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.

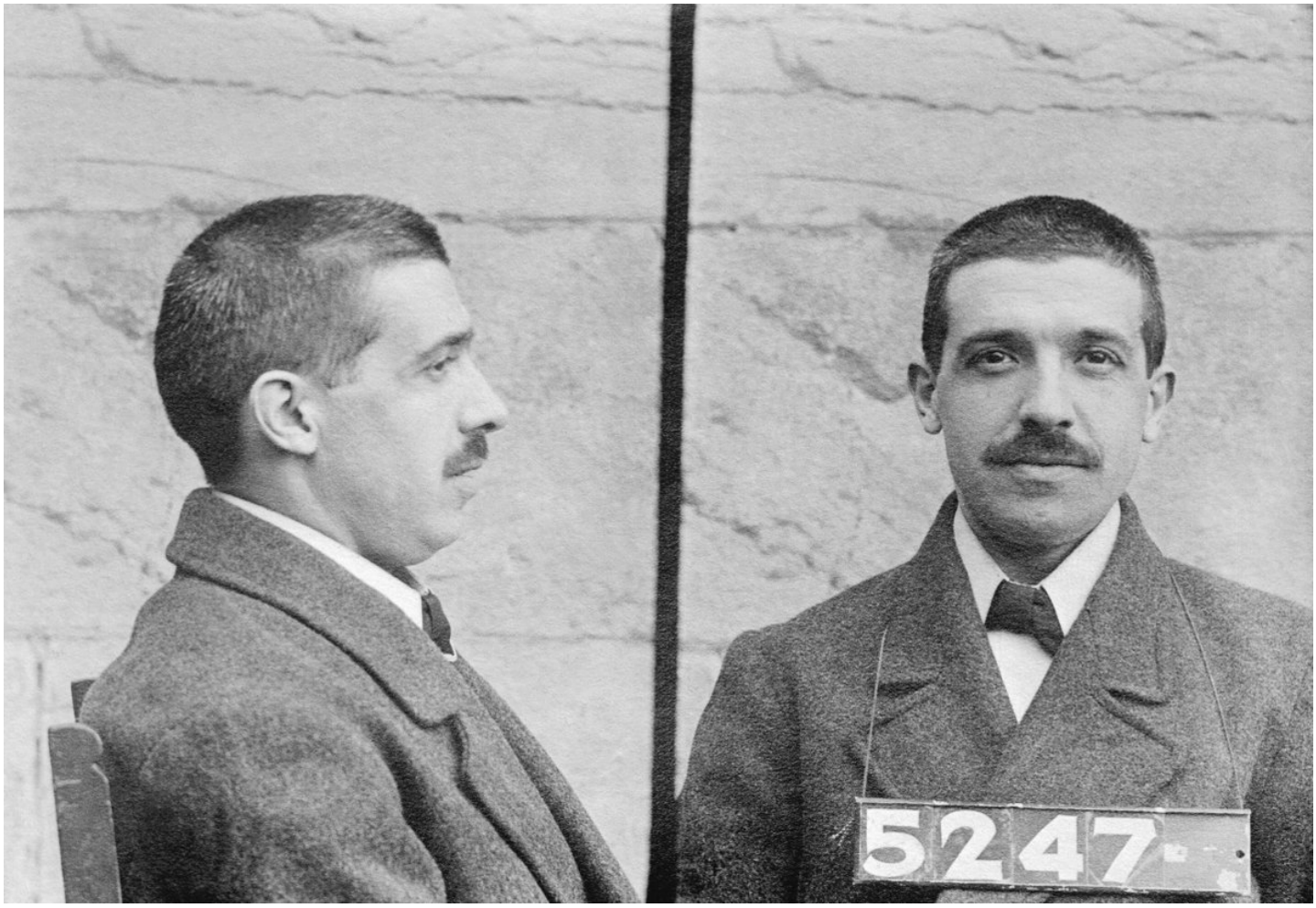
After many professional failures, he moved to Montreal in 1907 and started working as a bank teller at Banco Zarossi, where he rose to the position of bank manager.



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.


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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.



The Boston Post EXTRA

DECLARES PONZI IS NOW HOPELESSLY INSOLVENT

Publicity Expert Employed by "Wizard" Says He Has Not Sufficient Funds to Meet His Notes—States He Has Sent No Money to Europe Nor Received Money From Europe Recently

NEW MOVE TO FOIL MANNIX

POISON AS ANTIDOTE FOR LOVE

HOLD SOLDIER FOR MURDER

Money in Banks Taken From Investors

Tells of Visits to Officials Last Monday

TREMONT DAY

12/ As the articles kept pilling 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.



PONZI CONFESSES RECORD IN PRISONS; PLEADS FOR CHANCE

Declares He Sacrificed Himself for Employer in Montreal Forgery Conviction.

TOOK ITALIANS OVER BORDER

Served Two Years in Atlanta for Violating Immigration Laws.

HANOVER TRUST CLOSED

Bank Advanced $500,000 to Ponzi Against $1,500,000 Certificate of Deposit, Commissioner Says.

Special to The New York Times.

Navy Oil Contract Commandeerin

BUILDING DISREGA

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

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