
Superbly researched, Leonie Schiffauer’s account of entrepreneurship in a remote part of the postsocialist Siberia offers an insight into a twist of capitalist logic with postsocialist despair-turn-hope of getting rich. The fieldwork conducted in 2014 in the Buryat town of Aginskoe explores tensions between the capitalist concepts of direct selling, multilevel marketing (MLM), self-made entrepreneurs, corporate ethics, financial pyramids, and the traditional beliefs and values, kinship structures, magical practices, and spiritual rituals of the locals, as well as the multiple outcomes of these tensions, including the inevitable failures of financial pyramids.

Just like Ponzi schemes, pyramid schemes are based on a simple idea that the existing investors are financially compensated from the contributions of new investors. The difference is that investors in Ponzi schemes might be misled to think that they receive returns on their investments, whereas participants in pyramid schemes are aware of their income being dependent on the recruitment of new investors, so they should be active in recruiting additional investors, who would bring in more investors, and so on. The basis of operation is claimed to be voluntary, but the pressure of obligation within kin and social networks and a lock-in effect into a social community is a key factor in the effectiveness of the schemes.

The opening chapters define the workings of MLM and pyramid schemes, found to be close enough to be considered together, yet separated by the grey zone between business and gambling. The appeal of the network-based retail business and pyramid schemes needs to be viewed in the context of postsocialist economic developments. On the one hand, people have experienced the traumas of a sudden collapse of communism and severe economic crises of the 1990s. On the other hand, the unfolding of capitalism in a local context of Aga, the “cold middle of nowhere,” as defined by its residents, opened new horizons and opportunities, which many became keen to explore.

In chapter 3, the author conceptualizes MLM businesses and pyramid schemes as forms of “spiritual capitalism” that acquires striking similarities with religious movements and sects, particularly with regard to the techniques through which they attract participants and build communities. The MLM celebrity networkers profess the narrative of “before and after,” and boast material implications of the conversion. The beneficiaries of the financial schemes induce hope into the followers. The business model of a “networker,” an actor of the MLM or pyramid schemes, as well as the schemes’ similarity to sects, are not particular to Russia or the Buryats, but the nature of social ties makes a difference.

Chapter 4, “Pyramids of Intimacy,” explores the role of kinship and intimate relationships in making the financial pyramids work in Buryat society. The key finding here is the ambivalence of sociability and instrumentality, whereby intimate ties both support and en-
sure cohesion of the clan form of social organization, but also to make sure such forms of organization enable marketing schemes, monetary economic behaviors, and decision-making. In the case of the MLM and pyramid schemes, the local moral economy of trust, obligation, and solidarity becomes instrumental for companies, shapes the adaptation of the MLM industry, and often backfires on the relationships between members of the community when pyramid schemes fail.

A revealing angle in the analysis points to the goods and services marketed through MLM and pyramid schemes (chap. 5). The purchase of goods, it is argued, goes well beyond individual consumption and becomes embedded in local economy of support. The point of the inalienable nature of goods is similar to the inalienable nature of favors in Russia’s economy of favors, only the “favors of consumption” in Aga work in the reverse. One would buy or use as gifts a range of inalienable commodities that people did not like using themselves: nutritional supplements, herbal teas, or cleaning products distributed through MLM schemes. Some continuity with socialism comes from the association of MLM products with personal care. Just as blat favors of access circulated within networks of “weak ties” bridged by the providers of personal care (doctors, hairdressers, masseurs, and those in household services), the typical range of products in MLM schemes includes items of personal care, cosmetics, and wellness.

The difference of capitalist markets is that such products may serve as a veil for financial fraud, whereby the pyramid schemes start offering services, mostly insurance services and legal protection. The companies exert pressure on those who have already signed up to buy products and services and to channel the scheme into their personal networks, and also to build networks around the use of branded products. The hierarchy among distributors and investors within the companies is reflected in their pyramidal form, and stratified power to pressure.

Despite the network-based recruitment of consumers, distributors, and investors, and the network-based model of business, training, and know-how transfer, it is the hierarchy that gets celebrated by companies. To get to the top is associated with a transformation of self, a transcendence from the initial disbelief in pyramids to adopting the belief system and corporate ethic not shared by the wider society. Learning to dream, revealing an optimistic professional in oneself, however, can be rather self-destructive.

Schiffauer documents life stories of “networkers,” who had lost their reputation as well as their money, and yet continued getting involved in new schemes. “Caught in the emotional trap of ‘cruel optimism,’ [the schemes’ participants] keep pushing forward what they cannot undo and collectively create justifications for their ac-

Alena Ledeneva
(a.ledeneva@ucl.ac.uk)