consider the following exchange with investor Alan Gottfried:

> M: At the time [my advisor] told me that the bank was in Canada, and if somebody would have told me the bank was in Antigua, I would have probably...the hair in the back of my neck would have really stood up, going "Well, that's an odd place to do something like that." In Canada…I don't know why I thought it, but in Canada, I just felt safer.
> […]
> **I: You said that if you'd known the issuing institution was an Antiguan bank, that you might have had second thoughts and might not have put money in there. Why is that?**
> M: I don't know. I…for one thing, it sounds like a different culture. I mean, I think of Antigua as, um, you know, people walking around without shirts on the beach, and I don't think of Antigua as a real center for business. And maybe I'm wrong, but that's not the vision that comes to mind….[N]ow would I have changed anything? Probably not, you know. I would have probably raised the question "why is it…why are you in Antigua? What is going on here?" [My Stanford advisor] would have probably come up with a decent answer for that. And you know, I would…who knows, I would have probably done it. But it was much easier to kind of accept it when I thought the bank was in Canada. I mean -
> **I: - Canada just seeming…**
> M: Canada just seems like, you know, it's a lot like the United States. I mean they have basically the same kind of culture, the same kind of, you know, environment—investment and business environment—and I've done some business in Canada, so it's just, you know…it's just kind of the same.[264]

The contrast Gottfried draws between shirtless, beach-bound Antiguans, whose "different culture" is patently ill-suited to business, and the culturally familiar "investment and business environment" of Canada ("just kind of the same" as the U.S.) bears out Maurer's and others' observations about the power of racially-coded stereotypes regarding the Caribbean.

I heard this story elaborated again, several weeks later, while interviewing Baton Rouge couple Gene and Marcie Thrall.[265] Here too, if in markedly crasser form, my respondents drew a stark cultural contrast between Antigua and the purported location of their funds, Canada:

> M: [Our financial advisor, Frank Douglas] emphasized [SIBL] was very safe. But he said that [although it] had an Antiguan address and a physical building

[264] Interview 4-22-11_1, Alan Gottfried.
[265] Interview 6-01-11_2, Gene and Marcy Thrall.

> presence in Antigua, […] that our money was in Mellon Bank in NYC and Toronto, and that they were really in possession of it. And that it never—he led me to believe that our money would never fly off to Antigua. […] I used to kid Frank and say "if I see some little Antiguan boy, on the TV, running down the street with my certificate in his hand, *I'm gonna come find you!*" And he'd say "Don't ever worry about that because your money is *not in Antigua*, it's in Mellon Bank in NYC and/or Toronto."
> **[…]**
> F: All I know is he said "your money is Canada, it is *not* in Antigua."
> **I: Was that comforting to know it wasn't in Antigua?**
> M: To *me* it was -
> F: - Not to me. But when Gene would joke about the little Antiguan boy, [Frank would] say "don't worry, it's not even there, it's in Canada!"
> **I: Why was it more comforting to have money in Canada than in Antigua?**
> M: I guess the government of Canada—which was backed by the British government!—was a more stable government and their banking regulations would be more similar to ours. And I trust a group of educated men to lead me somewhere and do things right, than a group that has never graduated the third grade. I didn't know anything about Antigua. I thought it [the bank] was a much simpler thing. Now I find out it was a palatial place with lots of stuff and infrastructure around it.

Moments later, as if to blunt these sharp comments, Gene Thrall added "Anyway, you have the Bahamas, and you've got Cuba and Puerto Rico, and you've got lots of South American countries that do quite well in [finance]." No matter—his original words lingered. Just as Gottfried's advisor had, the Thralls' broker exploited the quirks of correspondent banking to magically place the Thralls' funds safely within Canadian juridical and regulatory space. Given the Thralls' negative impressions of Antigua—where the grown men are third graders and where actual third graders make off, down the beach, with foreigners' life savings—it was crucial that their broker situate the firm's activities somewhere that felt familiar, or familiar enough, to his clients.

Resourceful as they were, Stanford advisors had plenty of help to do the interpretive work of situating clients' nest eggs somewhere "safe." Indeed, clients themselves used the physical coordinates of their interactions with the firm and its personnel as a cognitive basis for placing their investment under U.S. legal and regulatory cover. As Thrall himself said, at the conclusion of his odd rant, “All I know is I dealt with Frank Douglas, I dealt with the *Stanford Group*, with that fine office in Baton Rouge, and Houston and Miami.” Thrall, of course, dealt only with the Baton Rouge office, but his larger point is worth considering. He asserts two complementary truths. First, he invokes the embodied person of his advisor and the materiality of those “fine office[s],” in three cities, to ground the vexingly abstract property claims at issue. Every financial instrument, after all, is highly abstract. But if you purchase foreign stocks or bonds through your local broker, your rights to those instruments are granted legal recognition and regulatory protection—why not Stanford’s CDs? Second, when Thrall invokes “the Stanford Group” he makes an implicit domiciliary and subsidiarity argument. Stanford Group Company (SGC) was an SEC- and FINRA-regulated broker-dealer, incorporated in the U.S. The domicile question, particularly in regard to Thrall’s interactions with the firm, was therefore settled in his mind. However—and rolling one’s eyes is a natural response here—Stanford’s marketing materials also referred to the overall conglomerate as “the Stanford Group of Companies.” In stating that he’d “dealt with the *Stanford Group*,” Thrall is claiming to have formed a connection with an overarching parent company (which didn’t exist), in relation to which the offshore bank was merely a subsidiary. U.S. law, Thrall implies, ought to control here.

I heard such statements made countless times and ways. Gary Gallo thought that Stanford “was an American company,” in relation to which the offshore bank was “just like [U.S.] oil companies drilling for oil in Russia.”[266] Martin Ward said he’d transacted not with “an international bank” but with “the Stanford Group Companies,” “an American firm that had international operations.”[267] Retirement community residents Judd and Carla Debevic reasoned, quite reasonably, that “the other investments we were making with them were [with] insurance

[266] Interview 4-21-11_2, Liz and Gary Gallo.
[267] Interview 4-22-11_2, Martin Ward.

companies here in the US […]. We've got annuities with those. […] I just assumed [SIBL] was just another … another arm of their investment portfolio."[268] Even Saul Lally, a Houston-based CPA with deep investment experience, found the jurisdictional angle confusing: "I guess I didn't realize I was dealing directly with the international bank and not with the broker. I figured the broker was dealing with the bank.[…] I thought they owned the bank […] or at least whatever their parent company was owned the bank […] which in my mind would have probably put it back under U.S. laws."[269]

To be clear, although these statements employ varying rationales and the occasional creative leap of logic, they are eminently reasonable responses to an obfuscatory corporate structure. At the same time, however, we can't discount that these may also have been instances of motivated reasoning, clients' ways of representing the firm to themselves as somehow "American" and thus safe, driven by their desire for high returns. What I've tried to show here, though, is that, faced with an ambiguous situation, my subjects applied folk schemas according to which the lived reality of their client-firm interactions allowed them to infer the legal and regulatory nature of their investment. Given that the fraud's aftermath has seen all of these questions—the regulatory status of SIBL CDs, the relationship among Stanford's various companies, the legal location of the fraud—hotly debated in courts of law, the worst we can say about these interpretive efforts is that they were simply "plausible." I'll leave the final word to Louisiana couple Sue Caldwell and Thomas Byrd:

> M: […T]he impression that I walked away with is that Stanford International Bank fell under all of the same rules and regulations as any other financial institution in America, and I know that sounds naïve. I mean, I beat myself up over it. But I'm telling you that, that the way it was presented, that this is a Texas company, that's housed over here, and you've already seen all of the other, uh, Stanford operations, you've seen pictures of them, you've talked to people and-

[268] Interview 4-27-11_2, Judd and Carla Debevic.
[269] Interview 5-04-11_2, Saul Lally.

F: - plus, you had a broker.
M: Yeah, and he's American, and the company is one state over, so then it wasn't like this was comparable to a fly by night bank that was put up in a Caribbean tax haven and out of the country.
[…]
F: - Well, we also knew that they had clients all over the world.
M: They had clients …
F: They let you know that.
M: And offices -
F: - So it made sense that they had a bank -
M: - offices all over the world, clients all over the world. You know, it's almost like the Bank of Switzerland, they have an office right down there. I mean that was …
F: Well look at like Royal Bank of Scotland, or USB, or any of them
[…]
M: That's the comparison that was drawn, not—
F: Like, for example, if you went on Google and typed in "foreign bank," you know, "CD deposits" and you found a bank that said Bank of Antigua—just that?—I would not have done that.
M: Yeah.
F: "'Bank of Antigua,' wait a minute… " -
M: - Five percent interest -
F: I'm not sending my money down. But Stanford International Bank is part of Stanford Group, part of Stanford, my broker who comes to my house, whose got a little kid. You know, it seemed perfectly …

CONCLUSION

In this and the previous chapter we saw how ordinary people were coerced, by structural conditions specific to their jurisdictional spheres, into accepting investment as a necessary and even desirable activity. Moreover, we examined in depth their creative use of jurisdictionally-inflected folk schemas to make sense of a seemingly promising but opaque investment opportunity. It's worth restating once more why my respondents resorted to such schemas. Since this dissertation's first chapter, I've characterized their social world as made up of "jurisdictions," varied zones of normative and epistemic authority. I've used this capacious term because, in its generality, it allows us to see the common participation of seemingly disparate institutions—nation-states, regulators, courts, professions, and so on—in the economy of worth claims about our focal trustee, the Stanford Financial Group. For example, Chapter 3 illustrated how legal and regulatory actors, in particular, occasionally enhanced but mostly impeded the flow of negative worth claims about Stanford, information that, were it to have reached investors, might have tipped them from trust to distrust. I revisit this to underscore that such jurisdictional actors, even from sometimes remote distances, had a hand in crafting the folk schemas that my subjects relied on. Chapter 2 demonstrated that SFG was utterly a creature of jurisdiction, shaped and given life by its insertion into distinct ecologies of institutional actors, in the Caribbean, the U.S., and Venezuela. Chapters 4 and 5 have endeavored to show that investors too were creatures of jurisdiction. This is true not true simply because their "thoughts" evince jurisdictionally-specific characteristics. Rather, and ultimately, it was my subjects' exclusion from the zones of normative and epistemic authority such institutional actors inhabit that determined their relative powerlessness before a knowledge- and resource-rich financial services firm.

CHAPTER 6

CONCLUSION

In this work's first chapter, I discussed the surprising range of actors who were aware of Stanford's malfeasance, from the firm's earliest days. Notably, this included a long list of U.S. federal and state securities and bank regulators, British bank regulators in the Caribbean, and both U.S. and British law enforcement agencies. I also demonstrated the dense presence of negative worth claims about Stanford in the U.S. legal record, much of it emanating from among the most authoritative of sources: ex-Stanford employees turned "whistleblowers." In addition, I listed the many deeply embarrassing episodes about Stanford chronicled in the popular press, particularly in the late 1990s and, again, from about 2006-'08. The remainder of the chapter positioned this dissertation in relation to existing theoretical approaches to legitimacy, reputation, and, especially, trust. I concluded the chapter with a detailed description of my methods, data, and their attendant challenges.

Chapter 2 was organized around an inherent tension. In its first section, I explored the many sorts of powerful positive claims Stanford made about itself, via its printed materials, advertisements, its employees' oral communications, and through its deeds over the years. However, the chapter's long remainder sought to complicate, and indeed undercut, the portrayal of Stanford Financial Group as an actor in the world straightforwardly capable of making claims about itself. Toward that end, I detailed the unique circumstances in three jurisdictional spheres—the Caribbean societies of Montserrat and Antigua & Barbuda, the U.S., and Venezuela—that allowed Stanford to constitute itself as a claims-making actor.

In discussing SFG's Caribbean roots, for example, I took pains to demonstrate that Allen Stanford was hardly the corrupting force he was made to seem in both the press and court filings, but rather just one in a long line of foreign "entrepreneurs" that enabled Caribbean political elites to profit from their grip on sovereignty's reins. Turning from the Birds' mafia-like hold on Antigua, to the U.S., I sought to illustrate the very different form SFG was made to assume by that country's vastly more elaborate institutional landscape. Thus, I explored the long list of private actors who actually provided Stanford with much of its operational capabilities and helped to manage the circulation of claims about the company. I then turned to the public and semi-public arena, to illuminate the complex machinery of influence-peddling that large firms, upstanding and malfeasant alike, often engage with in order to safeguard their interests. Finally, I turned to the strange case of Venezuela. There, Stanford owed a great deal of its success to the initiative of one associate in particular, Gonzalo Tirado. However, the fact that one salesman could accomplish so much had less to do with Tirado's sheer force of will than with the equivocal institutional environment in which he operated. That is, Tirado, like brokers at many other firms, operated largely unimpeded by regulators. This however, does not evidence a simple "absence" of institutions or politics on the scene, but rather a longstanding policy of forbearance on the part of the Venezuelan state toward locally-provided offshore financial services, a sector of vital interest to elites of all ideological persuasions.

In Chapter 3, I shifted focus to the "careers" or trajectories of worth claims, highlighting some of the key institutions that enhanced or impeded their movement. In particular, I considered the roles of the Venezuelan and U.S. legal and regulatory systems. I used two metaphors to illustrate their influence. First, I spoke of such institutions as being potential "surfaces" for the writing and reading of worth claims. Second, I addressed the tendency of these institutions to act as barriers or friction points to the movement of negative claims about Stanford. In keeping with themes from Chapter 2, on the Venezuelan side, I addressed the surprising paucity of both legal and regulatory filings about Stanford, especially given the length and depth of the firm's involvement there. Thus, I discussed in detail the two sole court cases that even hinted at any link between Stanford and wrongdoing. That these lone exceptions were almost certainly stage managed strengthens my contention that the financial services sector, and Stanford in particular, benefited from a policy of state forbearance, a tendency that only grew pronounced after Chavismo's takeover of the courts and Stanford's deepening of ties with regime officials. The utter absence of available regulatory documents, evidencing not only firm wrongdoing but even mere customer or employee dissatisfaction, further bolsters this point. The net effect of this situation is that there did not exist in Venezuela credible surfaces for the writing or reading of negative worth claims about Stanford.

By contrast, both the U.S. legal and regulatory systems were vibrant spaces for the airing of various parties' complaints about the firm. Moreover, both are epistemically highly-valued fora, whose records are routinely mined for the "truths" they reveal about third parties. It is for that reason that Stanford took such an aggressive, strategic approach to litigation. When facing resource-poor foes not in possession of damning facts about the firm, Stanford overwhelmed them with force. In such cases, the courts functioned as a barrier to the movement of information, even helping Stanford to suppress claims made elsewhere, as in small newspapers and magazines. Against opponents with greater power or informational leverage, however, Stanford was cautious, at times even conciliatory. Such was the case in regard to numerous disgruntled ex-SFG employees. When it could, Stanford attempted to have such disputes moved, either to foreign jurisdictions or FINRA arbitration. When it couldn't, it backed off or settled. It is precisely because the courts represent a privileged medium for the recording of "truth" that Stanford was loath to allow its foes' damning claims to be consecrated in filings or transcripts. Despite SFG's efforts, however, a fair number of unflattering stories, such as the ones I discussed in my introductory chapter, were preserved in the public record.

Such was not the case on the regulatory side. In Chapter 3's final section, I detailed the tragicomic dysfunction within and among various divisions of the U.S.'s two largest securities regulators: the SEC and FINRA. It was those bodies' very prominence—and thus, the pull that they exerted on the worth claims of so many others—that made their dysfunction so consequential. FINRA's near ironclad jurisdiction over broker-employee disputes kept a significant number of damning claims out of state and federal courts. In addition, and of particular note, was the inability of SEC and FINRA personnel to forge a consensus regarding the actual extent of their jurisdiction over the firm—a determination made difficult by SFG's confoundingly weird business model of selling Antiguan "CDs" through its U.S. brokerage. At least from 1997 on, countless complaints from other regulators, law enforcement agencies, investors themselves, concerned family members, and a large number of ex-SFG whistleblowers found their way onto regulators' desks. Rather that synthesize these claims and formulate ones of their own, however, the regulators allowed them to dissipate or rot away in locked files.

In the dissertation's final two chapters, I turned to the experiences of Stanford's Venezuelan and U.S. investors. Just as Chapter 2 demonstrated how thoroughly Stanford was shaped by the jurisdictional spheres in which it took root and the institutional actors with which melded, Chapters 4 and 5 attempted to similarly complicate our view of the firm's trustors. Both the pressures they felt to invest and the schemas they used to comprehend that world bore the marks of their jurisdictional contexts. Thus, for example, although both countries' investors lamented the increasingly precarious state of private and public pensions, that complaint came bundled with very different sets of challenges. In Venezuela, the problem of the bolivar, the country's cursed currency, was paramount. However, the memory of Venezuela's halcyon days of the 1970s—the era of the 'tá baratos—may also have influenced some investors' measures of success. My U.S. respondents felt pressured by the perverse ideology around lay investing, which simultaneously preaches prudence and bold risk-taking, and yet seeks to cast into the wilderness those investors "greedy" or "stupid" enough to have been defrauded. Apart from these place-specific currents of "structural coercion," my subjects made use of quite different jurisdictionally-inflected folk schemas. These included "axes of affinity" defined by locally-specific groupings of actors; different criteria for assessing the relative risk of financial instruments; and, finally different ways of imputing jurisdictional provenance (and thus safety) to financial firms and their products.

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