

Cause Analysis and Legal Inquiry of Network Pyramid Scheme Crimes from Economic Perspectives

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Abstract

With the development of the Internet economy, criminal activities such as network pyramid schemes and fraud have occurred frequently, which have seriously disrupted the normal economic development order and caused serious social impacts. In recent years, various types of network pyramid scheme criminal activities have occurred frequently. Because of its concealment, related laws and regulations are difficult to carry out normally. How to prevent and combat network pyramid schemes crimes has become a hot topic of social governance. From the perspective of economic law, the crime of online pyramid schemes is mainly caused by the continuous development of the Internet economy, the popularization of smart devices, and the lack of relevant laws and regulations. Due to the unbalanced economic development and the extremely low cost of Internet crimes, many people have been involved in the vortex of network pyramid schemes. The economic law, as a law to regulate and control economic development, lacks substantive regulations on illegal and criminal activities. Therefore, it is necessary to clarify the nature and characteristics of network pyramid marketing crime from the perspective of economic law, analyze its causes of crime from the economic and social level, and regulate the network pyramid scheme crime from the construction of economic law and related supporting facilities.

Keywords

Economics; Network Pyramid Scheme Crime; Economic Law; Legal Regulation.

1. Introduction

The vigorous development of the Internet economy has given birth to new forms of business, accompanied by cybercrime. Due to the concealment, virtuality, and trans-regional characteristics of the Internet, the behavior patterns, causes, and characteristics of cybercrime are quite different, and the forces of all walks of life must be assembled to regulate and constrain. Frequent network pyramid schemes have caused certain harm to people's property and social stability. The number of various types of network pyramid scheme platforms has surged, and the number of people affected by them has exceeded 10 million. In the Internet economy, a variety of factors will lead to the occurrence of network pyramid schemes: personal-psychological factors, platform technology factors, economic factors, etc. From the perspective of economics, the network pyramid scheme crime is closely related to the operating mode of Internet finance. Analyzing its causes from the perspective of economics, by clarifying its criminal characteristics and combining relevant laws to carry out activities to combat illegal crimes can further remove obstacles to the development of the Internet economy and build a harmonious development environment.

2. Current Situation of Network Pyramid Scheme Crimes from the Perspective of Economics

2.1. The Number of Incidents Continues to Rise

At present, with the construction and improvement of China's legal system, China has achieved certain results in combating pyramid schemes. However, due to the special nature of pyramid scheme crimes, it is still very difficult to completely control and prevent pyramid scheme crimes. The current situation of network pyramid scheme crimes is very serious, and the number of cases has shown a continuous increase. Statistics show that the number of network pyramid schemes crimes in China has shown an upward trend year by year. The number of cases rose from 95 in 2010 to 10,554 in 2018, and the proportion of network pyramid schemes crimes in the total number of pyramid schemes crimes is increasing. Since network pyramid schemes mainly rely on network platforms to carry out crimes, they are concealed. It is difficult for case handlers to respond to network pyramid schemes crimes in the first place. Meanwhile, the development of the Internet economy has given birth to more new economic formats, which makes it more difficult to characterize criminal acts of network pyramid schemes. In addition, the boundary among individual investment behavior, illegal fund-raising, and network pyramid schemes are not clear, which also leads to the frequent occurrence of various types of network pyramid schemes.

2.2. Lack of Alarming After the Incident

Traditional pyramid scheme crimes have certain dens. Criminals often appear in the form of groups, and those on the upper level of the criminal chain mainly rely on brainwashing, lobbying, and other methods to control the thoughts of lower-level members. The pyramid scheme crime relies on the Internet and can be dormant in social platforms, website forums, and websites. It is concealed, so the offline pyramid scheme crime is more likely to be attacked than the online pyramid scheme crime. In traditional pyramid schemes, the masses can report illegal and criminal acts. The information reported by the masses is an important source of intelligence for public security to crack down on pyramid schemes. However, pyramid scheme crimes hidden on the Internet lack public reports and are not easy to be discovered by the police. Meanwhile, many people do not have a deep understanding of pyramid scheme crimes. Stimulated by high returns, participants are often immersed in fantasy and do not want to call the police. The outside world does not have a high degree of understanding of it, leading to criminal acts that are difficult to be investigated and dealt with by the public security organs.

2.3. The Personnel Involved in the Case Have A High Cultural Level

Compared with the traditional offline pyramid schemes, the criminal form of network pyramid schemes has certain differences. It is mainly divided into two modes: The first one is to use the network platform to spread information and convene participants, and then control the participants' thoughts so as to achieve the purpose of illegal fund-raising or fraud. The criminals' actions are all completed by network technology. The second one is to develop the subordinates by controlling personal freedom and brainwashing after the network convenes personnel, which is a transition from the network to the offline. However, no matter what kind of crime mode it is, a certain amount of network technology and knowledge is used. Organizers of traditional pyramid scheme crimes often have a certain level of education and are able to master network technology proficiently. In recent years, with the development of network pyramid scheme crimes, more and more educated people have been involved in the vortex of crimes, and many of them have a university education. Participants can not only use network technology to organize and participate in network pyramid scheme crimes but also have a certain sense of anti-investigation, which makes the nature of network pyramid scheme crimes more complicated.

2.4. The Amount of Funds Involved in the Case Is Huge

With the development of the Internet, various types of cybercrimes occur frequently. Thanks to the development of the social economy, the scale of China's Internet economy has continued to expand, which has also led to the continuous increase in the number of funds involved in network pyramid scheme crimes. As of December 2020, there are as many as 989 million Internet users in China, and the Internet coverage rate exceeds 70%. The rapid increase in the number of netizens is followed by the number of cases of network pyramid schemes. Statistics show that in 2018, the police in Meishan, Sichuan, detected an extremely large network pyramid scheme, i.e., Xinyuan related huge network pyramid scheme case, whose involved amount is as high as 10.2 billion yuan. The amount of money involved in offline pyramid scheme cases cracked in the past is very different from the amount of money involved in online pyramid scheme cases today. If the crime of online pyramid schemes is not regulated in time, with the expansion of the Internet economy, there will be opportunities for network pyramid schemes, and the number of funds involved in the case will continue to increase.

3. Characteristics of Network Pyramid Scheme Crimes

Pyramid scheme behavior has a long history. Since China's rapid economic and social development, foreign pyramid schemes have been introduced to China and gradually developed, which has become a crime that seriously endangers economic development and social stability. Its crime patterns have changed with the development of society and economy, especially the pyramid scheme crimes in the context of Internet finance. The network pyramid scheme is carried out with the help of Internet information technology. Victims are often unconsciously influenced by the criminal organizers of pyramid schemes when they browse the Internet information platform. There are even more criminal actors of online pyramid schemes who have used the online platform to attract participants and then moved to offline to carry out pyramid schemes fraud activities, brainwashing, and deceiving participants, thus attracting a large number of funds. Before analyzing the characteristics of the network pyramid scheme crime, we can clarify its definition: Network pyramid scheme crimes are illegal pyramid scheme activities carried out with the help of network platforms or network technologies. It lures victims and develops brainwashing pyramid schemes to achieve illegal and criminal activities such as illegal fund-raising fraud. It is an illegal and criminal act that is not tolerated by economic law and criminal law.

3.1. Scene Networking

With the development of network technology, the behavior pattern of criminals has changed. The pyramid scheme derives a new model of the network pyramid scheme, and its crime scene shows the characteristics of network development. Network pyramid scheme criminals often use virtual network accounts or information to attract participants, and its organization and development subordinates rely on network tools. There is no direct connection between the members of pyramid schemes, and the identity information they leave on the network is often virtual, which brings a certain degree of difficulty to the public security organs in handling cases, and it is difficult to fundamentally combat criminal gangs.

3.2. Interest Chaining

Traditional offline pyramid scheme crimes are mainly based on developing acquaintances offline. Criminal perpetrators achieve their goals by attracting and deceiving acquaintances and relatives. This makes the crime confined to a certain area. Organizers mainly manage organization members by restricting personal freedom and brainwashing, but they lack a systematic crime model. With the support of network technology, the scope of influence of network pyramid schemes crime is wider. Organizers use the convenience of the Internet to

attract subordinates. With a strong sense of anti-reconnaissance, pyramid schemes have a strict fund management system, and their interests show the characteristics of the chained distribution.

3.3. Intelligent Means

Network pyramid schemes mainly rely on Internet technology to complete. From organization to publicity and daily operation of pyramid scheme groups, the distribution and circulation of funds are highly dependent on modern science and technology, so their methods are becoming more intelligent. At the same time, the development of technology has also put a new coat on the crime of network pyramid schemes. Many pyramid scheme organizers carry out pyramid scheme criminal activities in the name of registered e-commerce companies or network technology companies.

3.4. Flat Organization

Within network pyramid schemes, there are very few connections between members at all levels. Participants and organizers often do not have a positive contact, and there is no connection between participants at the same level. Due to the lack of organization and collective brainwashing management of traditional pyramid schemes, network pyramid scheme participants often come from all over the country. Meanwhile, pyramid scheme training for members is often conducted through the Internet, and the sources of online and offline members are more diversified.

4. Cause Analysis of Network Pyramid Scheme Crimes

4.1. Social Level

The network pyramid scheme is a complex social phenomenon, and there are many factors that affect its generation. From a social perspective, it is closely related to various factors such as rapid economic growth, increasing income gaps among the people, the development of Internet finance, etc. With the development of the economy, personal income continues to increase, and the amount of idle funds at the disposal of residents rises. Meanwhile, the increasing income gap has led to a certain deviation in the thinking of low-income groups. However, the pyramid scheme uses the guise of low investment and a high return to lure participants, which has led to the continuous increase in the number of pyramid scheme criminal cases. In addition, the transformation of the Internet economic model has also led to more economical, property, and Internet crimes.

4.2. Individual Level

From the perspective of the victim, its participation in pyramid schemes is often due to a lack of awareness. Some people do not have a deep understanding of network pyramid scheme crimes, so the masses are very easy to be deceived under the guise of high returns. At the same time, the income gap and employment pressure caused by the economic downturn have also contributed to the phenomenon of eagerness for quick success and random participation in investment. From the organizer's point of view, the development of Internet technology has facilitated its illegal and criminal activities. The Internet is extremely concealed, and the cost of network pyramid schemes is extremely low. Under the temptation of huge profits, some people have embarked on the path of crime.

5. Suggestions on the Legal Regulation of Network Pyramid Scheme Crimes

5.1. Clarify the Legal Concept of Pyramid Scheme Crimes

The rapid development of the Internet economy will inevitably lead to various social problems. The behavioral patterns and characteristics of pyramid schemes are constantly changing, and it is imperative to rectify the criminal activities of network pyramid schemes. In this regard, with the cooperation of multiple parties, the market supervision department, the legislative department, and the judicial department must clarify the legal concept of network pyramid schemes and determine the relevant conviction and sentencing standards based on the constituent elements, influencing factors, different manifestations, and criminal subjects. To provide a basis for specific law enforcement management, network pyramid schemes must be incorporated into departmental laws and restricted by laws and regulations. The legislative department shall, on the basis of clarifying its behavior mode, behavior characteristics, and development trend, contact the subordinate pyramid scheme crime to clarify its concept and incorporate the network pyramid scheme crime into the relevant regulations. At present, the development of the social economy has also caused the emergence of new types of crime. Economic law should include new terms such as "network pyramid scheme" and clarify its concept. When defining cybercrimes, the criminal law should also appropriately increase the definition of terms such as network pyramid schemes, and divide the sentencing standards according to the specific crime scenarios and the degree of social harm. At the same time, the regulatory and law enforcement agencies must strictly follow their concepts to crack down on various types of network pyramid scheme criminal activities and maintain the dignity of the law.

5.2. Clarify the Object of Responsibility for Prosecution of Network Pyramid Scheme Crimes

Economic development has stimulated new types of crime. Under the stimulus of high profits, the masses are easily deceived and even swept into the whirlpool of crime. However, the current legal system and related regulations have imperfect provisions on the objects of accountability. In this regard, it is necessary to clarify and establish the object of responsibility for the criminal investigation of network pyramid schemes. Regarding the organizers and leaders of network pyramid schemes, because they have the subjective willingness to commit crimes, they must be included in the scope of accountability and deal with criminal acts such as pyramid schemes, illegal fund-raising, and fraud. For the participants of pyramid scheme activities, legal responsibilities should be properly investigated according to their active participation and contribution strength. As network pyramid scheme crimes are often involved in a large number of people and the amount of money involved is huge, it is necessary to appropriately expand the scope of liability objects and deal with them seriously when prosecuting liability. Meanwhile, since network pyramid schemes are a derivative type of cybercrime and pyramid schemes crimes, while determining the object of responsibility, the characteristics and sentencing standards of the other two types of crimes must also be considered. Thus, scientifically define the boundaries between this crime and that crime and between crime and non-crime so as to prevent crime from occurring.

5.3. Further Clarify the Issue of Jurisdiction Over Network Pyramid Scheme Crimes

The criminal activities of network pyramid schemes are mainly carried out virtually with the help of the Internet platform. How to establish the ownership of its jurisdiction is worth pondering, and it is necessary to further clarify the jurisdiction of the network pyramid scheme

crime. The development of technology has broken the limitations of time and space. Organizers and leaders of pyramid scheme activities can use Internet tools to carry out pyramid scheme activities anytime and anywhere. This makes the connection between the members of the pyramid scheme group weak, and the fund exchange relationship between the members is very complicated. It is difficult for the public security organs to clarify the ownership of jurisdiction, which further increases the difficulty of handling cases. The current jurisdiction mainly includes personal jurisdiction, territorial jurisdiction, etc. The geographical composition of criminals and the place of crime are diverse. In this regard, it is necessary to clarify the ownership of jurisdictional departments and regional jurisdictions from a legislative perspective, strengthen cross-regional cooperation, so as to jointly combat network pyramid schemes and improve the efficiency of law enforcement.

5.4. Further Establish and Improve the Network Information Technology Supervision System

The development of the Internet economy is unstoppable, and its scale continues to expand. Driven by various new technologies, the type and mode of operation of the Internet economy will continue to change. In order to reduce the occurrence of various illegal and criminal activities based on network pyramid schemes, it is necessary to further establish and improve the network information technology supervision system, scientifically restrict and guide the development of the Internet economy, and minimize the loopholes in network supervision. In this regard, various network information management departments should increase their cooperation, formulate and improve relevant regulatory standards, and incorporate the fight against network pyramid schemes into the regulatory system. Meanwhile, it is necessary to strengthen technology research and development, build a complete network monitoring system, and jointly crackdown on various illegal and criminal activities.

6. Conclusion

Network pyramid scheme crimes have many implications. They are common crowd-gathering crimes in the context of the Internet economy, which have seriously disrupted the order of economic development and social stability. Meanwhile, under cover of various technologies and platforms, criminal perpetrators can often commit crimes covertly, and the technologies on which their behavior relies are constantly innovating. This requires targeted attacks against the characteristics of network pyramid schemes. From the perspective of macroeconomic development, various factors such as the widening gap in average social income, the transformation of the social economy, and the rapid development of the Internet economy have all contributed to the occurrence of criminal acts. The cost of pyramid scheme crimes is extremely low. In the face of huge temptation, the perpetrator's moral bottom line is lowered, and crime becomes easier. Therefore, it is necessary to improve policy documents related to the development of the Internet economy, rationally guide economic development, persist in leading social customs, increase publicity and education, and guide the people to realize the harm of network pyramid schemes. Finally, we must persist in the establishment of a sound and complete legal system and restrict the crime of network pyramid schemes from the perspective of criminal behavior identification and sentencing.

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