Article

Sociological Theory
2014, Vol. 32(4) 283–306
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DOI: 10.1177/0735275114558631
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Enduring Illusions: The Social Organization of Secrecy and Deception

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Abstract

Sociologists theorize that people comply with the dictates of states and other organizations out of self-interest or because of the perceived legitimacy of those in authority. Some organizations, however, are based on lies, or secrets, and it would seem that these should be very short-lived, given how easy it is for the truth to escape. This article lays the foundations of a sociology of deception, focusing on lies and secrets successfully maintained for years or even decades. The ideas of Goffman and Simmel provide a theoretical starting point. Then Bernard Madoff's Ponzi scheme is considered as a case study. Drawing on that and other examples, the article culminates in a theory that distinguishes between barriers to knowing, barriers to asking, barriers to telling, barriers to perceiving, barriers to believing, and barriers to acting. Together, these may counter the natural entropic tendency for information to leak and diffuse, in part because the effectiveness of one sort of barrier may offset imperfections in others.

Keywords

deception, secrecy, organizations, interaction

Social theorists often suppose that social order rests on the perceptions of the ruled, and most often these are taken to be accurate. Weber ([1921] 1978), for instance, argued that a viable political community requires leaders who are perceived as legitimate, whether by virtue of tradition (power is exercised as it always has been), charisma (the leader possesses certain extraordinary virtues), or law (office-holders were lawfully appointed, and their powers are closely circumscribed). More recently, Coleman (1990) has theorized that organizations—which embody social order on a smaller scale—are held together either by the expectation of remuneration or by the perception that shared interests are most effectively pursued when leaders are charged with making decisions on behalf of members.

Sometimes, however, social order is premised on a lie or a secret. This is possible for each of Weber's types of legitimacy: Someone claiming traditional authority through descent may be a pretender; a seemingly charismatic leader may lack the "specific gifts of body and

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mind" (Weber [1921] 1978:1112) that he or she claims to have; an election (a source of rational-legal legitimation) may have been rigged. And on a smaller scale, returning to Coleman (1990), a company may not have the means to pay promised pensions, or union leaders may be embezzling.

Social order that is based on a deception would seem, a priori, to be inherently fragile, like a house built on a termite-infested or gelatinous foundation. As Simmel (1950:334) says, all secrets (a type of deception) are "surrounded by the possibility and temptation of betrayal," to which Goffman (1959:78-79) adds, "among all the things of this world, information is the hardest to guard, since it can be stolen without removing it." This risk of exposure would seem to be especially acute when many people know the truth, when those who know the truth have extensive contact with those who do not, and when those who do not know have an interest in learning.

The objective of this article is to lay the groundwork for a theory of long-term secrets and lies of the sort that reside at the heart of many organizations, including states. Examples abound and include the Catholic Church's cover-up of the scope of sexual abuse of children by priests, Big Tobacco's cover-up of the health consequences of smoking (Muggli et al. 2008), the doping epidemic in professional cycling (Albergotti and O'Connell 2013), the American project to build an atomic bomb during the Second World War, the British program to break the German cipher during the same period (McKay 2010), the insider trading network centered around Raj Rajaratnam, and the nefarious assemblage of lies and denials espoused by Mao's regime during China's Great Famine (Becker 1996). While the topic of long-lived organizational deceptions has gone largely neglected within sociology, it is important to the understanding of organizational legitimacy (Jonsson, Greve, and Fujiwara-Greve 2009), longevity (Sutton 1987), and malfeasance (Baker and Faulkner 1993; Vaughan 1999)—and to any effort to detect and combat the last of these.

I start by sketching an "entropic" model of information diffusion, which leads to the initial expectation that organized deceptions should be difficult to engineer and generally short-lived. Then I review foundational sociological work on deception by Simmel and Goffman for insights into how secrets are kept, and lies maintained, in spite of the strong countervailing pressures for exposure. Next I consider the case of Bernard Madoff's decades-long Ponzi scheme, describing how the lie, that his profits were derived from actual trading, was successfully perpetuated in spite of abundant clues suggesting fraud. Then I lay out a more developed theory of the social organization of secrecy and deception, distinguishing between different types of barriers, such as to perceiving and to believing, that together combat the forces of information entropy. This builds on the ideas of Goffman and Simmel but transcends them so as to encompass some of the lessons of the Madoff case, such as the role played by willful ignorance and passivity on the part of outsiders who had reason to suspect something was amiss and turned a blind eye. At the same time, it transcends the Madoff case as well, so as to be generalizable to a range of different types of organizations, contexts, and deceptions. Such generalizability does not mean, however, that all instances of long-term deceptions operate identically, and in the Conclusion, I suggest some of the ways in which the particularities of a given case matter for how, and against whom, the barriers are exercised and with what consequences.

INFORMATION ENTROPY

Entropy, in physics, refers to the degree to which a system is disordered or unstructured. In thermodynamics, from which the idea originates, entropy is a measure of the degree to which heat has dissipated and become uniformly distributed, with the result that it can no

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longer be harnessed to do any work—such as by means of a heat engine, which exploits temperature differentials (Carroll 2010:29-34). The second law of thermodynamics states that in an isolated system (where no additional energy is provided from without), entropy increases with time and cannot be reduced.

There are good a priori reasons to expect that information will be subject to the same entropic tendencies as heat and thus to predict that it will be difficult or impossible to contain information within an organization or organizational unit for very long. First, the truth has survival value: The correct identification of threats and opportunities, and the ability to see through deceptions, should give one a competitive advantage. Consequently, people should be both genetically equipped, and rationally motivated, to discern the truth and act on it.

Second, if the truth should thus be in demand, it should simultaneously be in ready, if not abundant, supply. One reason is that secret-holders suffer a keen temptation to share what they know; Simmel (1950:334) talks about the "fascination of the abyss, of giving oneself away." Another is that even when the secret-keeper resists the urge to confess, with time, clues will emerge. Here the work of psychologist Paul Ekman (2009) is useful. Ekman is concerned with the detection of deception, where the secret is that one is misrepresenting the facts. He distinguishes between two sorts of clues to deception: "leakage, when the liar inadvertently reveals the truth; and deception clues, when the liar's behavior reveals only that what he says is untrue" (Ekman 2009:42). One example of leakage is the dismayed "micro-expression" (lasting less than a quarter of a second) that flits across one's face on news of the marriage of an old lover before being replaced with the expression one wants to put forward, feigning indifference or pleasure. Other leakage clues can be sought in facial muscles that are difficult to bring under conscious control, such as those of the forehead, which may indicate distress or fear even when the mouth is smiling and the words coming out of it are unperturbed. Deception clues, which suggest that a lie is being told without revealing the nature of the truth, include stammering, hesitation, and rise in pitch.

Though Ekman is concerned with detecting deception in face-to-face settings, like a police interrogation or job interview, leakage and deception clues arguably have counterparts on the organizational level. An example of leakage would be when members of a professional cycling team suddenly begin performing at levels previously unwitnessed. An example of a deception clue would be the fact that they are regularly nowhere to be found when drug testers show up at the door, suggesting that they have been forewarned and have something to hide (Albergotti and O'Connell 2013). Because deception clues should motivate further inquiry into the truth, for current purposes, they work very much like leakage, as a crack in the wall of secrecy. Thus I will use the term *leakage* to refer to both the escape of deception clues and the escape of direct indicators of the truth.

Leakage (including of deception clues) should be particularly evident to those on the outside of the deception who deal with the secret-keeping organization or faction, including outsiders who benefit from the deception, those who are its immediate victims, and those who provide resources. And once they unearth the truth, there is no reason to think that it will be contained within this wider circle, as they will be even less invested in keeping the secret. Thus, once revealed, the information should quickly spread, a process of diffusion that will be essentially irreversible—as assumed by virtually all diffusion research (e.g., Gibson 2005)—for even if some people eventually forget what they have heard, the pace of forgetting would be slower than the pace of learning.

Thus, insofar as the reasoning in this section is sound, it should be hard to keep information bottled up, and once it is out, it should be about as easy to put it back into the bottle as it is to uncrack an egg or to unstir cream out of coffee. With this as our starting point, the obvious question is, what social forces offset the natural entropic tendency of information?

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KEEPING SECRETS: THEORETICAL BEGINNINGS

A starter theory for how secrets are kept and lies maintained can be found in the writings of Erving Goffman and Georg Simmel, whom I consider in that order, as Simmel (though writing earlier) arguably offers a remedy to a shortcoming in Goffman's work. First, though, a terminological matter. Scholars often distinguish *lies*, or inaccuracies that are communicated with the goal of misleading, from *secrets*, or facts that are deliberately kept hidden from people who might be interested in knowing them (e.g., Ekman and Friesen 1974; Mearsheimer 2011). While this is a reasonable distinction—parents are more apt to punish their children for outright lying than for keeping secrets, for one thing—the two actually bleed into each other. On the one hand, secrets often involve implicit lies, namely, that nothing important is being withheld. On the other, lies involve secrets, namely, that the assertion in question is a falsehood. Thus in this article the terms (along with *deception*) will be used more or less interchangeably, except when the distinction is consequential.

In *The Presentation of Self in Everyday Life*, Goffman (1959) lays out a dramaturgical framework for understanding performances whereby actors foster a particular definition of the situation, one that may stray from the truth to a greater or lesser degree. A successful performance involves several things, including convincing props and setting, but four components are particularly important. The first is adherence to the script, and an ability to recover from errors, otherwise known as "dramaturgical discipline." The second is having teammates (co-performers) who can be trusted to not only play their parts but resist betraying the team's secrets between performances; Goffman calls this "dramaturgical loyalty." The third is having an audience that is willing to overlook minor mistakes, either because they are trusting or because their interest in exposing the truth is outweighed by their interest in not creating a scene. The fourth is careful segregation of the "front region," where performances are put on in view of audiences, from the "back region," where actors can relax, openly discuss team secrets, disparage the audience, reflect on the last performance, and prepare for the next one. These are separated by things like walls and rights of entry that serve as "barriers to perception" (Goffman 1959:238).

While Goffman offers a compelling account of the performative requirements for keeping lies and secrets afloat, a limitation is that he is almost exclusively concerned with performances lasting a few minutes or, at most, an hour or two. The same is true of Ekman (2009), in his work on lie detection. The prototypical case for Goffman is a customer's interaction with store employees, while for Ekman (and also Goffman 1969:3-81), it is the interrogation or interview. The lies and secrets that reside at the heart of some organizations and nations, in contrast, sometimes last for years and even decades. One example is the North Korean regime's propaganda about its economic success or about the scoundrel Yankees chomping at the bit to rain down death and destruction on the childlike North Korean people (Myers 2011). Another is the remarkable success of Bletchley Park at keeping its code-breaking activities secret from the Germans during World War II (McKay 2010). If the entropic model is correct, the cumulative probability of exposure should only increase with time, and yet such deceptions, and the structures that are built on them, endure.

In his essay on secret societies, Simmel (1950) identifies some countervailing forces—structures, practices, and psychological tendencies—that partially offset this risk and indeed even turn time into an asset. One property of secret societies, he writes, is that recruits can be gradually introduced to the group's more sensitive secrets as they demonstrate their loyalty and discretion, through a system of "graduated secrecy" (Simmel 1950:367). There is, in other words, a "hierarchy of knowledge" up which members can be cautiously promoted, something that blurs Goffman's distinction between insiders and outsiders by adding layers of increasingly trusted insiders. And the effectiveness of this arrangement is not merely due

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to the opportunity it provides for identifying and marginalizing untrustworthy individuals; it also provides for the "systematic instruction of the novice in the art of silence" (Simmel 1950:349). As a result of this conditioning, reticence becomes a "habit" (Simmel 1950:350). Thus, members are introduced to the most important secrets only once they have overcome the natural impulse to share what they know.

What we are left with, then, are these ideas as a starting point for a sociology of secrecy and deception: from Goffman, a dramaturgical framework that accommodates both collaborative performances and barriers to perception of the sort that may minimize opportunities for Ekmanesque lie spotting; and from Simmel, insight into how organizations maintain secrets (and, by extension, tell lies) over many years, such as by making team membership, and access to the backstage, a matter of degree and contingent on demonstration of one's loyalty and self-restraint.

BERNARD MADOFF'S PONZI SCHEME

Bernard Madoff's Ponzi scheme has been described as "the largest financial crime in history" (Kirtzman 2010:7). When it came crashing down in late 2008, in the midst of a much broader financial meltdown, thousands of investors—not all of whom realized they had money invested with Madoff—lost $64 billion in paper wealth, including $17 billion in cash. (The rest consisted of illusory investment returns.)[1]

Madoff's central lie was that he was making money through actual stock trading. More specifically, he claimed to be using a "split-strike conversion strategy," which (he alleged) had two components. The first was the purchase and sale of S&P 500 stocks, guided by uncanny market timing based on a proprietary model—or, as he sometimes said, his "gut feel"—that enabled him to get into, and out of, the market at just the right moments (Kirtzman 2010:66; Securities and Exchange Commission [SEC] 2009:210-11). The second was the liberal use of options to mitigate risk. These are contracts that allow one to sell a stock at a set price within some time frame even if its market value sinks below that price, paid for by selling to others the right to buy it at a (higher) set price even if its market value rises above that. In reality, he was using money from new investors to pay off earlier ones, or at least those who insisted on making withdraws, and claiming that all involved were making remarkably steady, if not outrageously large, returns (usually in the area of 10 to 15 percent annually). In other words, he was running a Ponzi scheme, one that financed a lavish lifestyle for Madoff and his family and allowed him, and some of his earliest (and therefore most successful) investors, to become major philanthropists.

The Madoff Ponzi scheme is a good initial case study for five reasons. First, the lie was especially stark, so there is no need to quibble over whether it was a lie or, say, simply an unintended obfuscation (e.g., Gladwell 2007) or misunderstanding. Second, the lie was consequential, in the sense that his entire money management operation, with its many thousands of clients and billions of dollars in assets, hinged on people's believing it and promptly fell apart when it was exposed. Third, while there is some question about exactly when Madoff "went Ponzi," there is no question that the scheme operated for at least 20 years, and possibly 30 (Kirtzman 2010:47-48). Fourth, the deception was straightforward and the organization behind it simple—in contrast, say, to the complex market manipulations and shell companies of Enron. Fifth, the case has been very well documented, thanks to the work of several journalists (e.g., Henriques 2011; Kirtzman 2010), the 500-plus page report by the SEC (2009), and a book and series of recent articles by sociologist Lionel Lewis analyzing Madoff's operation as a Goffmanian confidence game (Lewis 2012, 2013a, 2013b, 2013c). Some of what Lewis and the journalists report comes from court testimony by Madoff's

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co-conspirators after they pled guilty and from documents (such as internal communications from firms that invested in Madoff) amassed in the course of civil litigation.

One thing learned from all of this evidence is that many people suspected Madoff of some sort of improper behavior, dating back at least to the early 1990s (Kirtzman 2010:75-76), and as a result, many firms refused to invest with him or eventually closed their accounts (Markopolos 2010:132). According to the SEC report, "many [in the industry] simply did not believe that it was possible for Madoff to achieve his returns using a strategy described by some industry leaders as common and unsophisticated. In addition, there was a great deal of suspicion about Madoff's purported options trading" (SEC 2009:411). Some even suspected that he was running a Ponzi scheme (e.g., SEC 2009:416); indeed, by 2007, there is evidence of considerable speculation to this effect (Henriques 2011:177).

The evidence was, to those individuals and to everyone else in retrospect, fairly stark or at least troubling and worthy of further investigation. Starting in 2000, Harry Markopolos, a portfolio manager in Boston, repeatedly tried to bring this to the attention of the SEC. In Markopolos's view, two "red flags" were particularly troubling. The first was the sheer impossibility of such consistent returns month after month, including in months, such as August 1998 and January 2000, when the stocks in the S&P 500, from which Madoff claimed he was sampling, lost value (Markopolos 2010:60). "Nobody ever beats the market month after month—nobody. The market can go up, remain neutral or go down. There is no single strategy that provides a consistent return no matter what the market does" (Markopolos 2010:24). The second was the nonexistence of option contracts in sufficient quantity for Madoff to be doing what he said he was doing (Markopolos 2010:41-42), given Markopolos's estimate (or, as is now known, underestimate) of the size of Madoff's fund. To this, he eventually added the observation that Madoff charged only a commission on shares traded rather than an annual percentage of the money invested and a cut of the profits (Markopolos 2010:131). This meant passing up income to the tune of hundreds of millions of dollars (SEC 2009:74, n. 47), which was bizarre—unless, of course, the profits were fictitious.

Markopolos brought Madoff to the attention of a reporter, Michael Ocrant, for an industry magazine, *MAR/Hedge*. On May 1, 2001, Ocrant published an article laying out these facts, describing the bafflement of industry insiders, and reporting Madoff's dismissive explanations when interviewed (Ocrant 2001). Six days later, a similar article was published in *Barron's*, under the suggestive title "Don't Ask, Don't Tell," with the subheading "Bernie Madoff is so secretive, he even asks his investors to keep mum" (Arvedlund 2001). One former investor is quoted as saying that "anybody who's a seasoned hedge-fund investor knows that the split-strike conversion is not the whole story. To take it at face value is a bit naïve" (Arvedlund 2001:26).

Markopolos strongly suspected that Madoff was running a Ponzi scheme, though as I will show, there was another explanation available. The question, then, is how did Madoff's Ponzi scheme last so long, given the copious clues it leaked and the number of outsiders who had reason to suspect the truth and who might have seen some advantage in bringing down one of the titans of Wall Street? The answer can be found by exploring the nexus between self-interest, performance, social networks, and formal organization as well as the psychology of doubt and self-deception.

Many factors came into play, all of them counterentropic in the sense that they impeded the diffusion of knowledge of Madoff's actual doings. These included Madoff's reputation as a successful businessman and philanthropist, which made him easy to trust and hard to challenge; the availability of alternative explanations for Madoff's remarkable success as a fund manager (i.e., alternative both to the story he was telling and to the Ponzi scheme reality); the obsessiveness with which Madoff controlled information about his (Ponzi) money

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management business and the silence he demanded of those who handed over their money; the physical and organizational separation of his money management business from his legitimate trading business; his generally smooth performance when confronted by the SEC, curious journalists, or concerned executives, one bolstered by a carefully constructed set; the strong interest his clients had in not asking questions about the origins of their returns, combined with the general disinclination on the part of other Wall Street insiders to get involved; and the incompetence of the SEC. I consider each in turn. In some of these practices and structures, I will show the ideas of Goffman and Simmel at work, but the case will also force the reader to consider some mechanisms of deception that they did not, which will allow me to advance the sociology of secrecy and deception beyond its progenitors in the third section of the article.

Reputation and Trust

Madoff's reputation rested on five legs. First was the natural trust accorded him by his personal network and members of the Jewish community, particularly important early in his career as he was building his business; this was bolstered by generous philanthropy and public service, including membership on the board of trustees of Yeshiva University (Henriques 2011:25-37). Second was his history of apparent success with investors' money. While it is unclear when, exactly, the Ponzi scheme started, by the 1970s, Madoff was promising consistent returns, regardless of the direction of the market (Fishman 2011). Importantly, he promptly paid out any money his investors asked to withdraw—something he was able to do in part because so many investors simply let their money roll over, even as he was attracting new ones. This was obviously important to his appearance of profitability but was eventually his undoing, when he proved unable to satisfy withdraw requests during the financial meltdown of 2008, at a time when he was already under increasing suspicion and consequent withdrawals by institutional investors. After a last-ditch effort to save himself, Madoff gave it up and confessed to his sons that it was "a giant Ponzi scheme" (Kirtzman 2010:215-32). They immediately called the Federal Bureau of Investigation.

Third was the cover provided by his legitimate business. To many on Wall Street, Madoff's main business identity was as a successful "market maker," buying and selling over-the-counter (OTC) stocks on behalf of retail brokers for a commission. (His firm also traded for its own accounts—so-called proprietary trading.) This was a successful business until the early 2000s, when profits fell thanks to pressure on traders to stop inflating the price of shares, whereupon Madoff had to begin taking money from his (Ponzi) money management business to keep his market-making operation afloat (Kirtzman 2010:130-31). This above-board business provided Madoff with a thick veneer of respectability and, because it was thought to be profitable, made it even harder for outsiders to imagine that he would do anything discreditable.

Fourth was his role as a recognized Wall Street leader. In 1971, he was one of a handful of brokers behind the founding of the NASDAQ, which computerized and automated the OTC market with the goal of improving the competitive position of small operators. He became its chairman in 1990 (Henriques 2011:80, 87). Here again was a public face behind which few could conceive a dark secret.

And finally, there was the perception that the SEC, which is charged with regulating the securities industry, had repeatedly scrutinized Madoff and bestowed its imprimatur. According to the SEC report, "Madoff proactively informed potential investors that the SEC had examined his operations as a method to establish credibility and allay suspicions or investor doubts that may have arisen while due diligence was being conducted" (SEC

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2009:425). The problem was that the SEC was reluctant to tangle with someone so reputable, so its imprimatur meant very little.

Again, the consequence of Madoff's reputation was that it was easy to trust him with money and difficult to question him, at least publicly. Combining Goffman and Ekman, one might say that Madoff engineered a persona that led most people to ignore the clues that his money-making scheme was literally too good to be true. It was also apparently easy for the SEC to write off those who did raise questions, like Markopolos, as simply envious of Madoff's aptitude with money (SEC 2009:249).

Alternative Explanations

As already explained, Madoff's official explanation for how he made his clients money was through the so-called split-strike conversion strategy, involving timely purchases and sales of S&P 500 stocks hedged with options that reduced risk. Observers who were skeptical of this explanation, however, had a different one, namely, that Madoff was involved in a form of insider trading known as "front-running," whereby he used information about orders placed through his (market-making) trading desk to make trades on behalf of his money management clients before the initial order was executed and the market could respond. For example, if he received an order for 10,000 shares of stock *X*, he could buy 1,000 shares of the same stock for his investment clients first, knowing that the larger purchase was about to drive up the value, and then sell those 1,000 shares once that had happened.[2]

This explanation was attractive on several grounds. First, it explained how Madoff could make money so consistently and was more convincing to many than his purported "gut feel" for the market. Second, it was easy to see how it could be managed, through communication between the two main branches of Madoff's business. Finally, the explanation was particularly appealing to his clients because even if Madoff was front-running, the worst they could expect was that he would at some point be shuttered by the SEC, with no repercussions for the profits they had already reaped.

Perhaps because of its plausibility, it was front-running that was foremost on the minds of SEC examiners when they investigated Madoff in 2004, 2005, and 2006 (SEC 2009:93-94, 167, 266). Indeed, Madoff seems to have positively encouraged the front-running theory and grew anxious whenever an inquiry began to stray from it. During the 2005 examination, for instance, one of the examiners e-mailed his supervisor:

> Just to make you aware of the current situation. Bernard Madoff is getting increasingly agitated regarding our examination. He keeps on insisting in knowing exactly what we are looking for. *He repeatedly mentions front-running as something we should be looking for.* He thinks our request for order and execution data in three securities [which might have revealed that he was not actually making trades] is outrageous. (SEC 2009:184; italics added)

This was a charge that Madoff wanted to defend himself against, perhaps because it would have been so hard to prove unless someone in his firm admitted to passing information from one side of the operation to the other, which was certainly not the case.

Information Management

While some may have suspected that Madoff's gains were ill-gotten, he did much to impede the flow of information about his operation, leaving would-be whistleblowers with little

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direct evidence to work with. One way he did this was by simply refusing to tell anyone how he managed to anticipate market behavior so effectively, by appealing to a "proprietary" or "black box" model that he had a legal right to safeguard. (This is one place where the distinction between secrecy and deception matters: The law protects trade secrets but not a firm's right to lie.) A second way was to sometimes refuse to cooperate with the due diligence investigations that firms tried to conduct before investing with him (Markopolos 2010:47). A third way was by making himself the central hub for all communication between his firm and important clients, insisting that he be conferenced into phone calls with the latter, even when he was out of the country (Fishman 2011; Kirtzman 2010:119).

Fourth, Madoff was reserved in social settings, not one to speak freely or to let his tongue loosen after a few drinks. As one client later said, "you never heard personal stories from him and never heard about parts of the business you weren't supposed to. He was very compartmentalized that way" (Lewis 2012:235). It is not difficult to suppose that Madoff feared what he might reveal were he to let down his guard.

Fifth, Madoff famously swore his clients to secrecy. An investment manager quoted in the *Barron's* article said that Madoff told him that "'if you're invested with me, you must never tell anyone you're invested with me. It's no one's business what goes on here" (Arvedlund 2001:26). This applied to the executives of firms ("feeder funds") that sent him money just as much as to individual investors who called him on the phone on the advice of mutual friends. In June of 2002, Markopolos spoke to 14 fund managers in Europe who invested in Madoff and was surprised to learn that each "thought that they had a special relationship with him and that theirs was the only fund from which he was continuing to take new money" (Markopolos 2010:102). One consequence of his demand for secrecy was that his clients felt special, believing themselves to be members of a select group. This is a common Ponzi tactic, creating a sense of loyalty that impedes the leakage of information to outsiders who might recognize a fraud (Frankel 2012:42-43). In Madoff's case, it made it harder for anyone to realize that the business had grown too large for the split-strike conversion strategy to even be plausible (Henriques 2011:93).

Sixth, Madoff appears to have gone to great lengths to restrict the number of people who knew that he was running a Ponzi scheme and to pay generously for the loyalty of those who helped him run it. To this day, there is no firm evidence that his sons, who worked in the market-making business, knew or that his wife, who lived the high life off of the illicit proceeds, did, as hard as it is to believe that he kept them completely in the dark and that they made no attempt to find the light. Yet Madoff could not have pulled off his scheme, given all the records that had to be continuously falsified, without inside help. At this writing, 13 people have been implicated as members of his "team," including his brother, Peter; his accountant, David Friehling; and 11 other employees of the firm. Only Frank DiPascali, who supervised the money management business, has admitted to knowing about the Ponzi scheme. Six others have pled guilty to falsifying records (and related crimes) while denying they knew the true nature of the fraud (Lewis 2013a, 2013c), and five more were convicted of fraud by a jury in March of 2014. Thus it is evident that Madoff was being disingenuous when, on his arrest, he claimed to have pulled off the scam single-handedly.

In retrospect, Madoff's secretive ways were deception clues that someone should have picked up on, but in the context of everything else, they either went unnoticed or were written off as eccentricities (Kirtzman 2010:119).

Spatial Segregation

Madoff's money management operation was entirely run from the 17th floor of the so-called Lipstick building in midtown Manhattan, two floors below his market-making and

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proprietary trading businesses. (In between, on the 18th floor, were administrative offices, a reception area, and a conference room.) Only Madoff and those who worked in this part of the business were permitted entry, using special electronic key cards; callers were brusquely, even nastily, rebuffed; it was not included in the tour given to visiting investors; and the SEC never even learned of its existence (Kirtzman 2010:123-38; SEC 2009:183). This was Madoff's back region (Goffman 1959), and very few people were allowed near it.

Dramaturgy

While, as previously mentioned, Madoff became agitated during the 2005 SEC investigation, on the whole, he was collected and gracious when questioned, considering all that hung in the balance—demonstrating excellent "dramaturgical discipline" (Goffman 1959:216; Lewis 2012:185-86). This was the case when Michael Ocrant interviewed him for the 2001 *MAR/Hedge* article. Faced with probing questions from a reporter whose sources, including Markopolos, had prepared him to believe that something was seriously amiss, Madoff expounded on his trading strategy (all the while maintaining the seal on the "black box") along with the "market intelligence" and cutting-edge technology that aided its implementation. Interviewed later by Kirtzman, Ocrant described Madoff as "courteous, composed, attentive, and responsive" (Kirtzman 2010:148). Madoff also had his act together during the 2006 SEC examination, which found him "confident, knowledgeable, relaxed" (Henriques 2011:163).[3]

Madoff's dramaturgical discipline was supported by a carefully designed set, complete with elaborate props. The employees on the 17th floor fabricated ("backdated") transactions based on old stock price information so that Madoff could produce paper evidence of his alleged trading activity, portraying uncanny trading acumen that would have been exposed as fraudulent had anyone sought independent confirmation of the trades. Moreover, when Jeffrey Tucker, cofounder of Fairfield Greenwich, Madoff's primary feeder fund, visited to check on Madoff's operations after some of his clients were spooked by the *Barron's* article, he was treated to a computer screen contrived by DiPascali to display fictitious trades with European counterparties as well as an equally concocted feed from the Depository Trust and Clearing Corporation (DTC) appearing to confirm that Madoff held the stocks he claimed to hold (Henriques 2011:99, 119; Lewis 2013c:289).

Self-interest and Self-deception

The next factor explaining the longevity of Madoff's deception was the silence on the part of the many people who had reason to suspect that he was doing something improper, sometimes bolstered by the most glaring acts of self-deception. This encompasses several groups and their varied motivations. Starting with people closest to the Ponzi scheme, there were those of Madoff's employees, such as DiPascali, who were entirely complicit and well compensated for it in terms of salary, bonuses, assistance in tax evasion, and other perks (Lewis 2013a, 2013c). Earlier I suggested that these were the members of Madoff's "team," but their salaries and perks have sometimes been likened to hush money, which suggests a more asymmetrical relationship, with Madoff paying as much for their silence as for their assistance. It is also noteworthy that several members of the "seventeenth floor ensemble," as Lewis (2013b) calls them, began by working in the legitimate business on the 19th floor, which is consistent with Simmel's (1950) idea of graduated secrecy if one assumes that they did not initially know what was happening two floors below.

Next there were the members of Madoff's family, particularly, his sons, who—if one accepts Madoff's claim that they were ignorant of the Ponzi scheme until the very end—must have swallowed their incredulity and suspicion about their father's 17th-floor

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operation lest they threaten the family business and their opulent standard of living. If Madoff's accomplices developed Simmel's habit of silence, his family developed the habits of inattention and incuriosity. The same might be said for those who traveled the world pedaling Madoff's miraculous wares. In the language of confidence games, these were his "ropers," who "did not seem much interested in knowing how Madoff could consistently be so successful year in and year out. As they saw it, that it was an advantageous arrangement for them was all they needed to know" (Lewis 2013d:618).

Third, there were Madoff's employees on the 18th and 19th floors, who enjoyed better-than-average pay and job security.[4] "Why would we question such a good thing?" one asked afterward (Kirtzman 2010:105). Another reports, however, that the traders on the 19th floor marveled at the apparent success of the 17th-floor business and were perplexed at the lack of evidence that it was making any actual trades. Yet in spite of this, the employee says that no one suspected that it was all a sham (Public Broadcasting Service 2009). Thus it seems that it is one thing to wonder, another to suspect, and another still to accuse—and those benefiting from Madoff's largesse were unlikely to go beyond wondering, or at least unlikely to subsequently admit to anything more.

Fourth, there were Madoff's investors. As Kirtzman (2010:144) writes, "the Madoff syndrome—joy over profits he produced and a paralyzing inability to ask questions about them—was virtually universal among his investors. It was self-deception on a mass scale." For those who had invested heavily with Madoff, the possibility that he was a fraud was too awful to contemplate. French hedge fund manager René-Thierry Magon de la Villehuchet invested his entire fortune with Madoff, in addition to funneling money from European nobility. On being presented with evidence of Madoff's fraud, he refused to countenance it, explaining that it was true, "then I'm a dead man" (Markopolos 2010:91). He committed suicide soon after Madoff's arrest.

Finally, there was the growing number of industry insiders who knew something was amiss but—except for the occasional complaint or tip—did not bring their suspicions to the attention of the SEC. Michael Ocrant, the *MAR/Hedge* reporter, learned that many investors "had smelled a rat and had outright refused to invest with Madoff" (Kirtzman 2010:14). In particular, they found no evidence that Madoff was buying the options demanded by the split-strike strategy and thus suspected a "scam" (Kirtzman 2010:147). Some suspicions were more specific still. On June 15, 2007, a risk management officer with Chase's investment arm sent an e-mail to colleagues that reported that he had just learned that "there is a well-known cloud over the head of Madoff and that his returns are speculated to be part of a ponzi [*sic*] scheme" (quoted in Henriques 2011:177).

In the main, the response of such people was simply to look the other way, with the attitude, "If it's not my business and it doesn't affect my business, I'm not going to get involved" (Henriques 2011:178). Skepticism about Madoff's "front" (Goffman 1959) was not entirely without consequences, however. Kirtzman describes a group that refused to have its money placed with Madoff after Fairfield executives failed to offer a clear explanation of his strategy, and befuddled executives of Credit Suisse Group told their clients to pull their money out of Madoff's fund. The same happened with bankers from Société Général in France (Kirtzman 2010:168, 179-80). But few brought such concerns to regulators, which means that while suspicion about Madoff was not hard to come by, it almost never made its way to the SEC, and when it did, the agency did not heed it.

SEC Incompetence

In a sense, the real reason that Madoff was not caught was that the SEC did not catch him; thus, all the factors described so far mostly mattered inasmuch as they blinded the agency to

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this historic fraud. This does not mean that Madoff entirely flew under the agency's radar, however. It investigated him three times: in 2004, in response to a complaint filed by a hedge fund employee; in 2005, upon discovering evidence that Madoff was suspected of something illegal by employees of another firm that the SEC was examining; and in 2006, in response to Markopolos's third submission to the agency (SEC 2009:77, 145, 237)—pointedly titled "The World's Largest Hedge Fund is a Fraud" (reproduced in Markopolos 2010:297-332). Yet none of these investigations discovered the Ponzi scheme. The 2004 and 2005 audits simply petered out without resolution when the examiners moved on to other cases, and the 2006 examination was stopped in August of that year when Madoff agreed to register as an investment adviser and to submit to somewhat greater oversight, and it was officially closed in January of 2008, soon after one of the examiners dismissed it as a "fishing expedition" (SEC 2009:125, 223, 350-54).

The SEC postmortem contains an exhaustive catalog of the agency's failings during these examinations. Foremost among them were (1) a persistent focus on minor issues, like whether Madoff should register as an investment adviser, or red herrings, such as whether he was front-running; (2) an extraordinary trust in Madoff's representations of his trading activity and corresponding disinclination to seek independent confirmation of those trades; (3) on the part of the examiners, a lack of experience investigating Ponzi schemes and a dearth of competence about such basics as options; (4) Madoff's careful dramaturgy, along with his success at keeping his 17th floor a secret; (5) that the examiners likely felt intimidated by Madoff and fearful of making unfounded accusations; (6) the agency's lack of funding and manpower for a long, complicated investigation; and (7) the belief that no one of Madoff's stature would engage in anything as disreputable as a Ponzi scheme. What the report's authors did *not* find was evidence of corruption (e.g., SEC 2009:373), and even Markopolos was unwilling to level that charge, limiting his accusations to "only incompetence and arrogance" (Markopolos 2010:259).

Even with all of this working against it, the SEC was only one phone call away from learning that Madoff's trades were fictitious. Reflecting back on the 2006 examination after he was exposed, Madoff said he was amazed that the agents had not sought independent confirmation of his DTC account holdings. "I thought it was the end game, over . . . and it never happened. . . . After all this, I got away lucky." But he did not think his luck would hold forever: It was a "matter of time," he said, "that was the nightmare I lived with" (SEC 2009:312).

TOWARD A SOCIOLOGY OF SECRECY AND DECEPTION

There were, then, many reasons that Madoff's Ponzi scheme lasted for as long as it did, with roots in psychology, dramaturgy, social networks, organizational structure, and the look-the-other-way culture of Wall Street. Together, they thwarted the movement of the truth from its point of origin on Madoff's 17th floor to the ears of someone who would recognize it for what it was and act on it. In other words, they collectively sustained the knowledge boundary between those who knew about the fraud and those who did not know and would have cared. Yet that boundary was a blurred and broad one, populated by various groups who suspected but, for one reason or another, turned a blind eye. That complicates both Goffman's distinction between performers and audience members and the entropic model's assumption that one either possesses knowledge or does not.

The discussion so far, however, is too specific to the Madoff case to leave one, as yet, with a general theory of how secrets and lies are maintained. As a further step in that direction, in this section, I build on Goffman's idea of "barriers to perception" by distinguishing between

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six sorts of barriers that work to sustain knowledge boundaries and thwart information entropy. First, there are *internal barriers to knowing*, which limit who knows what within an organization. Second, there are *barriers to asking*, which limit the number and specificity of inquiries made of organizational members by outsiders. Third, there are *barriers to telling*, which limit the opportunities and motivation that insiders have to reveal their team's secrets, whether or not in response to direct questions. Fourth, there are *barriers to perceiving*, which limit the direct witnessing of secret objects and activities. Fifth, there are *barriers to believing*, which prevent outsiders from accepting the truth when it is presented to them. I also touch on *barriers to acting*, which inhibit the translation of knowing into corrective action. The theory of barriers was formulated in the attempt to both grapple with the complexities of the Madoff case and to extract from those a model with wider applicability. To demonstrate that wider applicability, I draw on multiple examples, though on the surface they may seem very disparate. In the Conclusion, I reintroduce some of the important distinctions that are thereby neglected, the pursuit of which will be an important direction for future work.

Internal Barriers to Knowing

As I have repeatedly said, Goffman (1959) generally assumed that one is either on a team, and thus fully privy to its backstage, or not. But there are various arrangements whereby one may be a member of a team and yet in the dark about some of its secrets. Simmel provided one such arrangement, that of graduated secrecy, in which one is incrementally introduced to a group's more sensitive secrets to the degree that one has proven oneself a reliable bearer of those already imparted. This may be how Madoff moved some of his 19th-floor employees to the 17th floor. A more certain example is the Church of Scientology, which reveals to its adherents increasingly esoteric secrets as they progress up the ladder of "operating thetas" but only so long as they demonstrate their continued loyalty to the organization (Reitman 2011).

Compartmentalization offers another way of limiting the information held by a group's members. Here, members are divided into subgroups, and each person holds only that information necessary for the subgroup's work. This is how the British organized their codebreaking operation at Bletchley Park during World War II. Staff members were organized into "huts," each responsible for a distinct task (e.g., breaking the German naval code) and strictly instructed not to talk with members of other huts about work-related matters (McKay 2010). Importantly, there need not be a prohibition against interunit communication for information to remain trapped in place: The mere fact of specialization in a large organization is enough to ensure that damning facts are not widely known (Vaughan 1983:74-75; Vaughan 1996:251). Yet when secrecy is the objective, rather than an unanticipated consequence, the challenge to those in charge is to keep people in different units from interacting and comparing notes, something that is particularly difficult when members work in close proximity or have preexisting ties or are otherwise easily recognizable to one another (Erickson 1981).

Organizational members may also hoard information for reasons of competitive advantage or as a technique for accruing power. Mushroomers, for instance, learn the habit of reticence when it comes to sharing information about their prized harvesting locations, balancing self-interest with the obligations of group membership by speaking only of general regions: "He explains that he was northeast of Forest Lake, but won't be more specific than that" (Fine and Holyfield 1996:32). And government bureaucrats lock away information as a matter of course (Galison 2008), for fear of being held responsible in the event that someone's interests are harmed by its revelation and in case some seemingly inconsequential fact should prove an ace in the hole in some future power struggle (Lowry 1972).

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Finally, one may be in active denial about some uncomfortable truth, such as domestic abuse by a violent spouse or sexual abuse by a teacher; the latter may be dismissed as a form of special attention and the former as an aberration or, perhaps, provoked and deserved. Borrowing from Sartre, Denzin (1984) calls this "bad faith": the pretense of belief in something manifestly contradicted by the facts. This shows how internal barriers to knowing can be psychological as well as structural.

Barriers to Asking

Another barrier to the leakage of secret information is failure to ask penetrating questions or at least to ask them of the right people. One reason that people do not ask for information is self-interest, when knowing might mean incurring an obligation to act, and the risk of eventually being held accountable for not acting. This was likely the calculation of those of Madoff's investors who made the most money, such as Jeffry Picower, and possibly Madoff's family members as well. Those involved in the laundering of stolen art similarly cultivate incuriosity, which allows a stolen piece to pass from thief to middleman to auction house without the final buyer's having any reason to suspect that the piece was stolen and the auction house's having hardly any more (Knelman 2011).

One may also avoid asking questions when curiosity begets suspicion about one's motives. Consider again Bletchley Park, the British code-breaking operation during World War II. Park staff were billeted in local towns, and according to McKay (2010), townspeople were remarkably discreet in not inquiring into what these young people did all day. This, he suggests, was consistent with the conditions of wartime, when it was feared that German spies were around every corner. Consequently, "it was widely understood, whether in the forces or as a civilian, that one should discuss no more than necessary" (McKay 2010:67). The counterpart to Simmel's habitualized silence was a norm of not asking.

Next, some truths are just too painful to bear, such as those about mortality that prevent one from visiting the doctor, those about the true risks of modern technology and industrialized food production, or those that threaten the cherished notions one has about loved ones, friends, and leaders. While such truths might be denied once learned, it is easier never to ask, and never to learn, in the first place.

A further barrier to asking is lack of access to anyone to whom to put the question. In 2005, the SEC examiners were surprised to learn that Madoff would be their sole contact (SEC 2009:179), and as indicated earlier, Madoff strove to field all phone calls about his money management business personally. And organizations regularly shield knowledgeable members from interrogators and the settings that empower them, like press conferences and courtrooms. This is an effective inoculant against questioning, which as explained by Goffman, quickly places the interrogated in a perilous position: "Once a subject has established a relationship to the observer that obliges the subject to attend to the other's questions, then questions will likely be available to which any answer—including no answer—weakens the subject's strategic position" (Goffman 1969:53).

A final barrier to asking is not knowing what to ask. No one thought to ask how the National Security Agency (NSA) eavesdropped on the German chancellor, for instance, until Edward Snowden turned whistleblower and international asylum seeker. The first defense against pesky questions is ignorance of what the questions should be.

Barriers to Telling

Organizational insiders who are privy to information have many reasons not to reveal what they know to outsiders. Most innocuously, they may have no idea that what they know

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would be of interest to anyone on the outside and no obligation to share that information in the normal course of events (Ryan 2006). But even when they know very well that they are in possession of something explosive, they may keep their mouths shut. They may feel a sense of loyalty to their team, or dedication to its cause, as in the case of Bletchley Park.[5] More selfishly, they may be the direct beneficiaries of a fraud such as Madoff's, even as they fear prosecution in the event of exposure. Even when the original misdeed was not illegal, they may fear lawsuits or the loss of income, which may explain why doctors are complicit in the failure of hospitals to collect and share data on medical mistakes (Makary 2012). They may fear the loss of friends and family in the event of betrayal—this being a primary deterrent against disloyalty to the Church of Scientology (Reitman 2011). Further, they may be ashamed of their involvement, even if they were victims of someone else's misbehavior, which explains the silence apparently maintained by so many victims of sexual abuse at the Horace Mann School (Kamil 2012) as well as of Penn State football coach Gerald Sandusky. Potential whistleblowers may also fear that no one will believe them, particularly when their accusations would pit them against reputable and powerful people, as in the Madoff, Penn State, and Horace Mann cases.[6]

Horace Mann arguably illustrates another motivational mechanism as well, which might be called "cumulative culpability." The perpetrators of abuse presumably did not openly share stories of their exploits with uninvolved teachers and administrators, yet rumors circulated and staff members not otherwise involved would have had reason to wonder and perhaps, with time, to positively suspect that some of the rumors were true. The problem is that the longer one waits to report one's concerns to the authorities, the more complicit one appears to be. This reinforces the habitualized silence theorized by Simmel (see also Zerubavel 2006:15, 58) and indeed may partly explain it.

Finally, someone with a secret to tell may find that he or she has few opportunities in which to tell it, at least without being immediately found out. His or her communications may be limited, or he or she may be prevented from interacting with outsiders. An example is scientists in closed societies working on secretive programs involving weapons of mass destruction who are prevented from traveling outside the country (Hargittai 2013).

Those who wish to keep secrets have legal resources to draw on, such as the right to privacy,[7] the demands of national security (Galison 2008), legitimate claims to the protection of proprietary information, and the right to protection against self-incrimination. These, too, can be seen as barriers to telling, specifically to being compelled to tell. (One might also consider them barriers to asking, if they dissuade the curious from asking some questions to begin with.) A problem, however, is that such appeals mark one as having a secret to keep and thus may motivate further scrutiny.

Barriers to Perceiving

There are ways of discerning closely held truths apart from being told outright, by directly observing the actions, objects, or conditions about which lies are spun or secrets are kept. Barriers to perceiving—the sort of barriers Goffman originally had in mind—are thus important, including physical barriers, like walls, and technological barriers, like encrypted messages. One problem is that both can attract attention. It turns out, for instance, that the NSA has a particular interest in individuals employing encryption technology in their Internet use and is authorized to save encrypted e-mail messages until they can be deciphered (Greenberg 2013). Simply not knowing where to look, and when, is thus perhaps more useful to those with secrets to keep; this is illustrated by Madoff's 17th floor, the existence of which was unknown to the SEC. A related obstacle is lack of legal power to demand access to offices,

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files, and computers, as regulators are not law enforcement agents and can generally demand only certain kinds of documentation. All of this limits outsiders' ability to spot violations as they occur, before they can be covered up or diluted in a sea of legitimate transactions (Vaughan 1983:90).

One may also be afraid of being *seen* to look. In 2005, SEC examiners were prevented from visiting the hedge funds that did business with Madoff for fear of a lawsuit if the fund managers responded by pulling their money out (SEC 2009:220-22). More bluntly, Madoff simply refused to cooperate with the due diligence examinations of many investment firms, which might have turned up clues as to the underlying fraud, and those fund managers frequently backed down for fear of losing the opportunity to invest their clients' money.

Barriers to perceiving can also be psychological. There is a well-documented tendency, for instance, to seek evidence supporting beliefs one already holds and to avoid disconfirming evidence (Nickerson 1998). Limited attentional resources may also prevent people from perceiving that which is right in front of them. The act of focusing on one thing makes it harder for people to register other things (Simons and Chabris 1999), and people have trouble noticing changes that occur gradually or during "transient interruptions" (Simons and Levin 1998). Such forms of "inattentional blindness" are useful to those who would deceive, including magicians (Macknik and Martinez-Conde 2010).

Finally, a well-honed performance is, in itself, a barrier to perception—to perceiving the underlying truth or at least suspecting that something is amiss. But a good performance does more than thwart perception of the truth; it also cultivates an effective fiction and, in that sense, creates a barrier to believing as well.

Barriers to Believing

Even when someone hears or descries the truth, he or she may have, or find, reasons for not believing it. One may consider the source uncreditable or the claim implausible (Fine 2009), perhaps because it conflicts with a "web of belief" (Quine and Ullian 1978) that is thought to be backed by other forms of evidence. As Markopolos (2010:168) wrote,

> for those insiders, the people who knew Bernie personally, who took pride when he acknowledged them at restaurants and openings, the people who invested their own money or their clients' money with him, for those people to admit that Bernie was a fraud meant admitting that everything they believed in was questionable.

Madoff's avuncular demeanor, and all-around reputation, no doubt contributed to their faith in him, as people naturally trust surface appearances (Garfinkel 1967:35-75). His performance, bolstered by a convincing setting and props, helped to mislead visiting fund managers and the SEC examiners as well, presenting them with evidence of one version of reality that served as a bulwark against darker suspicions.

Another barrier to believing is that the truth may also cast one in an unfavorable light, as irresponsible and perhaps complicit in some ignominious enterprise (Nyberg 1993:81-108). With affirmation of the truth may also come an uncomfortable or inconvenient obligation to act, which is why people laugh off suicide threats (Sacks 1995:15-16) and deny atrocities (Cohen 2001). When people acknowledge the truth, they may also be forced to rethink their lifestyles, which may help explain why so many are receptive to the tiny minority of experts who purport to remain skeptical about global warming (Oreskes and Conway 2010). This example is also a reminder of the power of alternative explanations: that global warming is a liberal conspiracy, or that what Markopolos thinks is a Ponzi scheme is probably

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just front-running. Of course, some of these barriers to believing are actually barriers to *admitting* belief, but the line between cynical declarations of disbelief and sincere ones is not easily discerned, perhaps even by the disbeliever.

Barriers to Acting

While this is somewhat beyond the scope of this paper, it should be noted that it is one thing to know the truth and something else to act on it—or at least to share the information with someone who will. Self-interest may stay one's hand, if one has found a way to benefit from the deception even without officially being a part of it. Again, Jeffry Picower comes to mind as someone who surely suspected something illegal but, as an early investor, was well compensated for keeping his mouth shut. Further, just as one can deny an atrocity (whether genocide or the abuse of a child across the street), one can deny that one has an obligation to correct the situation, on the grounds that it is "not my problem." Meanwhile, victims (e.g., of scams) may be too embarrassed by their victimization to go to the authorities even when they know for certain that they have been hoodwinked, something con artists use to their advantage (Goffman 1952; Harrington 2009). Sometimes acting can also be positively dangerous. For instance, Markopolos says that he was concerned that by exposing Madoff, he was at risk of being assassinated by the Russian mob, which had indirectly invested with Madoff (Markopolos 2010:118). One can also hope that a situation will resolve itself or that some equally knowledgeable person will take the initiative and assume the risk—a particular problem when there are many such people about (Darley and Latané 1968). This may explain why so many industry insiders turned a blind eye to Madoff or merely warned their clients away from him. Behind that may have been a rational calculation, that the cost of making an accusation to the SEC was greater than the expected benefit (the actual competitive advantaged gained by seeing Madoff taken down times the probability of that outcome).

DISCUSSION: SECRETS FRAGILE AND ROBUST

I started this paper with the puzzle of how secrets and lies can be maintained for so long, given what would seem to be the continuous risk of truth leakage and entropic information diffusion. The answer I have proposed is that information is prevented from reaching those who would act on it by a series of barriers. From this, it might seem as if secrets should *never* escape, so many are the obstacles to leakage. Thus I have come from one extreme, in which long-term deceptions are fragile and easily toppled, to the other, in which they are bolstered from all directions by self-interest, self-deception, trust, dramaturgical preplanning, organizational design, and all the rest. So are the organizations constructed atop lies, or around secrets, fundamentally precarious or robust? More specifically, should one be more surprised that Madoff's pyramid operation lasted as long as it did or that it failed at all?

Given the audacity of Madoff's crime and the clues it emitted, this was surely a case of a deception that was waiting to be discovered. Yet it persisted because of the propitious alignment of the various barriers, diagrammed in Figure 1. The arrows show the path that secreted information must travel in order to make its way into the open, in terms of the barriers it may encounter. Each barrier may be constituted through any of several mechanisms; for instance, fear alone may deter anyone from sharing what he or she knows (a barrier to telling), though team loyalty can achieve the same thing. At the top left are barriers that prevent leakage through saying. These include internal barriers to knowing, achieved through such mechanisms as compartmentalization and graduated secrecy; barriers to asking, including not wanting to know and not knowing what to ask; and barriers to telling, including the fear of

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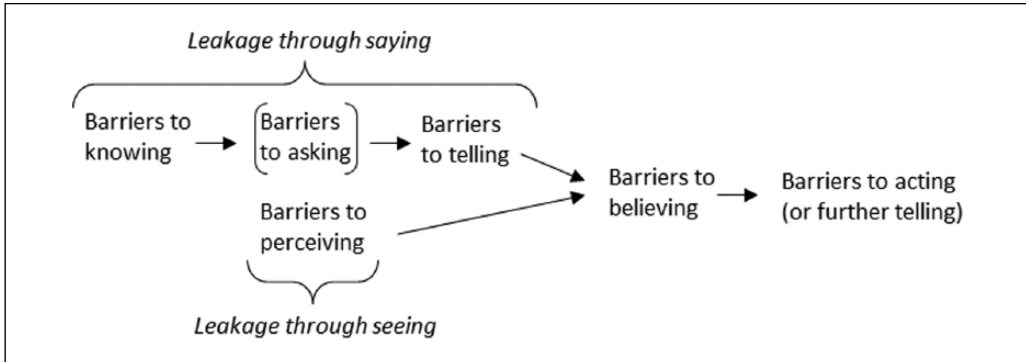

Figure 1. Summary of barriers to leakage and their interrelations.

losing one's livelihood and the mechanism of cumulative culpability. On the bottom left are barriers to simply seeing that something is amiss, including walls, encryption, and ignorance about where to look and when to look there. Moving to the right, if a secret is told, or the truth perceived, it may fall on deaf ears if it clashes with too many deeply held beliefs or because of the heavy burden of acting that knowledge imposes. And even if it is affirmed, it may not be acted on, particularly if acting is dangerous or in some other way costly.

For a secret to be kept bottled up, there need to be both obstacles to saying and obstacles to seeing in place, for these are independent channels of leakage. But leakage through saying can be prevented by either barriers to knowing or barriers to telling. (Barriers to asking help but are not sufficient to prevent leakage through saying, since someone may tell even without being asked; this is why they are in parentheses.) Moreover, either form of leakage (through saying or seeing) can be neutralized if there are effective barriers to believing, insofar as believing is necessary for any corrective action. Effective barriers to acting offer a final line of defense. An example is the paralysis of the international community in responding to a recent United Nations report on human rights abuses in North Korea.[8] Here, the world lacks effective levers of influence, short of a military attack, which no country is willing to undertake.

Conversely, one can expect a deception to be exposed to the extent that the barriers are inadequate to prevent either (or both) of the two forms of leakage and that barriers to believing are insufficient to keep the genie in the crumbling bottle. This is arguably what brought down Lance Armstrong. Many observers of the professional cycling community suspected illicit doping. Thus barriers to believing were already disintegrating when a former member of Armstrong's team, Floyd Landis, embittered by the loss of his Tour de France title to doping charges and his inability to revive his career, sent an e-mail to cycling officials detailing the extensive doping of Armstrong and those around him. With the barrier to saying thus breached, many others rushed forward to testify, hoping to salvage their careers—and maybe hoping to fare better in a postdoping, and post-Armstrong, world (Albergotti and O'Connell 2013).

In Madoff's case, all the barriers worked simultaneously but almost none of them perfectly: Some people on the 19th floor *did* wonder, people like Ocrant *did* ask, some on the outside *did* suspect it was a Ponzi scheme, and Markopolos did what he could to mobilize the somnolent SEC. And the barrier to perceiving that Madoff was not actually trading on behalf of his money management clients could have been easily punctured had someone sought independent confirmation of the trades or of the purchase of the options. Most reliable, perhaps, were the barriers to telling, as those in the know were both well compensated

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for their participation and no doubt fearful of the consequences were the whole thing to be exposed.

Madoff deserves some credit for the meticulous design of his fraud, in terms of how he set up his firm, whom he recruited to help run the Ponzi scheme, the benevolent impression he cultivated for the outside world, and how he performed when a regulator or client started asking questions. But he was also working in an environment that was conducive to a "don't ask, don't tell" ethic. In fund management, what customers mainly care about is their balances and evidence that those can be redeemed for hard cash, and fund managers are allowed to keep their strategies secret. In other words, this was a milieu that encouraged, and presumably still encourages, incuriosity and sustains a negative correlation between proximity to the truth and interest in broadcasting it. Had Madoff not hit the classic Ponzi scheme wall, namely, a surge of redemption demands that could not be fulfilled, he might be scheming to this day—and waiting for the sky to fall.

Where does this leave the entropic theory of information diffusion? Many, it seems, are the barriers that hold information in place and blind people to its import. Even so, a secret, whether or not it entails an outright lie, is a precarious thing, of perennial interest to those who would benefit from it. And as with heat (Carroll 2010), there is something irreversible in its escape, which is why Madoff Investment Securities is unlikely to reopen its doors. The entropic model was not wrong but, instead, an accurate statement of the precarious world that secret-keepers inhabit but one in which countermeasures are available. Some of these are organizational, some relational, some dramaturgical, and some exploitative of the human capacities for avoidance, self-deception, and denial.

CONCLUSION

The question of how organizations tell lies and keep secrets is important to the study of organizational legitimacy and death, inasmuch as the exposure of a lie or revelation of an embarrassing secret may delegitimize a firm, association, or state and force its transformation and even expiration. It is also important to the detection of misconduct, whether of companies, such as Enron or Madoff Investment Securities; states seeking to hide programs for the development of weapons of mass destruction; or churches and schools seeking to cover up the sexual abuse of children.

The sociology of long-term organizational lies and secrets has a full agenda. Theoretically, my approach has been to draw on a range of examples so as to demonstrate the wide applicability of the theory of barriers (in the spirit of Zerubavel 2006). The reason that the theory, as formulated, is generalizable is that it makes no assumption whether a given barrier will operate in a given case and, if it does, what precise mechanism(s) will be behind it (e.g., organizational compartmentalization versus psychological denial as an internal barrier to knowledge or loyalty versus self-interest as a barrier to telling). Naturally, it is to be expected that the barriers will work differently depending on such things as the type of deception, the type of organization, and so on, and that such details will be important to a deception's longevity and precise vulnerabilities.

One distinction of obvious importance is whether the goal is to keep the truth from getting out, as in most of the cases considered here, or from getting in, as in the case of North Korea. The first two Kim regimes worked hard to keep the North Korean people from realizing that their South Korean brethren were not actually impoverished, as state propaganda claimed, by means of an "information cordon" that severely limited contact with outsiders (Myers 2011). This meant relying mostly on barriers to perceiving and asking but now with the *populace* being prevented from asking questions rather than outsiders, as in the Madoff case.[9]

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Another example is China during the Great Famine. Layers of functionaries strove to ensure Mao that his agrarian policy had greatly improved crop yields, lest they be condemned as counterrevolutionaries. That meant sending lies *up* the hierarchy, even as the peasants knew full well the roots of their suffering (Becker 1996). In this case, the barriers were erected so as to maintain the ignorance (or at least the pretense of ignorance) of the person in charge and (to a lesser extent) those around him and involved falsified reports and elaborately staged harvests when officials paid site visits. In our terms, this meant heavy reliance on barriers to perceiving as well as barriers to believing and acting on the occasion that a truthful report found its way to Mao's inner circle. All of this shows some of the ways in which the challenge of keeping the truth out is different from that of keeping it in, in terms of the barriers that are manipulated and the groups against whom they are used.

Another distinction of likely importance is whether the primary motivation for keeping the secret is self-interest, which was undoubtedly true for Madoff's circle, or, say, principle or ideology. In the latter case but not the former, sympathetic outsiders may be identified who may be approached for support without fear of betrayal, which likely helps explain why it took the United States so long to locate Osama bin Laden. This shows how barriers to telling may sometimes be briefly lowered and poses a further challenge to any neat distinction between insiders and outsiders.

Other distinctions that may prove to be important include the number of people "in the know"; whether the lie is directly contradicted by widely known facts (as in the Great Famine) or is limited to, say, events in the distant past about which the evidence is more easily distorted (Brownlee 2000); whether the lie is closely entwined with an organization's purpose, as in Bletchley Park, or secondary and kept only to avoid embarrassment and loss of standing or moral authority, as in the case of sexual abuse in the Catholic Church; and of course, the sort of organization promulgating the deception—a government, a corporation, a religious cult, and so on. If this article has sought commonalities more than it has drawn such distinctions, it was only so as to make the strongest possible case that there is a coherent phenomenon—long-lived deception—that deserves sustained theoretical and empirical consideration. That argument being made, it is up to future work to work through the implications of differences such as these.

For this, more case studies are obviously needed. But here one encounters an apparent methodological difficulty. Secrets are, by their very nature, things that one does not know much about, and as a result, data about the social organization surrounding them are fragmentary (Erickson 1981) and, one might fear, biased in favor of those schemes that collapsed, like the doping network centered around Lance Armstrong. However, many schemes are ended by dynamics unrelated to any deficiency in their internal organization. The proximate cause of the collapse of Madoff's Ponzi scheme, after all, was the financial meltdown of 2008, not any dramaturgical slipup or disloyalty on the part of one of his team members (though many in the industry were becoming suspicious). And the Revco Medicare fraud studied by Vaughan (1983) was accidentally uncovered by an unrelated investigation, while the heavy electric equipment price-fixing scheme studied by Baker and Faulkner (1993) was exposed only because the Tennessee Valley Authority went to the Justice Department when it received nearly identical bids for equipment it sought to acquire. Finally, the code-breaking operation at Bletchley Park (McKay 2010) was *never* discovered by the Germans during the war. To be sure, each deception emitted clues, such as impossible investment returns or sharply improved effectiveness in the protection of allied shipping from German U-boats, but all can be studied as secret-keeping success stories without concern that one is generalizing from cases that were flawed from the start and that one is doomed to remain in ignorance of the organization of those with more staying power. Finally, even a deception that fell apart due to internal fissures, such as Lance Armstrong's doping network, may have had

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its heyday, during which countervailing pressures prevailed, and those periods of deceptive success can also be fruitfully studied.

To conclude, secrets and lies are central to all manner of frauds, plots, cabals, cover-ups, black markets, man-made disasters, clandestine projects, and espionage operations. With the occasional exception, we as sociologists have not made a practice of studying such things, which means we have turned away from society's dark regions in order to search for whatever may be conveniently discovered under the light. That has left us ill-equipped to assist in the discovery of secrets that need to be exposed, and—though this is more controversial—in the protection of those that need to be safeguarded. This article has been an attempt to remedy that deficit and thus to make sociology more pertinent to the urgent concerns of the world.

ACKNOWLEDGMENTS

For comments on earlier drafts, I am grateful to Benjamin DiCicco-Bloom, Matthew Fox, Kees van Veen, participants in the Notre Dame Culture Workshop, and three anonymous reviewers. I also thank Danielle Fulmer for her research assistance.

NOTES

1. So far, about $11 billion of the cash lost has been recovered, mainly through negotiations with, or lawsuits against, those investors who walked away with more than they invested (Abrams and Henriques 2014).
2. A related theory was that Madoff was "cherry-picking," or surreptitiously allocating the best deals he discovered in the course of trading to his investors (Henriques 2011:144).
3. Charles Ponzi was even more upbeat and imperturbable (Zuckoff 2006:235, 285).
4. What one lacks is much insight into the mind-set of the grunt workers on the 17th floor, who were both closest to the deception and, apparently, enjoyed less congenial work conditions. Lewis (2013a:365) suggests that they may simply have been ignorant of the point of their work or else fooled by DiPascali's lies about how Madoff conducted his trades outside of their field of view (in Europe, he said) and why all the backdating of trades was legal (Lewis 2013b:498).
5. These have parallels in social control theory (Hirschi 2002), with loyalty to others a form of attachment and dedication to a cause a combination of commitment to a line of action and belief in its worthiness.
6. Because such victims were "in the know," I consider them organizational insiders.
7. Shils' (1966:282) definition of privacy is condign: "the existence of a boundary through which information does not flow from the persons who possess it to others." The right to privacy also allows people to construct barriers to perception and to expect others to respect them.
8. See http://www.ohchr.org/en/hrbodies/hrc/coidprk/pages/commissioninquiryonhrindprk.aspx.
9. Once that cordon was punctured in the early 2000s, the regime changed its tune, alternatingly claiming credit for South Korea's wealth, on the grounds that it reflected American capitulation to North Korean might, and dismissing it as a cover for the South's true state of continued subjugation to, and moral contamination by, the United States (Myers 2011:153-64).

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