

SOCIAL ECONOMIC CONDITIONS DURING TRANSITION

TASK 1

TOPIC: PYRAMID SCHEMES

DURATION: 45 minutes

MATERIALS: printed texts with descriptions of pyramid schemes (Appendix 1) and signs of pyramid schemes (Appendix 2), sheets of paper for working in groups, markers (pens)

STRUCTURE OF THE EXERCISE:

1) Invite participants to form small groups of 4-5 people to work on the exercise. Read the text about the MMM pyramid scheme (Appendix 1) aloud to participants. You can also print it out and give each team 5 minutes to read it out loud and read it for themselves. Ask participants if they have heard anything before about pyramid schemes and MMM and what they know about them. Allow 5-7 minutes to discuss this question.

2) Next, suggest that each group, taking into account the information from the text they have read and the discussion in the group, prepare a checklist of signs (4-5) of pyramid schemes, that is, a list of signs that should alert you and most likely indicate that this is not a profitable project, but a pyramid scheme. Give each group a sheet of paper and a pen (marker) and allow 15 minutes for this work.

3) After 15 minutes, invite each group to name one trait and write them on the board (flipchart); if a trait is repeated, it does not need to be recorded again. It is important that each team takes turns naming one trait in a circle and that each team has an opportunity to share the results of their work. After the team names the trait, ask them to explain their choice. After all the traits are written on the board, give each group the trait list (Appendix 2) and give teams 5 minutes to select from the list those traits that are not written on the flipchart (the board). Ask participants why they did not voice these attributes, and ask if they discussed them as a group.

4) Debrief with the participants. Debriefing questions (tentative):

- Do you think that pyramid schemes were typical only during the transit period or do they still occur?
- Why is it that even though most people are now aware of the risks of pyramid schemes, some still fall victim to them?
- What can help people avoid the risk of becoming a pyramid scheme victim?

APPENDIX 1 (text for reference)

"MMM" is one of the most famous financial pyramid schemes, which was created by Sergei Mavrodi. About 15 million people became victims of this pyramid scheme. At the time, people were trying to save their savings from depreciation and this was one of the reasons why pyramid schemes were so popular. One of the key pyramid advertising messages was the promise of 1,000 percent profitability. According to various estimates, MMM's losses amounted to more than \$100 million.

The basic principle of the pyramid is manifested in these successive steps:

- 1) A project with very high profitability is created.
- 2) Investors (contributors) are attracted to the project, who are asked to contribute a certain amount of money.
- 3) New investors are attracted, whose money is used to pay dividends to the first investors.
- 4) New investors are attracted, whose money is used to pay dividends to the second investors. Points 2-3 are repeated many times, and a pyramid is formed.
- 5) As soon as the pyramid stops working (no new investors appear), the pyramid organizers usually disappear along with the money.

APPENDIX 2 (signs of pyramid schemes)

- 1) High profitability
- 2) The investors themselves attract new investors
- 3) Non-transparency — investors have almost no information about the financial state of the project
- 4) Active advertising with miraculous promises
- 5) Absence of official documents
- 6) Low initial payment