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From the Archive: MMM's Sergei Mavrodi, Behind the Hype

By Steve Liesman

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Sergei Mavrodi **Yury Mashkov / TASS**

One of Russia's most famous crooks, Sergei Mavrodi, died of a heart attack on Sunday at the age of 62. A symbol of the "Wild 90s" which followed the Soviet Union's collapse, Mavrodi persuaded millions of Russians to put their savings into his MMM pyramid scheme — convinced at least in part by MMM's memorable television ads featuring everyman Lyonya Golubkov that became the first post-Soviet meme.

After trying his hand at being a State Duma deputy, in 1996 he ran for president. In 2003, he was arrested and sentenced to 4 ½ years in prison for fraud.

The article below was originally published on Aug. 6, 1994. It was written by Steve Liesman.

It was like a scene from The Wizard of Oz. When the curtain was pulled and the wizard revealed, Sergei Mavrodi, head of the MMM empire, turned out to be less than a daunting sight.

Not very tall and a little pudgy in the jowls, the reclusive man at the controls of Russia's largest financial scandal surfaced this week as a shrewd moneymaker who likes butterflies and red foreign cars, but lived a lifestyle that seems a pale shadow of the image of high-flying biznesmeni.

While he ran a scheme that raked in billions of rubles and recently was rated the sixth wealthiest man in Russia, Mavrodi lived spartanly in a single room of his spacious but shabby apartment on the Moscow River. Boxes of dried insects, butterflies and a dead bat mounted under glass hung on the walls.

The only overt signs of his wealth were several foreign cars parked in his apartment complex's driveway and a $60,000 satellite dish that a reporter from the daily Segodnya newspaper spied in his apartment.

After six months of inaction, the government formally arrested Mavrodi on Friday for hiding from tax officials and for "failing to submit to the order of authorities to open the door," according to a spokesman with the tax police.

Authorities opened a criminal case against Mavrodi on Thursday for concealing billions of rubles of profits from tax officials in a company called Invest-Consulting. The arrest, following a dramatic raid on his apartment Thursday by armed Interior Ministry troops and tax police, brought to a climax the MMM debacle in which millions of Russians invested in a pyramid scheme.

While the arrest was unusual, the crash of the scheme and the allegations of impropriety were not. Mavrodi has repeatedly started up and then walked away from successful ventures, all the while being dogged by charges of tax violations.

"He was quite a professional businessman who always moved into the most profitable niche of the market," said Maxim Selivanov, the general director of Steepler, a large computer dealer. But he said Mavrodi was never interested in any particular business, only in the process of making money.

"You can make money nicely, but he makes it crudely," said Selivanov. "I wouldn't do business with them."

Alexei Blinkov, who works in a photo shop on the ground floor of Mavrodi's apartment in the Frunzenskaya area, said Mavrodi had started a computer sales cooperative in the late 1980s.

Embed:

"When the computer boom was over, he just switched to another business," Blinkov said.

Mavrodi, 38, married about four months ago, according to Blinkov, who developed the wedding pictures. He said the wedding appeared to be "quite rich" with about 30 guests in attendance.

A woman who worked in the shop said Mavrodi's bride's dress had been low cut with a picture of the Madonna and Child stitched onto the front.

The new foreign cars belonging to Mavrodi included a red Opal Frontier jeep that Blinkov said was Mavrodi's personal car and a two-tone red and gray Chevrolet Caprice that belonged to his wife.

A source at Trinity Motors, a General Motors dealership in Moscow, said Mavrodi's wife recently came to the dealership with a famous Russian rock star and bought the Caprice for $34,700.

Mavrodi's arrest culminates a series of run-ins with the law. In 1992, authorities froze the bank accounts of the MMM cooperative on charges of tax evasion, the Russian newspaper Komsomolskaya Pravda reported this week.

A criminal investigation was launched in April 1993 against two Mavrodi companies, Makhaon and Lyambda-pi, on charges of 1 billion rubles of tax evasion.All of the charges were apparently dropped for lack of evidence.

In April of this year, the Central Bank revoked the license of MMM-Bank for violating reporting procedures and running up debts. An MMM official at the time said Mavrodi was no longer interested in the bank.

Mavrodi still has a large network of companies. The criminal investigation is specifically related to tax evasion at a company called Invest-Consulting, which is one of 44 companies said to make up the MMM empire, The Associated Press reported. Several companies bear the MMM name, but some such as the voucher investment fund MMM Invest, have said they have nothing to do with Mavrodi.

A top tax official said Thursday that Mavrodi was also the founder of the Pensione Bank.

Friends and acquaintances said Mavrodi graduated from Moscow State University with a degree in mathematics and was a computer specialist. His apartment was littered with papers of mathematical calculations for different financial deals, Segodnaya reported.

Few neighbors appeared to know Mavrodi well, although the family has lived in the apartment for several decades.

"He was not very friendly and kept to a close circle of friends," said Blinkov, who knew Mavrodi casually for five years.

One neighbor said she had noticed a guard sitting on the stoop all day and night.

"It's a pity that he's been arrested," the neighbor said, "because now the guard will disappear."

Staff writer Mikhail Dubik contributed to this report.

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