

Network marketing and state legitimacy in China: Regulating trust from physical workplaces to virtual spaces

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Banned in China between 1998 and 2005, the reemergence of network marketing allows rural young women to distribute a wide range of consumer products across uneven rural–urban landscapes. The rhizomic distribution channels of network marketing long confounded Chinese legal and regulatory governance based on workplaces embedded in particular locations, a problem compounded by the rise of e-commerce in the last decade. As network marketers and their potential clients maneuvered spatial inequalities, gender hierarchies, and financial exclusion, they confronted the subversion of long-term mutuality and sociality to short-term transactional exchanges, a process partially inverted by the move from physical to virtual retail and its digital rating systems. As the Chinese state sought to establish, monitor, and guarantee trust in economic activities by delimiting predatory schemes, its initial targeting of network marketing companies has given way to regulating the sellers themselves. In contrast to contexts where network marketing forges enterprising subjectivities of neoliberalism, however, Chinese salespersons prioritized meeting aspirations of an imagined pastoral state and idealized social relations over business transactions. By championing that earning trust forms the ultimate measure of success, the discourse of network salespersons and their potential customers rings with the ways that e-commerce platforms and digital bureaucracy attempt to measure, evaluate, and regulate the trustworthiness of Chinese citizens.

Keywords Trust; Guanxi; E-commerce; Social Credit; Network Marketing; China

Forget your PhD! Will you make money writing books?! The West is in economic crisis. China's market is huge, and growing! My country's development has many good opportunities, and direct sales [*zhixiao*] can make major contributions to economic development. (fieldnotes, October 15, 2009, Sweeping Cliff village)

Huirong, a woman in her late twenties, was making a final attempt to recruit me for a network marketing scheme to sell feminine hygiene products, specifically sanitary pads, in rural China.¹ These sanitary pads were reputed by their makers to be on the cutting edge of technological capacity, a marvel of hygiene packed into pastel-colored suitcases. According to Huirong, I was being offered the once-in-a-lifetime opportunity to enter into its sales network before the product sales spiraled into astronomical profits, especially for those who entered the game at this early stage. The company has, indeed, expanded nationally and even internationally since that autumn of 2009, only two years after it began its Chinese domestic operations in 2007. The company's marketing material, including the charismatic speeches of its CEO, routinely narrated how the corporation had elevated the best and brightest of Chinese technological and manufacturing know-how through global cooperation to bring about “glorious achievements” for China and its “world-class” development. And yet, the mutual benefits of economic growth forged between corporations, citizens, and the state lauded in this success story sit incongruously with the bureaucratic regulation and disrupted trajectory of network marketing in China.

Banned in China between 1998 and 2005, the reemergence of network marketing allowed products to circulate through local social networks that tied domestic manufacturing and local distributors to transnational corporations.

This process was both encouraged and regulated by the bureaucratic state led by the Chinese Communist Party, which positioned itself as promoting the development of a system of “socialism with Chinese characteristics” since the market reforms began in 1978. Domestic development goals guided state policy decisions in this new field of distribution at key moments in the ensuing decades. Crucially, upholding social trust despite Chinese integration into global capitalism with the country’s entry into the World Trade Organization in 2001 and expanding domestic markets for consumer goods in the wake of slowing international demand after the global financial crisis from 2007 onward were paramount to policy surrounding network marketing. Uneven development within China, particularly the disparity between the rapid rise to wealth of the southeastern coastal regions spearheading manufacturing and innovation and the western inland provinces struggling to balance their reliance on agriculture and heavy industries with the development of the service sector, also came into play as the state initially banned and subsequently liberalized its stand on network marketing.

In the landlocked inland province of Shanxi from the mid-2000s, the rising economic trend of network marketing has resulted in young women buying into corporate schemes for the right to sell products directly to friends, family, and acquaintances. Commodities ranging from foreign cosmetics to costly lingerie are distributed through these instrumentalized personal networks. Salespeople take part in training courses and motivational meetings to instill an optimistic mind-set, chart relative success, and embody qualified business standards. Despite the legalization of direct sales and network marketing, certain forms of multilevel marketing (*chuanxiao*) remain forbidden in China. For instance, the state continues to ban schemes where salespersons are not just compensated for sales but remunerated for multiple levels of people whom they recruit, or when recruits must pay up front for participation or qualification in the scheme (Order of the State Council No. 444 2005). These business practices would effectively create a hierarchical structure tying salespeople to each other through chains of recruitment and compensation, with those entering the scheme earlier positioned higher up in the pyramid and making more money than those downstream (see Jeffery 2001). In contrast to the companies’ celebratory discourse surrounding network marketing, vendors often struggle to recoup initial investments and break even on their sales, partly due to the chains of payment flowing upward.

When I declined Huirong’s offer to join her commercial ranks and sell sanitary pads, our budding friendship turned sour as a result. This is not unusual, to the point that network marketing schemes are even said to “kill relationships” (*shashu*), a term that translates specifically to swindling, fooling, or taking advantage of the trust of friends and acquaintances to earn money through deceit. This popular discourse that network marketing destroys relationships stands in direct opposition to scholarly assessments that it is the Chinese propensity to rely on networks of personal relationships, *guanxi*, and on ties of personal affection, *renqing*, that underlies the success of the distribution model (see Luk, Fullgrave, and Li 1999; Merrilees and Miller 1999). Despite this alleged cultural basis for the burgeoning of direct sales, multilevel marketing, and even pyramid schemes, their condemnation in popular discourse confounds this reasoning (Jeffery 2001; Lan 2002).

I trace these contradictions within the contested field of network marketing in China to ongoing state attempts to curtail predatory capitalism and thereby manage social trust, as well as local configurations of spatial exclusion and financial inequality. In many parts of the world, network marketing conforms to a neoliberal agenda of subject making through entrepreneurship and cosmopolitanism that both shape and frustrate aspirations of middle-class consumption (Cahn 2006, 2008; Casanova 2011; Dolan and Rajak 2016; Droney 2016). By contrast to the neoliberal development model of “corporate social responsibility” and finding fortune at the “bottom of the pyramid” (Cross 2019; Dolan and Johnstone-Louis 2011; Street and Cross 2009), the Chinese state actively intervenes in network marketing with the aim of securing economic order and bolstering political legitimacy, as well as fostering capitalist growth. Building on studies of network marketing that emphasize the importance of popular finance and the circulation of money in aspirations for success (Krige 2012; Musaraj 2011; Schiffauer 2019), this study

contributes to the consideration of the verticality and scales of these contemporary economic activities beyond a homogenizing trope of neoliberal globalization (see Nonini 2008).

The history of network marketing and state regulation reveals the particularities of the Chinese developmental state and the role of finance within it, as well as the distinct periurban landscape in which women engage in face-to-face and online sales. Rather than simply expanding networks and fostering growth, the way the state and network marketers themselves establish trust in transactions reconfigures the state–citizenship nexus over time. Chinese citizens frequently insist on their vulnerability to market mechanisms and seek support and protection from the state as customers and workers, though state guarantees of trust often fall short of expectations and citizens attempt to fill these gaps by selling trust (Kuever 2019). In contrast to neoliberal subjects who are deemed to carefully weigh business opportunities in relation to risks and returns, Chinese entrepreneurs often frame their activities in relation to public opinion (Steffen 2017). Network marketers in Shanxi similarly situate their decisions through expectations and experiences of how others, from personal acquaintances to state bureaucrats and social media contacts, will appraise their activities in relation to their trustworthiness. Therefore, both salespersons and their potential customers approach network marketing with concerns, anxieties, and aspirations of “earning trust” (*dedao xinren*).

Both temporal movement and technological change pattern this trajectory of network marketing in China, thereby shaping both the methodological and analytical insights gained during long-term ethnographic research based around participant observation in the Chinese periurban countryside. When I began doing fieldwork in the deindustrializing coal region of Shanxi for sixteen months in 2009, I lived in a rural mountain village that was becoming a tourism hub as part of economic rebalancing away from heavy industries toward developing a stronger service economy. The proliferation of direct sales, multilevel marketing, pyramid schemes, and e-commerce emerged sporadically in the site through my focus on work and labor within the village, particularly among rural women. Echoing national proliferation, this economic trend rapidly grew in importance locally, as I discovered upon my many return visits to the village in the last decade, as well as from the messages, posts, and videos proliferating among my acquaintances on Chinese social media accounts. The ethnographic material therefore unfolds alongside these changing technological possibilities and state interventions into network marketing over time, beginning with distinctly female hygiene and beauty products tolerated by the state, before analyzing health insurance schemes in direct competition with the state and, finally, turning to e-traders whose use of online platforms both relies on and bolsters state surveillance of credit, credibility, and trust among its citizens.

Network marketing beyond neoliberal subjectivities

As the People's Republic increasingly integrated into the world economy in the twenty-first century, China was also swept up in the global financial crisis from 2007 onward. In the face of falling exports of consumer commodities, China expanded domestic markets by making credit more readily available and fostering e-commerce infrastructure (Bruckermann 2020). As urban citizens took on consumer credit and mortgages against lucrative real estate prices (Wang 2018; Zhang 2010), rural citizens often struggled to obtain loans on their modest assets (Kipnis 2016; Loubere 2018). In addition to the formal banking sector, a growing number of financial intermediaries, often criticized as “shadow banks” (*yingzi yinhang*), offered services like online consumer lending; fintech wealth management services; digitalized (mostly mobile phone app-based) asset, commodity, and stock exchanges; and peer-to-peer lending platforms (Rao, this issue).

Government warnings around pyramid schemes are widespread and therefore familiar to Chinese citizens, especially following a number of high-profile cases that reverberated across domestic and even international media. The notorious case of Wang Zhendong in Liaoning Province, who ran a bogus Ponzi scheme involving breeding ants for use in making liquor, medicine, and aphrodisiacs, even reached foreign media outlets. Wang was executed in 2008 for the crime of swindling investors and conning them out of 3 billion yuan (approximately

US\$432 million) (Subler 2008). However, these criminal schemes are not isolated phenomena. For instance, peer-to-peer lending services rely on network-based fund-raising to provide wealth management products to ordinary citizens, who raise money from others and invest in financial products (Rao, this issue). Peer-to-peer borrowers and lenders may receive rewards, rebates, and cashback transfers for drawing in new users, particularly through promoting advertisements, sharing invitation links, or circulating membership QR codes through their social media channels. These practices of recruitment and remuneration raise debates about the parallels between these financial service platforms and network marketing schemes (Fan 2016). Moreover, risks in these peer-to-peer lending schemes often run high, with industry experts estimating that one-third of China's thirty-eight hundred registered platforms faced financial difficulties in recent years (Mitchell 2016). For instance, the peer-to-peer financial provider Ezubao effectively amounted to a Ponzi scheme on an astronomical scale (Mitchell 2016). In 2016 the company's founder and more than twenty other employees were arrested, charged, and found guilty of cheating participants out of more than 50 billion yuan (approximately US\$7.2 billion) (Mitchell 2016). Dramatic images of the outcomes of such events on political legitimacy emerged in 2018, when the police put the Beijing financial district under lockdown following protests against financial losses incurred by investors and lenders on peer-to-peer financial platforms (Yang and Liu 2018), many of whom were recruited to the schemes through personal networks.

Reporting on such scandals and waves of popular unrest resulted in acute pressure on the state to curb these predatory practices, not just in the realm of peer-to-peer lending, but also in network marketing schemes that distribute commodities. These attempts to bolster state legitimacy by governing social trust has resulted in intermittent anticorruption drives and regulatory enforcement. The state initiated a widespread crackdown on the network marketing industry in 2016 and again in 2018, as allegations of corruption, bribery, and extortion proliferated. Writing under the pen name Xiao Fei, one former Amway distributor wrote of how network marketing was bringing "chaos" (*luan*) to China, while also pointing toward how endemic corruption through reliance on *guanxi*, or personal networks, in business transactions more generally allowed these conditions to flourish (McMorrow and Myers 2018).

In parallel to these targeted campaigns, urban financial districts as well as rural village committee headquarters feature poster campaigns and information boards warning citizens to be vigilant in the face of commercial and financial scams. These state warnings often single out illegal money-multiplication pyramids and multilevel marketing schemes for particular mention and accompany the text with explanatory diagrams, sequential cartoons, or experiential reports. The state frames these networks of relationships as exploitative and extractive yet eschews situating them within inequalities that reflect the broader political economy, instead portraying them as aberrations to everyday economic stability and threatening the righteous political order.

State policies that devalue agricultural labor, stigmatize rural household status, and disadvantage women in formal workplaces (Fong and Murphy 2005) all contribute to pushing young women into entering network marketing schemes in periurban Shanxi. Within this field of systemic inequality in accessing well-paid formal employment, state legislation evaluates the credibility of corporations and citizens through bureaucratic regulation in attempts to safeguard economic trust. In what follows, I argue that the state thereby seeks to position itself as a guarantor of social trust in ways that conflict with the original business models of network marketing, a dynamic refracted in the adaptive strategies of bureaucratic legislation, transnational corporations, and domestic participants to expand network marketing operations in the country.

Regulating network marketing in China

In the late twentieth century, global players in door-to-door sales made their first entry onto the Chinese economic stage, with early trailblazers including such well-known corporate giants as Avon, Sunrider, and Amway. By the

mid-1990s, the market was inundated with smaller players proliferating across the country, including domestic corporations. In the lead-up to its official ban, increasing state apprehension emerged that included the difficulty of collecting taxes, complexities in overseeing company surveillance, and the distribution of dubious ideological commitments through these marketing schemes (Jeffery 2001). The government was suspicious of these complex social networks with their sophisticated and rhizomic structures, as well as their community rallies that drummed up hearts and minds into a corporate frenzy. More broadly, as consumer rights became an important arena for state legitimacy and concerns grew regarding the potential distribution of counterfeits and contaminated goods (Kuever 2019; Yan 2011), state concern and popular anxieties around the distributional channels of network marketing proliferated.

This culminated in the State Council mandating the shutdown and banning of all multilevel marketing in April 1998, a blanket regulation that was partially lifted in 2005 through the legalization of particular forms of network marketing (Order of the State Council No. 444 2005). Nonetheless, some companies continued operations in China by modifying their mode of operation during the official prohibition between 1998 and 2005. The American company Amway, for instance, managed to “reinvent” its business model in cooperation with the government. It adapted to the new legal sanctions by establishing its first retail outlets in China, with sales personnel attached to a store as staff despite their door-to-door sales activities (DeVos 2013). This allowed Amway to increase its sales coverage and further brand recognition, despite the ban. Other companies followed suit, so that both the direct sales and specialist stores’ markets grew between 2000 and 2005, almost doubling market shares in areas such as cosmetics and toiletries. Between 2005 and 2015, direct sales grew exponentially, with the biggest player, Amway, claiming US\$4 billion in sales in China in a single year (DeVos 2013).

China’s 2001 entry into the World Trade Organization paved the way to further opening up its domestic economy to forms of network marketing that offered the direct sale of products to consumers in nonretail settings. Against the backdrop of China’s long-term plans to expand its service economy, in 2005 the Ministry of Commerce legalized these “direct sales” (*zhixiao*) while reinforcing its ban on multilevel marketing (*chuanxiao*) as pyramid schemes. In relation to legitimizing direct sales, the State Council under Premier Wen Jiabao emphasized that this business model was attractive in relieving employment pressure and utilizing human resources (Yu 2008). Its reasoning for outlawing multilevel marketing, on the other hand, was worded in the following way: “to prevent fraud; to protect the legitimate rights and interests of citizens, legal entities, and other organizations; to safeguard the socialist market economic order; and to maintain social stability” (Order of the State Council 444 2005, Article 1).

The Chinese state’s legislation upholds that the most important differentiation between direct sales and multilevel marketing is through the delimiting of its incentive structure, especially as related to recruitment and compensation. In direct sales companies deemed legitimate by the Chinese state, a salesperson may only be compensated for personal sales with up to 30% of sales volume (including any commission, bonuses, or other benefits) and with payout restricted to one level of commission (rather than all tiers below the salesperson along the lines of recruitment). To qualify as a legitimate direct sales business in China, a company must apply for a license and fulfill the following criteria: it must issue formal contracts between the company and its salespersons; it must offer vocational training and a qualifying exam for an official company salesperson certificate free of charge; the salesperson must be a Chinese mainland citizen; and the salesperson must be assigned to a company-owned store or provincial-level company branch, thereby creating an ultimate connection to a retail center. This clearly contrasts with the *chuanxiao* schemes where multilevel marketing salespersons are compensated for their personal numbers of recruits and their subsequent sales volumes.

In short, the Chinese state’s ideal vision of a direct sales relationship between a salesperson and a company is modeled on the conventional employment relation: including a physically localizable workplace and structured through a formal employment contract. Furthermore, the Chinese state’s ideal vision of the salesperson’s relationship to others is not through pyramids of recruitment and benefits from other salespeople but a relationship between the

salesperson and a network of customers. Both of these aspects run counter to the conventional logics of multilevel marketing and may be the reason companies frequently flaunt these regulations and run afoul of bureaucratic regulation. Due to the Maoist Era (1949–76) organization of almost all aspects of social and political life throughout the workplace, both in the urban “work units” (*danwei*) and rural “communes” (*gongshe*), there is an ongoing emphasis on localizing employment relations as the basis for economic order that builds on China’s socialist management principles (Perry 1996).

There is a second dimension entailed by these stipulations whereby the state positions itself as guaranteeing moral authority through a centralizing concentration of power via the workplace. This stands in direct contrast to the diffuse and person-specific moral reciprocity arising from ego-centered social networks. Therefore, the state and the multilevel marketing corporations clash in terms of both power and place. On one hand, we have the state’s vision of a company at the center with direct contractual links emanating outward to each employee. On the other, we have the multilevel marketing pyramid structure with tiers descending downward from a salesperson to those recruited (Jeffery 2001). In short, state legislation attempted to sideline the potential economic power of an apex individual salesperson with a pyramid of recruited sellers by making workplace oversight possible through its centralizing authority.

The state’s attempts to ban *chuanxiao* can be seen as part of a wider project of establishing and maintaining trust between citizens, corporations, and the state, especially amid the perceived “moral crisis” in the wake of market reforms. Trust enters this scene through government struggles to maintain consumer confidence in the growing manufacturing and service industries, as well as efforts to maintain employees’ trust in their workplaces and products, despite the diffusion and dislocation of their operations through relying on network marketing practices. Here the state’s regulation of linking direct sales personnel to fixed outlets permits closer scrutiny over distribution channels and more recourse to tracing responsibility, despite the rhizomic structure of direct sales market diffusion across rural and urban areas.

Earning trust in schemes of affection

The network marketing schemes must be contextualized within the broader reappraisal of agricultural work in the Chinese countryside and women’s work in the contemporary periurban landscape where it has taken hold (see Fong and Murphy 2005). Rather than moving to the manufacturing industries of the Chinese littoral, young people in Shanxi’s north central China often sought to remain as close to home as possible, ideally even commuting to “leave the fields but not the countryside” (*litu bu lixiang*). The way to achieve this was by securing well-paid and high-status labor in the area beyond agriculture, ideally in the developing service industry (Bruckermann 2019).

My nascent association with network marketer Huirong and its sudden termination revealed the failure of a careful balancing act between human affection (*renqing*) and more instrumental relationships (*guanxi*) through an idiom of friendship (*youqing*) and mutual trust (*huxin*). Initially, Huirong and her friends considered me a salesperson with great potential, due to my credentials of having “foreign style” (*yangqi*), “scientific consciousness” (*juewu dao kexue*), and a generally “high human quality” (*suzhi gao*) that is often ascribed to educated foreigners. After participating in a training event for product sales, I joined Huirong and her colleagues at a banquet, where general agreement reigned that “trustworthiness” (*kekao, xinkao, xinyong*) as a potential salesperson was the most crucial credential to secure sales. Indeed, Huirong insisted that she herself was “naturally” (*tianxing*) inclined toward both “honesty” (*chengshi*) and “frankness” (*tanshuai*) and expected these qualities from co-salespeople and sales recruits. The salespersons saw these characteristics as emerging from their deep “local roots” (*bendi*) that allowed them to interact with other rural citizens (*nongmin*) on an equal footing, including understanding their “way of life and lifestyle” (*shenghuo fangshi*).

Clearly trust was paramount in the success of a network marketer, although trust could flow from different sources. On one hand, Huirong’s qualities of local authenticity through her management of affective relationships,

straight-talking manner, and direct behavior were deemed assets in selling the hygiene products. On the other hand, my foreign cachet and cosmopolitan knowledge were equally considered sales points in establishing trust with potential customers and salespeople. Following my retreat from the scheme, however, Huirong rebuked me in ways that spiraled into increasingly aggressive accusations that I was “untrustworthy” (*xinbuguo*), because I had “exploited our friendship” (*boxue youqing*). Luckily, other friends assured me that these interactions were not unusual in a network marketing context, especially if high hopes for recruitment or sales were dashed by an incompliant contact.

Salespersons in network marketing mobilized their personal qualities, skills, and talents in strategic ways to forge paths toward professionalism and reward as part of survival strategies in the “discontinuous” process of rural–urban integration (Chen et al. 2001, 11). This kind of work therefore fell into a form of affective labor, where relationships to the customer actually partially determined the value of the commodity, not as an aspect of the tactile object, but as a characteristic intrinsic to the relationship between salesperson and client. This trust through *renqing* was overlaid with two positive connotations by network marketers: first, through romanticizing the rural and imbuing rural citizens with a purity of intention in exchange relations (see Yang 1994); second, through a gender dynamic that attributed women with a particular capacity for creating warm and enduring relationships despite spatial rupture and isolation (cf. Casanova 2011; Fadzillah 2005).

Personal prosperity and capital accumulation must be mediated through social relationships in network marketing. Sellers must transform long-term relations based on mutual material and affective exchanges into short-term monetary transactions for instrumental purposes, leading to allegations of immorality from those outside the schemes. These companies are thereby utilizing women’s lifelong relationships that they have nurtured over time for profit, often leading to the destruction of established ties and the necessity to make new connections. However, women’s sense of self-worth is also bolstered by the schemes that liken themselves to microcredit lending and herald their sales personnel as the rural vanguard bringing hygiene, beauty, and science to the countryside (see Cahn 2008; Droney 2016).

Positioned between inside and outside work, formal employment, and informal entrepreneurship, as well as utilizing both instrumentalized networks (*guanxi*) and affective human relationships (*renqing*), joining direct sales schemes offers young women opportunities to reposition themselves as promising actors within an emerging economic landscape. As direct sales provided promise of lucrative entrepreneurship (*getihu*) while similarly mimicking the stability of formal employment (*gongzuo*), becoming a salesperson was part of rural–urban terrain structuring life trajectories across economic opportunities, personal aspirations, and networking possibilities. Although women participating in the schemes hesitated to admit to low profits, those around them often pointed out that they struggled to break even, sometimes taking years to repay their initial investments.

By forbidding self-serving individuals from exploiting each other too overtly through their social networks, the state somewhat curtailed business models subjecting personal trust, particularly through long-term face-to-face relationships in the countryside as *renqing*, to exploitation through capitalist market forces, based on short-term instrumental transactions in *guanxi*. As Osburg (2013) shows for Sichuan businesspersons, the challenges of converting between these two registers, and particularly of transforming transactional exchanges into affective relations, appear in a wide range of business, bureaucratic, sexual, and romantic encounters. Specifically, in relation to network marketers in Taiwan, Lan (2002) notes that idioms of cooperative teams, recruitment genealogies, and even affectionate families were frequently mobilized to bind recruiters and recruits, although these intimate ties could break down over time due to the sustained pressure of market transactions as instrumental exchanges. This goes some way toward explaining the conundrum that puzzled early observers, who questioned how the Chinese propensity toward “relationships” both underwrote and undermined network marketing (Luk, Fullgrave, and Li 1999; Merrilees and Miller 1999).

Network marketing under scrutiny

In contrast to this celebratory discourse espoused by the network marketers themselves, a much more critical reading of network marketing was trumpeted by the state and circulated by citizens outside the schemes. Rather than praising the agency of the young women in transforming themselves into emancipated rural self-starters, this perspective conceived of network marketing companies creating salespeople in much more predatory terms. On the one hand, network marketing companies exploited the social capital women had accrued over a lifetime by converting it into economic gains, only to strip them of these resources and extract the resulting profit. On the other, they pushed women to prey on friends and relatives to recoup initial investments and loans for products, thereby not only destroying lifelong relationships but widening the net of those caught within potentially loss-making schemes. The following section addresses how the Chinese state has sought to limit the potential for bottom-up exploitation in network marketing schemes through legislation, before turning to how citizens themselves attempt to protect each other from the downward spiral of unprofitable pyramid schemes.

As agents utilizing personal networks to create economic opportunities, network marketers exhibited entrepreneurial skills in drawing on their available resources to make profits from very limited start-up capital. Network marketing could therefore be seen through parallels with microcredit schemes, similarly championing women as the agents of capital. However, like some notorious microfinance institutions, network marketing companies were also offering salespeople credit through products that actually placed them in an unfavorable debt relationship that escalated over time. Particularly if they were in multilevel marketing *chuanxiao* schemes, the company and recruiters upstream in the pyramid siphoned off a significant amount of their individual profits, leaving salespeople with few options but to put increasing pressure on friends and kin to recoup initial investments. Salespeople tried to increase sales volumes by finding new customers or selling more products to existing customers, as well as recruiting new salespeople, often from within the existing customer base, but also through forging new connections, much as Huirong did at the wedding I attended with her.

Although casting a wider net of sales and recruitment over existing personal networks helped salespeople unburden their own debt, they thereby drew more people into the most unprofitable schemes. As these predatory practices of extending the circles of network marketing expanded, salespeople were increasingly destroying relationships with those outside the scheme who refused recruitment. Therefore, those within the scheme often turned toward each other to recoup lost friendships, often becoming very close and affectionate. As in the network marketing meeting I attended, colleagues used kinship terms with each other and considered themselves close friends with a buoyant social life outside of the rambunctious events organized by their companies. This “cult-like” situation (*haoxiang chimi xiejiao yiyang*), where ingroup dynamics are strengthened while outgroup ties are severed, was one of the problems most frequently commented on by friends and acquaintances in Shanxi.

These experiential assessments therefore resonated strongly with both official media and public opinion on entrepreneurial activities related to direct sales, particularly in the illegal form of multilevel marketing schemes branded as “pyramid schemes” (*jinzita shipianshu*) based on “brainwashing myths” (*xi'nao miulun*). Although direct sales formed a growing channel for employment in the service economy linked to domestic manufacturing in China, the melding of *guanxi* and *renqing* this entailed by transforming friends and kin into clients and colleagues moved into slippery moral territory. In China the absence of state guarantees, or the perceived absence of governmental ordering mechanisms, particularly in the areas of consumer rights and product standards, meant that personal guarantees continued to provide the basis of trust in economic transactions (see Kuever 2019). As such, *guanxi* accusations became explicitly negative in the governmental domain when they were linked to the state's responsibility for maintaining order and stability, beyond which lay the threat of “chaos” (*luan*) (see Yan 1996; Yang 1994).

Residents saw the institutional centralization of the state itself, but also the formal workplace, as part of the proper ordering of economic and social relations. Notably, *chuanxiao* sidesteps these formal channels of legitimate

orchestration by sidelining the state's and workplace's domains of authority, instead relying on the personal reciprocities of trust and affection to guarantee proper conduct. To those outside the scheme, the problem with the *chuanxiao* business model is how it breaks down personal trust by economizing social relationships. By contrast, participants and defendants of *chuanxiao* activities viewed the very collapsing of the social and economic obligations as the dynamic that made the schemes a moral practice.

Lian, a mother in her early twenties with a three-month-old baby, discussed how she was being courted to sell costly lingerie through direct sales since quitting her job as a hotel maid during pregnancy:

Nobody I know ever makes money [on these direct sales schemes]. The initial investment is high and then the products are so expensive. People don't want to spend so much, especially in the villages. Everybody haggles for a bargain [*taojia huanjia*]. I am afraid that she is bringing me into a bad deal as a tactic to save face [*wanhui mianzi de shoufa*]. I don't know what to do. She has been my friend since childhood. (fieldnotes, January 21, 2010)

Much like the training activities at the meeting I attended with Huirong and the subsequent dissolution of friendship between us, Lian's concerns revealed how the very notion of friendship as a form of mutual assistance and affective reciprocity came under strain through network marketing. Lian was feeling torn between her friend's invitation, framed as a heartfelt opportunity, and the opinion she had formed about these schemes based on her experiences of seeing others fail. In addition to these immediate concerns, Lian was also aware of the ban on *chuanxiao* and that similar schemes also had a "dubious reputation" (*huiming*) that could tarnish her own status. Nonetheless, Lian saw women in her circle of acquaintances frequently committing to these schemes, subsequently proselytizing to others. Lian raised the additional concern that after joining a scheme, a salesperson then had to go from house to house and "persuade" (*shuofu*) her friends to buy this and that, concluding that "conducting this type of small merchant enterprise is too annoying [*zuo zhe yang maimai de tai mafan*]. It's annoying for the salesperson, and all the people they know. Who doesn't get annoyed?!" In this particular instance, Lian depoliticized the schemes through recourse to everyday language of irritation and status, deflecting from discussing the legal implications and potential conflicts that could arise. By contrast, residents sometimes called state and political institutions to task in proclamations that the government should do more about corruption and cheating in these types of economic schemes, especially in relation to issues of life and death, most prominently in health insurance.

Health insurance between state and scam

The case of health insurance highlighted the clashes between governmental and private service provisions in China in the late 2000s, as private offers were running in parallel with the recent introduction of a rural state health insurance scheme. Health insurance concretely pitched private network marketing schemes in direct competition with the state-sponsored scheme (cf. Chan 2012; Droney 2016). Since 2008, village residents could be covered by the national implementation of the New Rural Cooperative Medical System. In 2008 the village committee supplied the funds for the insurance scheme, and since 2010 the villagers are also contributing to their coverage themselves. Depending on the care needed, these schemes cover 50%–75% of medical care at the public hospitals in the municipal area.

On one occasion, I discussed health insurance with the official representative of the Women's Federation (Fulian) in Sweeping Cliff, as she was partially in charge of disseminating information on the state's insurance scheme, and health-related issues more generally. Kunfu was a woman in her late fifties whose role closely resonated with the historical mission of the Women's Federation as "transmitting party-state policies to women" (Jaschok, Hsiung, and Milwertz 2001, 9). Kunfu summarized the transformation in rural health insurance awareness with the state's new scheme in the following way:

Before the policy, people had to enter their own insurance schemes, or they had to pay the bills themselves. Often, people had to borrow money from relatives and friends, or, sometimes, they felt that they could not afford to see the doctor and would just give up [*fangqi*]. (interview, June 17, 2010)

The result of state contributions to medical costs was therefore often life changing, and villagers' assessment of this state-provided medical insurance was extremely positive. By contrast, private insurance schemes were often alleged to be scams run by con artists, with various positions on whether the peddlers or the companies they worked for were trying to dupe villagers.

On one occasion I was present when a young woman tried to sell an insurance scheme to her former classmate, named Wenling, during her ritual confinement after childbirth. Wenling sat on her bed and took a curious interest in the glossy brochures and policy application form her friend presented. Although repeatedly assuring the saleswoman that it looked like a good product, she remained uncommitted to signing any forms, but instead politely told her friend that she would read the written materials she had brought and consider the insurance scheme. Notably, the saleswoman was being very taciturn in explaining the necessity for the insurance scheme, in line with the general taboo on discussing the potential of tragedy and disaster occurring to people, lest the discussion invite the calamity to unfold (see Chan 2012).

Once her former classmate-turned-insurance-peddler had left, the mood in the postnatal chamber lightened as Wenling rolled her eyes at the scheme and joked about the sales pitch. When her mother returned to her room bearing boiled drinking water and inquired about the former classmate's visit, Wenling explained her intention of selling health insurance. Instead of the measured response Wenling had mustered, her mother, Jingfei, flew into a fit of rage at the audacity to try to sell such junk to her daughter during this period of postnatal vulnerability. Jingfei went on to tell the story of her old friend who had bought into such a scheme as a top-up to the government's scheme, only to find out that the whole thing was a scam, a "waste of money, and a waste of time [*langfei qian langfei shijian*]!" when she tried to reclaim the money following a trip to the township hospital. By contrast, Jingfei insisted that the government scheme was beneficial to all who were entered and a good value for the money as well. She pointed out that the village officials and the doctor at the village health center would even assist villagers in recouping the money spent in the township hospital, thereby making the whole process relatively straightforward.

Wenling later explained to me rather apologetically that her mother was simply being protective. However, Wenling conceded that her friend might have gotten a bad deal but that she was not trying to consciously mislead her. Wenling also pointed out that for many in the older generation, these schemes were too complicated, the paperwork too laborious, and that they would be better off holding on to their money. By contrast, she maintained that the government scheme is simple and clear, and there are representatives to speak to in person. In relation to insurance, this raises the intriguing possibility that the government scheme actually provides more face-to-face personal interaction that fosters trust among citizens, while the network marketing scheme, with its formal channels of financial redress, undermines consumer confidence, especially through claims-making procedures where documents must sent off by post to a faceless institution.

Last, the health insurance example indicates that there may be a generational difference of opinion on the network marketing schemes, whereby young women at least empathize with their peers in the scheme, often drawing on their long-term friendships to muster an assumption of good faith, if not actual trust, in their acquaintances' intentions. However, as Wenling's mother's rage showed, senior citizens tend to be more resolute that these forms of private health insurance schemes run counter rather than parallel to the state's benevolent insurance policies. In short, their accusations against these schemes are succinctly summarized that network marketers attempt to "cheat people" (*pianren*) and "kill relationships" (*shashu*) through deceiving friends and family.

Network Marketing 2.0: E-commerce and social networks

In recent years, younger generations of female villagers seized technological opportunities provided by the integration of e-commerce with social networking platforms to sell products to friends, acquaintances, and strangers in ways that no longer endangered their face-to-face relations. They managed to straddle the conflicting expectations of these schemes despite coming from a similar demographic to the network marketers of a decade ago. These online network marketers were predominantly women in their mid-twenties to mid-thirties, often with small children, who struggled to reenter the formal labor market after childbirth in the periurban countryside. While some emphasized how network marketing allowed them to earn a side income within their home to subsidize their income from formal employment, others strongly emphasized their business activities as bolstering their emotional well-being and feelings of self-worth. These women generally bought products in bulk through “wholesale marketing” (*pifa shouxiao*) schemes introduced by friends or acquaintances that involved either one-off purchases or ongoing subscriptions. They then sold these products through utilizing their social networks on platforms like Tencent’s WeChat as so-called “We-traders” (*weishang*), where they posted information about their products on their friendship feed as part of the WeChat Moments feature, or by reaching out to acquaintances and strangers on live-stream transmission platforms, in particular Alibaba’s Taobao Live (Taobao Zhibao).

Despite these high-tech digital sales techniques, village network marketers on e-commerce platforms nonetheless attempted to build on credentials of being down-to-earth, straight-talking, and even “common” (*putongde*). Sellers were concerned with boosting trust online through garnering positive ratings from others, particularly when dealing with strangers. To amass good credit scores and augment their trustworthy status, they posted photos of products, unboxing videos, instructional manuals, product certificates and awards, and making quasi-scientific before-and-after experiments on themselves, often documented on a day-to-day basis as their skin whitened, their wrinkles smoothed, or their blemishes disappeared with the use of a product. They also enacted strict time management in the distribution of products, particularly when these had to be posted through the village offices of online platforms. In addition to deploying these tropes of rural trustworthiness and scientific efficacy, participants encouraged a parallel process of inviting praise about their appearance, exchanging affectionate phrases and emojis, and garnering sympathy for everyday life challenges through their posts.

While these affective and emotional interactions may seem like window dressing on a market transaction, they can be a key motivator in drawing village women into the world of network marketing on e-commerce platforms. One village woman, Meili, whose husband absconded for almost two years following a series of risky financial maneuvers involving both speculative investments and outright gambling, was pursued by loan sharks and official police in the subsequent months. Meili’s plight at being left behind by her husband, up to that sudden and shocking desertion a reliable high school teacher, with ruined finances and a newborn, was a heavy load for the young woman to bear.

Meili had previously hoped to build on her own teacher training qualification from a technical college and begin teaching in the township capital nearby. Shelving her dreams of becoming a respected educator due to financial duress, emotional anxiety, and childcare obligations, Meili returned to work in the village as a tour guide for a local company. Living in the same building with her parents meant that childcare duties were manageable despite her extradomestic employment. However, Meili also sought out comfort and support online through her WeChat retail business. Mixing posts on sales and discounts with emotive and uplifting messages about her life, her situation, and her aspirations garnered positive responses from friends, acquaintances, and even strangers during the difficult years when her husband disappeared without a trace. In fact, Meili referred to these activities as a pleasurable “hobby” (*aihao*) rather than a business, although she complained of the pressure of making videos late at night or posting products under time constraints through the village office for Tencent and Taobao distributors.

In contrast to the predatory loan sharks and debt collection agencies that sought to recoup investments made by Meili’s husband, the local state actually acted in support of her case. After initially questioning her on her husband’s

whereabouts, they absolved her of collusion and protected her from debt reclamation from their household property. While her husband's national identity card was blocked so he could no longer officially travel, work, or rent accommodation without raising an alarm as a wanted person, Meili was able to set up her online shop to make ends meet and pursue her ambitions as a salesperson for beauty products.

Meili's situation was intimately connected with unfolding state policies that aim to measure and rate the credibility and trust of citizens and corporations in China, increasingly being tied together through the emerging "social credit system" (*shehui xinyong xiti*) (Ahmed 2019; Creemers 2018; Hoffman 2017; Kostka 2019). On one hand, her husband's need to go undercover resulted from the 2013 Supreme Court decision that legitimized the blacklisting of debtors through blocking their personal ID numbers, thereby removing access to basic services, including transport, accommodation, and travel, until the debts were repaid (Yang 2017). On the other, Meili carefully curated an exemplary online reputation by exhibiting user accountability, responsibility, and trustworthiness in online exchanges, a metric of trust that platform-based corporations draw from user- and transaction-generated ratings the world over (Botsman 2017).

By maneuvering between these two realms of legal sanction and online ratings, Meili was able to both sidestep the punitive measures by the state enforced on her husband and even turn her online credibility into an advantage in establishing herself as a trustworthy citizen through her e-commerce business. Although new e-commerce regulation came into force in 2019 to increase accountability through making merchants apply for licenses, pay taxes, and be liable for counterfeits and false information, as well as limiting sharing-for-access practices associated with multilevel and network marketing, this mainly led to the closure of more than 20 million large official merchant accounts (Chen 2019) and has yet to affect Meili's small-scale business.

The platform economy and online customers provided Meili with an outlet beyond her immediate surroundings without the weight of her husband's background story. Moreover, Chinese internet users often form moral support for those who felt they were responsible "investor-people" (*gumin*) utilizing financial services rather than the immoral "gamblers" (*dutu*). However, due to the unpredictability and uncertainty of these speculative activities, recklessness and risk did not necessarily dictate whether investments would result in financial losses or trap investors in unsustainable debt (Chumley and Wang 2013; see also Steffen 2017). Terms relating to various forms of indebtedness have also proliferated in recent years, such as being a "riches-to-rags" "indebted old man" (*fuweng*) due to bad investments or being bound to "house slavery" (*fanganu*) in servicing mortgages after the real estate prices collapsed (Bruckermann 2020). On social media, tragically emotive appeals often led to crowdsourcing financial help, as trickery in medical insurance, entrapment with pornographic collateral, or blackmailing with national identity cards circulated online (Bruckermann 2020).

As Meili capitalized on these discourses, she described recouping her sense of integrity and trustworthiness through her e-commerce marketing activities. Far from "killing relationships," network marketing helped Meili distance herself from the world of tricksters and cheats associated with predatory financial transactions. Instead, she repositioned herself as a self-confident and business-savvy young woman who was able to promote science, beauty, and health. More generally, online salesperson's credit ratings on e-commerce and social networking accounts increasingly allowed sellers to accumulate individual trust to a virtually localizable workplace that is transparent to customers and the state alike.

Localizing sales from physical to virtual spaces

Theorizing the role of the Chinese state in network marketing reveals the localizing tendencies of the bureaucratic control over corporations and citizens implicit in its policy of managing trust. By tracing how earlier waves of door-to-door sales have given way to innovations in e-commerce and digital finance, this regulatory landscape of safeguarding trust in network marketing has shifted from physical to virtual spaces. Nonetheless, strong continuities

in the experiential dynamics of network marketers, who must straddle the temporalities of short-term transactional exchanges as *guanxi* and long-lasting affectionate ties of *renqing*, continue to project onto contemporary Chinese landscapes in highly uneven and unequal ways (Bruckermann 2019; Osburg 2013). Temporal incongruities (Dolan and Rajak 2016; Lan 2002) and gendered labor (Casanova 2011; Fadzillah 2005) reverberate with network marketing experiences in many parts of the world, while the monetary and emotional investments intermingle in the skills, capacities, and opportunities created by this form of distribution for goods, finances, and services (Krige 2012; Musaraj 2011; Schiffauer 2019).

In contrast to neoliberal contexts of marginality that herald entrepreneurs as idealized market subjects and uphold middle-class consumption as the pinnacle of aspirational endeavors (Cahn 2008; Casanova 2011; Dolan and Scott 2009; Droney 2016), the Chinese state mediates network marketing to secure an economic order that tames some of the predatory excesses of these schemes. Rather than fostering tropes of flexibility and self-management associated with the neoliberal market order, the Chinese state seeks to anchor sales personnel in specific sites with contractual labor and formal workplace provisions. This vision of state-led economic development highlights a crucial disparity between the centralized power of the state and the spatially dispersed, pyramid structure of network marketing. By blurring the differentiation between social relations and economic transactions, network marketing suffuses personal lives with business pursuits, which subjects relationships with friends, family, and acquaintances to commodification. In the Chinese countryside, this upends expectations of mutuality, reciprocity, and sociality premised on long-term affective relations and short-term instrumental exchanges and challenges long-standing strategies of governance by imbuing economic action with competing values.

The Chinese state and its changing regulations have repeatedly adapted to technological progress and market developments to stabilize the economic order by managing trust through workplaces, from physical to digital. While earlier localizable physical outlets gave way to contractual obligations of employment relations, sites of trust have recently become diffused through traceable virtual sales accounts linked to salespersons on networked e-commerce platforms. Earlier legislation on network marketing put the onus of regularizing work, securing products, and financing operations onto corporations, but increasingly these responsibilities have been hoisted onto individual citizens through aligning e-commerce legislation and financial decision-making with the emerging bureaucratization of trust and credibility. The need to meet the pressures of business savvy, civic responsibility, and legislative knowledge may be hard for many small-scale network marketers to meet in the long term. Situations may become particularly precarious for network marketers experiencing dwindling possibilities within both physical spaces due to reduced face-to-face commerce and the increasing surveillance of virtual spaces in the interest of transparency. Moreover, citizens continue to be subjected to the predations of financial scams, from network marketing to peer-to-peer lending services, despite state crackdowns, warnings, and legislation to curtail the worst excesses.

The disjuncture of legislation that arose between the localizable physical workplace of the formal employment relation and the rhizomic social field of network marketing became compounded in the shift from physical to virtual places of business for network marketers through the rise of e-commerce in China. The network marketers who overcame this gulf between location and dislocation may at first glance appear reminiscent of a classic neoliberal subject who seeks individual profit maximization within a naturalized understanding of market competition and subjects to an entrepreneurial personal trajectory as part of self-fulfillment. However, Chinese network marketers justified their activities with a rationale of living up to ideal selves that reflected far more than economic market logics. Instead, network marketers pursued ambitions of meeting the expectations of an imagined pastoral state and idealized social relations. By garnering praise, earning credit, and living up to civic ideals of contributing to the state project of economic growth, as well as employing strategies that avoided personal criticism, punitive ratings, and state sanction, including by personal associations with those deemed untrustworthy, network marketers prioritized the state and sociality over business profits.

Not just network marketing, but state policy legislating and governing various forms of trust, credit, and risk increasingly shift the legal and bureaucratic boundaries between social relations and economic transactions in China. The regulation of trust in digital infrastructures, in particular, opens up new opportunities, but also challenges, for citizens. Network marketers seeking to buy and sell goods, finances, and services in physical and virtual spaces in twenty-first-century China therefore continue to face the challenges of the complex, and sometimes contradictory, demands of both doing good business and forging good relationships by earning trust.

Acknowledgments

For an enthusiastic reception on my initial presentation on network marketing, my thanks go to all the participants at the conference on “Urban Dynamics and Emergent Forms of Labor in India and China” at the University of Göttingen, especially the inspiring suggestions made by Zhou Yongming and Nellie Chu. As the organizers of the EASA panel on “Works That Matter (Not): Valuing Productivity through and against the Market,” Ivan Rajković and André Thiemann offered insightful discussions that helped to both shape the direction and sharpen the ideas for this article. I am also very grateful to the lively and stimulating intellectual debates with numerous colleagues in the “Financialization” research group at the Max Planck Institute for Social Anthropology and in the “Frontlines of Value, Labor, and Class” research group at the University of Bergen. Finally, in bringing this article to fruition, I very much enjoyed working with Brandon D. Lundy and the three anonymous reviewers at *Economic Anthropology*, who provided generous and constructive comments.

Note

- 1 All names and some identifying characteristics have been altered to provide anonymity.

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