



## Understanding Ponzi Schemes

### Can Better Financial Regulation Prevent Investors from Being Defrauded?

New Horizons in Money and Finance series

Mervyn K. Lewis, Emeritus Professor, University of South Australia, Adelaide and Emeritus Fellow, Academy of the Social Sciences in Australia

A Ponzi scheme is one of the simplest, albeit effective, financial frauds to engineer, and new schemes keep coming forward. Despite this, however, people continue to invest in them. How are we to account for the seemingly never-ending lure of such schemes? In providing answers to this central question, this concise and well-researched book examines how Ponzi schemes operate, how they differ from pyramid schemes, Ponzi finance and other financial arrangements.

'This book offers highly valuable information about Ponzi schemes. The writing is clear and well organized, and it is an excellent work not only for academic researchers, policy makers, and students, but it can also be valuable to general readers.'

Yiyan Li, Criminal Law and Criminal Justice

'... more than two dozen books on Ponzi schemes have now been written, but Understanding Ponzi Schemes provides a most informative and detailed analysis of this phenomenon based on the author's theoretical analysis and empirical case studies. . . . The subject of Lewis's Understanding Ponzi Schemes is significant, as Ponzi schemes are a kind of investment fraud that occurs frequently around the world. . . He does a superb job of offering a systematic description of what Ponzi schemes are, how they happen, why people fall for them, how they are able to survive for long periods of time, what we can do to avoid being victims, and ways of preventing them. . . . On the whole, this book offers highly valuable information about Ponzi schemes. The writing is clear and well organized, and it is an excellent work not only for academic researchers, policy makers, and students, but it can also be valuable to general readers.'

– Criminal Law & Criminal Justice Books

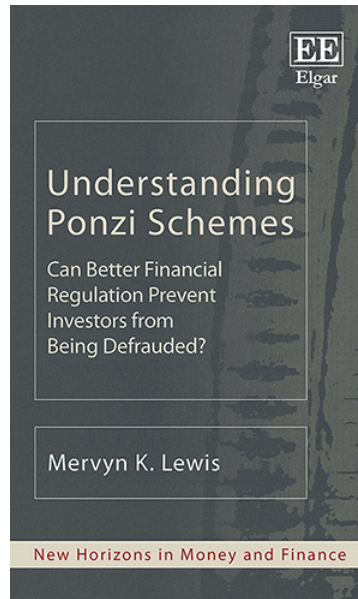
'The short, well-referenced volume is an invaluable arrow in the quiver of finance scholars, regulatory agents, financial advisers, and other public policy officials. But it is also, not unlike the topic itself, an engaging, very readable look inside this fraudulent world. Summing Up: Highly recommended.'

– A.R. Sanderson, Choice

'Ponzi schemes are a particularly vicious form of financial fraud, in that the overly trusting victims, who are often wiped out, typically share an affiliation with the fraudster. They are interesting, in that they share some features with legitimate financial phenomena (such as stock manias) and shed light on the human tendency towards behaving foolishly, especially when encouraged or modeled by others. In Understanding Ponzi Schemes, Mervyn Lewis has written what is probably the best and most comprehensive book on the topic. Extremely readable, this book uses both theoretical models and real-life case studies to provide readers with an answer to two questions: "How do Ponzi schemes work and why are they successful?" Lewis also provides useful answers to a third question: "What can regulators and individuals do to be protected from future incarnations of Charles Ponzi?"'

– Stephen Greenspan, University of Connecticut, US and author of Annals of Gullibility

'Starting with very readable (and well-referenced) accounts of various Ponzi fraudsters from



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Ponzi himself through to Madoff and Stanford, lessons are drawn from such diverse disciplines such as psychology and statistical analysis to advocate novel approaches to the regulation of Ponzi schemes. A "must read" for regulatory policy-makers and a fascinating read for the general reader, Professor Lewis is to be congratulated for advancing the debate on this age-old phenomenon by suggesting distinctive and innovative strategies to tackle it.'

– Eva Lomnicka, Dickson Poon School of Law, King's College London, UK

'Readers looking for a clear explanation of how Ponzi schemes work and description of recent and historical examples, both large and small scale, will find that in this very readable book. But the author, Professor Mervyn Lewis, goes well beyond those topics by drawing on behavioural economics and psychology to help understand how "victims" get caught in such schemes, and the motives and behaviours of the scheme operators. That analysis also provides a valuable checklist for readers to help them avoid becoming victims.'

– Kevin Davis, University of Melbourne, Australia

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