

Name: Alert ID: TMML2024032119353 Who Was Charles Ponzi? Charles Ponzi was the infamous swindler who paid out returns with other investors' money. The "Ponzi scheme" is named after him. After running a highly profitable and expansive investment scheme, Ponzi was arrested on August 12, 1920, and charged with 86 counts of mail fraud. Owing an estimated \$7 million, he pleaded guilty to mail fraud, and subsequently spent 14 years in prison. Coming to America The details of the infamous swindler Charles Ponzi's early life are difficult to verify. It is believed, however, that he was born Carlo Ponzi in Parma, Italy, and attended the University of Rome La Sapienza. Ponzi arrived in Boston in November 1903 aboard the S.S. Vancouver. He later told the New York Times that he gambled away most of his money on the voyage to America. "I landed in this country with \$2.50 in cash and \$1 million in hopes, and those hopes never left me." The young immigrant's charisma and confidence would help him pull off one of the greatest financial schemes in history. Early Scams Ponzi started out working odd jobs, including as a dishwasher in a restaurant. In 1907, he moved to Montreal, where he found a job as a teller at Bank Zarossi. The bank was formed to cater to the new Italian immigrant population, charging high interest rates. When Bank Zarossi went bankrupt because of bad loans, Ponzi was left penniless. He was sentenced to three years in a Quebec prison after he was caught forging a bad check. Rather than tell his mother in Italy that he was in prison, he wrote to her in a letter that he was working at a Canadian prison. When he was released from jail, Ponzi got involved in yet another criminal venture, smuggling Italian immigrants across the border into the United States. This too landed him in jail—he spent two years behind bars in Atlanta. Ponzi Scheme Ponzi returned to Boston, where he married stenographer Rose Gnecco in 1918. He worked various jobs, including at his father-in-law's grocery store, but none of those positions lasted long. It was during this time that Ponzi got the idea for the great scheme that would earn his name a place in history. He received a letter in the mail from a company in Spain that contained in it an international reply coupon (a coupon that can be exchanged for a number of priority airmail postage stamps from another country). Ponzi realized that he could turn a profit by buying IRCs in one country, and exchanging them for more expensive stamps in another country. Ponzi's racket worked like this: He would send money to agents working for him in other countries, who would buy IRCs and send them back to the United States. Ponzi would then exchange the IRC for stamps worth more than he paid for them, and sell the stamps. Ponzi reportedly made more than 400 percent on some of these sales. Not satisfied with running the profitable scheme on his own, Ponzi began to seek investors to turn even higher profits. He promised investors outrageous returns of 50 percent in 45 days, or 100 percent in 90 days. Ponzi paid these investors using money from other investors, rather than with actual profit—as in the criminal scheme of Bernie Madoff. Ponzi's manipulation made him very rich—he bought a mansion in Lexington, Massachusetts, with air conditioning and a heated swimming pool. He reportedly made \$250,000 a day. Downfall and Death Ponzi's scheme began to unravel in August 1920, when The Boston Post began to investigate his returns. The investigation set off a run on Ponzi's company, with investors trying to pull their money out of it. Charles Ponzi was arrested on August 12, 1920, and charged with 86 counts of mail fraud. Owing an estimated \$7 million, he pleaded guilty to mail fraud, and subsequently spent 14 years in prison. Rose divorced him in 1937, and Ponzi died penniless in Rio de Janeiro, Brazil, on January 18, 1949.