

PONZIS

A very common popular internet scam is the Ponzi scheme. Essentially, investors are attracted by ridiculously high rates of return that are advertised on websites, forums and in newsgroups. The investment is usually characterized by some lump sum invested, with a strategic time delay of some kind, and then periodic returns, usually with an incentive to leave the returns in the investment. As more and more “investors” come into the scheme, the ponzi grows enough to start paying off the initial adopters. Because of their success at “investing”, more people jump into the ponzi, accelerating the growth and return of the ponzi. Eventually the ponzi income must necessarily be less than the expense, at which point the scheme collapses, with the organizer of the scheme taking off with all of the money in the “investment accounts”.

What kind of return attracts “investors”? We are talking about triple digit annual interest rates (even quadruple in some cases), I have seen systems that claim 800% return on a \$5000 investment with only a 60 day delay before the start of repayments. What makes ordinarily sane people invest in these things? Greed, of course.

Unfortunately, there is some merit to the idea of being an early adopter. If you get into the system early, you will get your money back, and much more; the system depends on it. Your early success is what brings the rest of the suckers in. Most people don't have enough of a conscience to actually care about the loss that the late adopters will incur, to do so would be to admit that they knew that the scheme was a scam in the first place.

Most scams of this kind will have a cult-like mindset attached; no amount of reason can penetrate the promise of such high returns. Frequently, the organizer of the scheme will have some messiah-like quality that allows him to flip shopping malls over the weekend for 30% returns or manipulate the Swiss banks' transfer schedule with a 3% commission rate. It's all hogwash, of course, but that doesn't stop the true believers from sucking in more fools to help pay their returns.

A recent example is PIPS, the Pure Investment Profit System. It lasted two full years, an amazingly long time in the ponzi world. There will be people reading this right now that think that the organizer, Bryan Marsden, is some kind of investing saint, and that the authorities that have shut him down just don't like his unorthodox investing style. NOTE: Saskatchewan, and more specifically Moose Jaw, seems to have an unseemly high number of foolish people that like to go in for scams like this. This scam has been shut down, apparently with hundreds of millions lost. Worse yet in the case of PIPS, many of the initial investors became “franchisees” and took it upon themselves to steal from friends and family by collecting investments from them, giving them in exchange PicPay coupons, which were supposed to represent some monetary value in the PIPS scheme, but really amounting to worthless rubbish. Their rationalization is that since Marsden stole from them, they should steal from others to make up their losses.

Remember, if it looks too good to be true, it isn't.

If you have question or comments, I can always be reached via email sean@intrex.ca or join our forums at <http://intrex.ca> for more in-depth conversations.