

The old game of robbing Peter to pay Paul

Born in 1882 in Italy, Carlo showed promise as a young man.

In school, though, he quickly gravitated to the opposite end of good, adopting the questionable habits and lifestyles of his far wealthier classmates. Within a year, he had blown through his savings and was forced to drop out. His family decided that the gold-lined streets of America might better suit the large dreams of 5-foot-2 Carlo and purchased him a ticket.

By the time he landed in Boston two weeks later, he had managed to whittle the \$200 his mother had given him to a pittance. As America's newest arrival later put it, "I landed in this country with \$2.50 in cash and \$1 million in hopes, and those hopes never left me."

With an Americanized name, "Charlie" quickly left Boston and over the years ventured to and fro. At one point, he secured a job as a clerk at a bank that promised to pay unheard of returns to its depositors. The fraudulent scheme was a simple one, using the money from new investors to pay old ones. Not surprisingly, in time the funds ran dry and the larceny was discovered.

With the outbreak of World War I, Charlie tried to return to Italy to join the fight. As his native nation would not pay for his journey, however, he jumped ship and soon found himself, after 13 years of scurrying around, right back where he had started: in

Boston. Now in his mid-30s, he earned a lowly wage that barely met his needs.

"By starving one day and eating a little less the next one," he observed, "we employees always managed, more or less, to keep hand-somely in debt."

Little did he know that radical change awaited.

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On Memorial Day weekend in 1917, while waiting for a street car, he happened to gaze upon the lovely Rose Maria Gnecco.

"Time, space, the world and everything else around me, except that girl, had ceased to exist," he recalled.

Love and loyalty followed, as did marriage on Feb. 4, 1918.

With a new wife to support, the time was ripe for him to venture forth into the business world. With his mind racing as to how best achieve his goal, inspiration and brilliance, or so he thought, struck. He created the Securities Exchange Co., opening up shop on the fifth floor of the Niles Building lo-

cated at 27 School St. in downtown Boston.

Devising his pyramid scheme, he sold vouchers to a relatively few investors promising exorbitant 50 percent returns in 45 days. He explained that he was buying depressed postal coupons overseas and selling them for great profits here.

Money dribbled in over the coming days and weeks. When the first vouchers became due, however, there were sufficient funds to make good on the promise of high returns. Those pocketing the easy money were ecstatic and greedily re-invested. Word exploded of the great profits being effortlessly made, and soon the rich and the poor flooded in,

begging him to do for them what he had done for others.

Within seven months, 30,000 people had ponied up nearly \$10 million in Boston and the numerous other offices that opened in the surrounding states, propelling Charlie to the zenith of his fantasies. Little did anyone realize that every dollar invested put him, and them, one step closer to financial calamity.

As with every such scheme, the number of the previous investors, now large, quickly devoured the incoming money of the newer ones. Upon the realization that time and money were quickly running out, Charlie struggled to come up with other ways to make good on his promises.

Despite his efforts, and with the Boston Post on his heels, he could not come up with the \$3 million he needed to stay afloat.

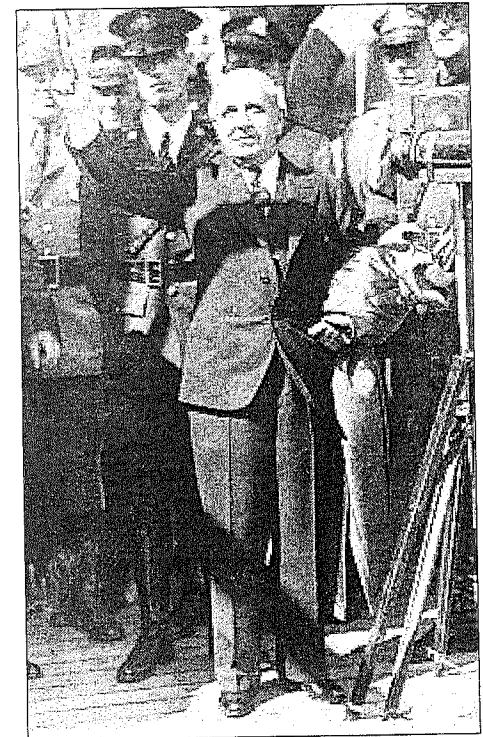
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Over the coming years, Charlie was prosecuted at the state and federal levels and imprisoned. At one point, out on bail pending appeal, he heard of a land boom in Florida. Like the attraction of a fish to a fat worm, the shark of Charlie was there.

His plan was a simple one: buy 100 acres for \$40, split each acre into 23 lots, sell them for \$10 each, and — eureka — gold in the form of dirt. That the land was often uninhabitable was a mere speed bump on the road to wealth. So, too, was raising the money to put his plan into action.

The pitch was simple and familiar: I'm dealing in land. Earn a 200 percent profit in a mere 60 days. Get in now, while you can.

When the Florida authorities caught wind of the pitchman, the deal was shot down and Charlie soon returned to jail. Released in 1934, he had \$70 to his name and a one-way deportation ticket back to Italy. His patient and devoted wife, who had stood by her adoring husband, could not desert the land she loved and, after 18 years of marriage, she reluctantly filed for divorce.




'Charlie' gets deported to Italy.

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In his early 50s, Charlie was on the downside of life, working an assortment of jobs and always dreaming of an unattainable goal: being reunited with Rose. In search of work, he re-located to Brazil, where he scratched out a living.

Shortly before his death in 1949, he spoke of his scam. "It was the old game of robbing Peter to pay Paul."

At the end, he died with not much more than what he had when he first arrived in America. Little did he know, though, as he lay dying a ward of the state in a hospital bed, that immortality had touched him. The scheme he had embarked upon would forever bear his name: Ponzi.



LAW 'n HISTORY
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