

## Twitter Thread by [Kostas ■■■■ ■ ■](#)



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### Charles Ponzi and the Postal Service

The story of the man who put the 'Ponzi' in 'Ponzi scheme'

/THREAD/



1/ Carlo Pietro Giovanni Guglielmo Tebaldo Ponzi, a.k.a. Charles Ponzi, was an Italian swindler and con-artist.

Born in 1882 in Italy, he became notorious for his money-making fraudulent schemes in North America in the 1920s.



2/ He arrived in Boston in late 1903 with \$2.50 in his pocket.

After many professional failures, he moved to Montreal in 1907 and started working as a bank teller at Banco Zarossi, where he rose to the position of bank manager.



3/ This is where he first witnessed the bank's scheme, where Zarossi was funding interest payments using deposits from newly opened accounts instead of investment profits.

4/ Ponzi served 3 years in jail for check forgery and returned to the US after his release.

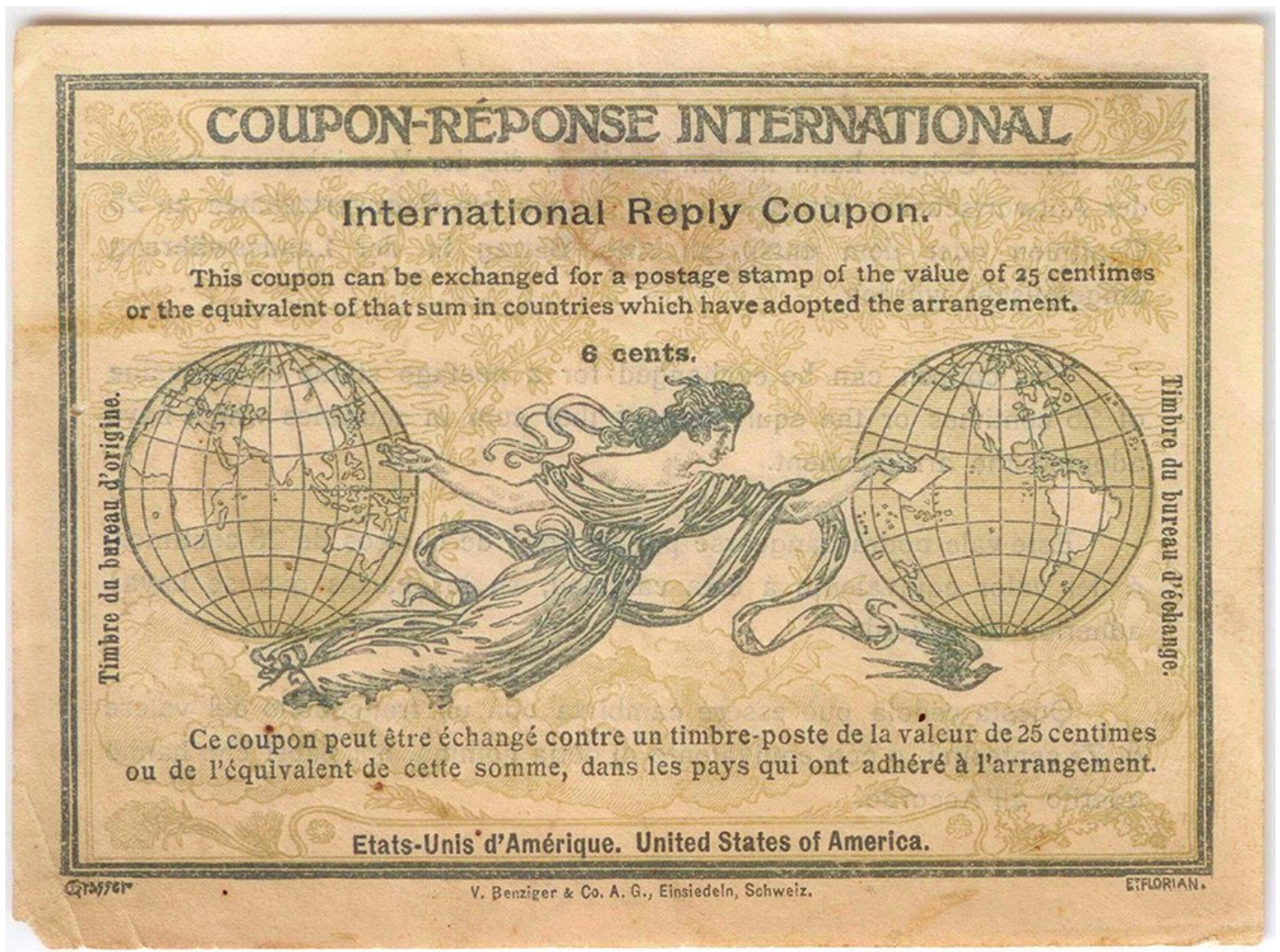
However, he got involved in smuggling illegal immigrants into the country landing in prison for another 2 years, moving back to Boston after that.



5/ There he came up with the idea of profiting from the arbitrage of postal reply coupons (IRCs).

Post-WW1 inflation decreased the postage cost in Italy in terms of US dollars, with Ponzi claiming that redeeming them for a higher price in the US would net him a profit of 400%.



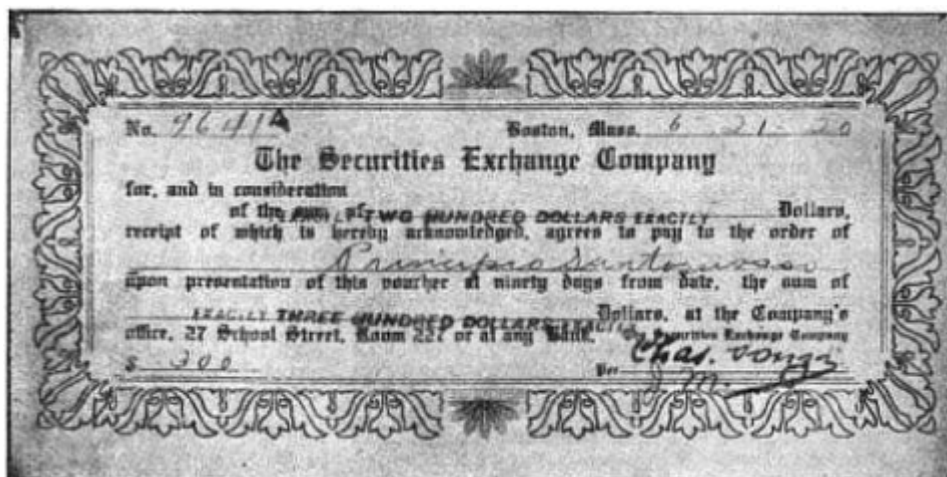


6/ He promised his investors a 100% return in 90 days, promising later a more.... reasonable 50% in 45 days.

He then proceeded to set up a stock company to attract capital from investors.

7/ In 1920, he started the company Securities Exchange Company (not to be confused with the S.E.C.).

As the word spread around town many investors rushed in at an increasing rate.





8/ By June 2020, the total investment came up to \$2.5 million, equivalent to today's \$30 million, and by July the capital influx reached \$1 million daily.

Ponzi used some of the invested capital to buy a controlling interest at a local bank in Boston.

9/ At the same time, his investors were mortgaging their houses and using their life savings to invest in his company.

However, for Ponzi to create his promised returns he would need to buy and resell millions of IRCs, with only a few tens of thousands in circulation.

10/ He instead paid his investors using the capital from the new investors.

Despite many newspaper articles questioning his quickly acquired wealth and a criminal investigation, he managed to continue operating his scheme.

The image is a black and white photograph of a newspaper clipping. The central feature is a portrait of a man, identified as Charles Ponzi, wearing a suit and tie. Above the portrait is the headline "The New Money Wizard". Below the portrait is a caption that reads "Copyrighted by Underwood. Charles Ponzi." To the left of the portrait, there are several headlines and snippets of text, including "IL, DRIVEN", "ND SHAKERS", "Protected by", "Also Forced", "Greeters.", "ANCE READY", "e Surrounding", "Demonstra-", "overnor.", and "nt of THE SUN AND HERALD. y \$0.—Gov. Cox, pidly under a hot take refuge in the get away from a und him on every lar home coming the citizens of". To the right of the portrait, there are more headlines and text, including "U. S. CHECK EXCHANG", "Burleson's Or", "Orders Kil", "Banker", "OUTLINE PL", "Authorities", "Violated No", "Got Hir", "Postmaster-Gen", "making the rates", "ternational mone", "more nearly to a", "rates has spoiled", "successfully work", "who is styled the", "according to for", "who admit that", "the law.", "There are just", "postal coupon", "amassed millions", "a time. One wou", "\$2 of money from", "single dollar retu", "interest, and the", "grasp of the adva", "orders in Europe", "postal rates, whi", "basis, while the". Below the portrait, there is a large headline "TROUBLES PILE UP ON COUPON KING" and a sub-headline "Continued from First Page."

11/ An investigation by the US District Attorney prompted the audit of his company's books, with Ponzi's publicist leaking information to the investigators.

It was finally revealed that Ponzi had amassed a debt of \$7 million, having taken many loans from the bank he controlled.



12/ As the articles kept piling up, revealing Ponzi's past criminal activities and prison sentences, he surrendered to the authorities and was charged with mail fraud.

The losses for his investors came up to \$20 million, approximately \$250 million in today's terms.



13/ Despite the fact that Charles Ponzi was not the first one to engage in such a scheme, his name was identified with it due to its vast success and huge amount of invested capital.

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/THREAD/ [pic.twitter.com/Se7QGxWpGd](https://pic.twitter.com/Se7QGxWpGd)

— Kostas \U0001f468\u200d\U0001f4bc \U0001f4c8 \U0001f4b8 (@itsKostasWithK) January 16, 2021

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— Kostas \U0001f468\u200d\U0001f4bc \U0001f4c8 \U0001f4b8 (@itsKostasWithK) January 3, 2021