# Why Do People Join and Stay in Pyramid and Multi-level Marketing Schemes

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**SAŽETAK**

Ključne riječi: MLM, piramidalna shema, rizik za financijskom prevarom

Multi-level marketing (MLM) i piramidalne sheme dvije su verzije izravnog marketing modela. Piramidalne sheme ilegalan su oblik modela jer zahtijevaju pronalazak i uključivanje novih članova kako bi se unutar sheme profitiralo. Za razliku od toga, u MLM shemama moguće je profitirati isključivo na temelju prodaje proizvoda. Međutim, dvije sheme funkcioniraju na temelju istog principa i uključuju slične psihološke procese. U laboratorijskim uvjetima kao značajni demografski faktori pokazuju se religioznost, prethodna iskustva i viši percipirani osobni profit od sheme. Međutim, u uvjetima stvarnog života valja razmotriti i utjecaj roda, dobi i stupnja obrazovanja. Ektraverzija, ugodnost i sposobnost predviđanja ishoda kao aspekti Big Five modela pokazuju se kao osobinski korelati. Neki mogući faktori vezani za socijalne procese su kultura modela i kognitivna disonanca. Svrha ovog preglednog rada analiza je ovih individualnih faktora i razmatranje kako zajedničkim djelovanjem utječu na odluku da se pridruži i ostane u modelu.

**ABSTRACT**

Keywords: financial fraud risk, MLM, pyramid scheme

Multi-level marketing (MLM for short) and pyramid schemes are two similar versions of the direct-selling model. Pyramid schemes are an illegal form of the direct-selling model because they rely on recruitment of people as a sole way to make a profit. By contrast, in MLMs one can, in theory, profit solely by product selling. However, the two operate in the same way and involve similar psychological processes. In a laboratory setting, significant demographic factors seem to be religiosity, prior experience, and higher perceived personal gain. However, in a real-life setting, factors such as gender, age, and education must also be considered. Extraversion, agreeableness, and outcome prediction have been found as personality correlates of the Big Five model. Some factors relating more to social processes seem to be the culture surrounding the business models and cognitive dissonance. The aim of this review is to analyze and explore these individual factors and examine how they influence the individual's decision to join and remain in the business.

## INTRODUCTION

"Hey, do you have some time? I'd like to talk to you about an exciting business opportunity [some variant of a smiling emoji]" A complete stranger (at best case a friend-of-a-friend) messages over social media. If humored, they might go on to pitch how for a small, triple digit start-up fee you too can run your own business and manage your own team, selling whatever. If rejected or questioned, they might respond with the classic "It's not a pyramid scheme. Pyramid schemes are illegal. This is an MLM.", or, even better, "Your job is a pyramid scheme. You have a CEO at the top and then managers, and employees. Do you think you have a chance of being CEO at your job? No. But here, you can be your own boss." Both very compelling arguments. The popularity of such schemes and "business opportunities" varies through time and country, but, at least in the US, they haven't gone away. In fact, the development of social media evolved multi-level marketing and pyramid scheme agents' recruitment methods, and "pitches" today are made through social media (such as the one described).

But what even are pyramid schemes? What are multi-level marketing schemes? How, if even, do they differ? To discuss that, one must first step back and examine fraud. Fraud can be defined as purposeful deception made for the gain of the fraudster (Asp et al., 2012). Fraud is a general term and, as Beals et al. (2015) acknowledge, there is a lack of unifying fraud taxonomy. Their attempt to create a classification system is a great indicator of the complexity of the nomenclative issue (and is also greatly recommended to the reader). It is, of course, not the only existing taxonomy. For example, DeLiema et al. (2021) divide consumer fraud into opportunity-based scams that promise the victim a positive outcome, threat-based scams that threaten the victim with a negative outcome, and consumer purchase scams that offer the victim nonexistent or misrepresented products. Their taxonomy is explained in greater detail in Table 1. Some common examples of financial fraud and scams include ''it's me'' fraud, fictitious billing, loan guarantee fraud, refund fraud, investment fraud, business opportunity fraud, lottery fraud, prescription drug fraud, advance fee loan fraud et cetera (Kadoya et al., 2021; Pak and Schadel, 2011). They are better explained in Table 2. As the title suggests, this paper will focus on multi-level marketing (MLM) and pyramid schemes. The two could be considered investment and business scams, however some sources (i.e. Beals et al., 2015) classify MLMs as employment fraud, as some employment and work engagement is expected from the victim.

***Table 1.***
*Definitions of various scams according to DeLiema, Li and Mottola (2021).*

| | Promised consequence | Fraud type |
|---|---|---|
| opportunity-based | Victim is promised something good and rewarding (job opportunity, grant, investment, debt eradication, promise of romance and partnership). Results in huge money loss as it takes time for victim to realize they're being scammed. Scammers play into the victims' desires of wealth, romance, security, etc. | investment<br>lottery prize<br>government grant<br>debt consolidation<br>fake cheque<br>romance scam<br>secret shopper<br>advance fee loan |
| threat-based | Victim is led to believe something terrible will happen if they don't act upon the scam. They're convinced by the scammer that they must pay money to avoid the negative consequences. Scammers play into victims' fears. | fake tax collection<br>fake debt collection<br>government impostor<br>fake tech support<br>unnecessary home repairs<br>extorsion<br>grandparent scam |
| consumer purchase | Victim buys a product or a service that doesn't really exist or is severely misrepresented by the seller (fraudster). | fake charity<br>pet adoption<br>health insurance<br>nonexistent service charge<br>marketplace fraud |

***Table 2.***
*Definitions of various consumer and financial frauds according to Kadoya et al. (2021), and Pak and Schadel (2011).*

| Fraud type | Definition |
|---|---|
| "it's me"* | Fraudsters impersonate victims' family members and ask for money. |
| fictitious billing* | Fraudsters impersonate real banks, companies, or services and charge fake bills. |
| loan guarantee fraud* | Fraudsters offer to act as guarantees for the sanction of a loan or a credit card in exchange for upfront fees. |

| | |
|---|---|
| refund fraud* | Fraudsters impersonate tax or insurance servicemen and ''help'' victims get refunds, but they wire the victims' money to their own accounts. |
| investment fraud** | Fraudsters convince victims into investing into a product that they severely misrepresent, or the product doesn't even exist. |
| business opportunity fraud** | Fraudsters convince victims to invest in a business that they severely misrepresent. |
| lottery fraud** | Fraudsters tell the victims they've won the lottery and must send a fee to collect their winnings. |
| prescription drug fraud** | Fraudster offer the victims free prescription drug dosage for a fee. |
| advance fee loan fraud** | Fraudsters offer the victims loans under very attractive circumstances for an upfront fee. |

* *Kadoya et al. (2021), ** Pak and Schadel (2011)*

Firstly, let us examine the infamous pyramid scheme. The essence of the scam includes new investors indirectly paying old investors (Kotkovets and Piskun, 2020). In a pyramid scheme, the founder of the scheme (fraudster) invites a certain number of investors to support the business. These 1st level investors pay a certain amount of money to gain the right to sell the products, or do the service (Rowe, 2000). In a pyramid scheme, the products and goods often have no real marketplace value, or are sold at inflated prices (Babener, 1996). Because of this, the only way for investors to make money is by recruiting new 2nd level investors, who will then recruit 3rd level investors, and so on and so forth. The business, good, or a service of a pyramid scheme is a cover for the scam (Babener, 1996); it is secondary to recruitment of new members. Pyramid schemes often equate recruiting to the opportunity of "building your own team" which one must then manage and coach to increase their direct sales, and, by extension, one's own indirect profit. But that is rarely the case in pyramid schemes as product selling is not the main way to make money, so individuals at the top don't have to worry how much people beneath them really sell, rather, how much they recruit (Beasley, 2012). A pyramid scheme is not a sustainable business model. Rowe (2000) shows this using a simple example: if the founder recruited 6 1st level investors and told each of them to invest 6 people each, there would be 36 2nd level investors. If the 2nd level investors were also told to recruit 6 people each, there would be 216 3rd level investors. At the 8th level, there would be 1 679 616 investors, not counting the previous level investors. All of them would have the same job – sell the product (and the newest level investors would also have to recruit 6 more people). By extension, all of them would be competing at the same, limited marked for the same consumers. But not all investors would be making the same amount of money, and their earnings would not be determined by the amount of product they sold, but largely by when they decided to join. In reality, the market has a limited number of potential customers and new investors to recruit, so each new level investor has a greater chance of losing money in the scheme (Rowe, 2000).

A business model that goes hand-in-hand with the pyramid scheme is multi-level marketing. It too is a direct selling scheme where participants work for the business by selling the company's products, goods, or performing services, but they're not really a part of the company, rather, independent consultants (salesmen) (Beasley, 2012; DeLiema et al., 2018; Koehn, 2001). These consultants can also choose to build their own team of consultants by recruiting people. A participant's income depends on their own commission (how much product they manage to sell), and they can also earn extra by collecting a percentage of their downline's commission (Beasley, 2012; DeLiema et al., 2018). In this way, the investors become the good, as victims at the bottom level contribute to the commissions of the participants at the higher levels (Liu, 2018), whether directly through sales of the product, or, more prominently indirectly through recruitment of new participants. The principles of MLMs sound nearly identical to those of pyramid schemes, however, there is a difference – in an MLM, the primary way to make money is to sell the product, or perform a service, and recruitment is secondary, while the opposite is true for pyramid schemes. Henceforth, this paper will not use the terms interchangeably, but it is important to mention how easy it is for pyramid schemes to disguise themselves as MLMs; or for companies to start out as MLMs, and then become pyramid schemes because of insufficient regulation (Koehn, 2001). The two include a lot of common elements. Both require investments to start practicing the business, which are often described as startup kits, basic inventory of the product, or training materials (Beasley, 2012). Both include direct salesmanship commissions, but also indirect commissions as sources of income. They are both based on the same operational model. Because of this, it may be possible to conclude the participants of such schemes and models will experience similar psychological phenomena. In a 2018 study, DeLiema et al. examined the profiles of MLM participants in the US and their experiences in direct sales. They found that 47% of participants lose money, and 27% manage to break even before leaving – only the remaining 25% make a profit. Out of the quarter of participants that manage to profit 56% of make less than $5000 (DeLiema et al., 2018). But 66% of all people who join invest up to $1000. 54% of participants feel like the company did not accurately represent financial success and 65% would not join again. Perhaps it would be wrong to say, then, that MLMs are the "good" versions, and pyramid schemes are the "evil" versions of the same business model. Even if they are legal, studies such as the one presented by DeLiema et al. (2018) show that MLMs can also lead to loss of money. A common critique of the direct-sales business model is that it preys on personal connections for profit (i.e., Bosley and Knorr, 2018; Koehn, 2001; Schiffauer, 2018). People who join are often encouraged by their upline to try to recruit their family, friends, or to make them their customers. A detailed overview of MLM and pyramid scheme history can be found in Beasley's (2012) bachelor's thesis.

The purpose of this review is to examine the psychological factors in the background of people's behavior in pyramid schemes and MLMs.

Some demographic and social risk factors will also be mentioned. There will be a brief examination of the psychological traits of people running such financial scams.

## WHY DO PEOPLE JOIN PYRAMID SCHEMES AND MLMS?

Promises of riches and financial freedom. A part of pyramid schemes' appeal lies in the promises of "easy money" (Rowe, 2000). In fact, 91% of all MLM participants join to make money (DeLiema et al., 2018). Because they are based on a model that endorses (and often encourages) recruitment as a way of making money, MLMs promise investors unlimited growth potential (Beasley, 2012). The logic behind this promise lies in the idea that any investor can choose how many new investors they recruit and how large of a business they build. The same goes for pyramid schemes, but in them, investors' livelihood relies on the size of their business (number of investors they've recruited). Before someone joins a pyramid scheme, or an MLM, they might be asked to visit a small meeting or a celebration by the person recruiting them (Liu, 2018; Rowe, 2000). During these events, highly successful investors are brought onstage to speak, so the potential investor is presented with only stories of success (Liu, 2018). This also increases attractiveness of the business, as it plays on the potential investor's desires (Keshavarzi et al., 2021). MLMs and pyramid schemes often market themselves as opportunities to make money "on the side" or "in small pockets of time throughout the day". This presents the promise of one's independence within a business model – flexible schedule, a balanced work-life relationship (Liu, 2018). This is especially appealing to women, as it presents an opportunity to create extra income for one's family and be a present parent (Lamoreaux 2013). This could be even more true for stay-at-home moms. In this way, MLMs prey on women's anxieties to fulfill their gender role and to make income simultaneously. If we accept this, then pyramid schemes could be classified as an affinity crime, where the victims share some form of a (ethnic, familial, religious, etc.) commonality, which the perpetrator then preys upon (Jacobs and Schain, 2011). In this case, their gender roles.

Promises of identity enhancement. Liu (2018) believes MLMs are still a popular business model because they play on the American belief in endless economic prosperity (Anthony and Robbins, 1982, as cited by Liu, 2018) where "the market punishes the lazy" (Coleman, 1995, as cited by Liu, 2018). In this way, an individual in an MLM, who certainly believes they're not lazy, has hope they will succeed in the same model. To this victim, it is especially appealing to think they can succeed no matter their economic background, which is also a part of the American dream (Ella, 1973). Keshavarzi et al. (2021) name superiority and exceptionalism as identity-enhancing appeals of pyramid schemes. The individual is led to believe they are special for joining the scheme and are further motivated by this belief. Often this sense of superiority is tied to the so-called law of opportunities. The organizers of the scheme convince the people who join it that they are the exceptional 1%, and that the other 99% of people will mock them for what they're doing (Keshavarzi et al., 2021).

Demographic correlates of joining. In a laboratory setting, Bosley et al. (2019) decided to examine demographic and psychological factors related to pyramid scheme victimization. They presented their participants with a simplified mock fraud offer, designed to mimic the principles of a pyramid scheme, and examined how demography would be correlated to the individual choice to engage with the fraudulent offer. They found that religiosity (scale adapted from Pew Research Center, 2014) is positively correlated with vulnerability to this type of fraud – more religious individuals engaged with the scheme more. This could be attributed to two reasons: religiosity lessens personal scrutiny (Bosley et al., 2019), and religious communities present highly trusting social networks that hold potential for recruitment (Bosley and Knorr, 2018). It was also found that prior experience was also positively correlated to fraud, but not personal prior experience (Bosley et al., 2019). Rather, participants who had at one point in their lives had a friend or a family member in a pyramid scheme were more likely to also engage with the mock pyramid scheme. Out of all the most common consumer frauds, victims of pyramid scheme fraud are least likely to report the scam (Anderson, 2004). If someone had a personal contact in the scheme, they would most likely only be aware of the "great opportunity", not the horrid financial loss that comes with it, making them more likely to join. Perhaps victims of pyramid schemes don't report scams because they don't even recognize they have been scammed, or they do but are ashamed to admit it, or contact a reporting agency. This is methodologically problematic for researchers, as it creates selection bias (Bosley et al., 2019). These factors are not entirely exclusive to pyramid scheme fraud, rather, they are methodological issues that come with using scam complaints as sources. However, expanding on the first possible reason, it is easy to imagine the victim leaving the scam convinced that they are to blame for their failure, not the business itself for being a fraud. Elaborating the second possible reason, victims of pyramid schemes may be ashamed of their failed "investment" and may be scared of being labeled as greedy or gullible, which is what often happens to people who invest in these scams (Tajti, 2021). Lastly, Bosley et al. (2019) expectedly found that individuals who perceived higher personal gain from risky investments were more likely to join (measured with the Blais and Weber (2006) DOSPERT scale). They also found positive correlation between "investing" and the perceived likelihood of winning, and negative correlation between "investing" and the importance of perceived likelihood of winning. However, they found no gender, age or education effects on the likelihood to "invest". Gender and age were, on the other hand, positively correlated to the perceived likelihood of winning. Women, and older participants reported greater (self-evaluated) likelihood of winning. Education and perceived likelihood of winning were negatively correlated. The importance of perceived win likelihood when "investing" correlated positively with cognitive ability (measured with a three-item cognitive reflection test - CRT (Frederick 2005)).

To summarize, religiosity, higher perceived gain from risky investments and prior experience were positively correlated to "investing". Gender, age and education were not directly correlated. But they were connected to perceived likelihood of winning and the importance of perceived likelihood of winning, which themselves are correlates of "investing". Because this was a laboratory study, social context was removed from the pyramid scheme stimulation. In a real-life setting, pyramid scheme and MLM recruiters prey on such sociodemographic factors, as explained in the previous paragraphs. Modic and Lea (2012) found that education was positively correlated with internet fraud victimization (they counted pyramid schemes as a form of iInternet fraud). They believe that the reason for this lies in the fact that more educated people spend more time using the computer and are, therefore, more exposed to internet scams. In a 2018 demography analysis, DeLiema et al. examined former MLM participants and found that the majority of them first joined an MLM organization between the ages of 18 and 25, 60% of them were women, and 66% had some form of college education. Relating to prior exposure, 52% were in just one MLM in their lifetime, 31% in two, and 17% in three or more. DeLiema et al. (2018) examined MLMs and only calculated descriptive statistics (percentages), whereas Bosley et al. (2019) examined pyramid schemes and did regression analysis, so their studies cannot be directly contrasted. However, DeLiema et al. (2018) do show certain trends of recruitment which could also be valid in some pyramid schemes. For example, MLMs mostly sell products that appeal to women, such as beauty, wellness, healthcare products and household durables (DeLiema et al., 2018). The same goes for pyramid schemes.

Personality correlates of joining. In the Bosley et al. (2019) study mentioned in the previous paragraph, the authors found no correlation of impulsivity (measured with the Barratt Impulsivity Scale (Patton, Stanford and Barratt, 1995)) and increased uptake in the mock fraud offer. However, impulsivity correlated negatively with the importance of perceived win likelihood when "investing", which itself is an important investment factor. Modic and Lea (2012) examined the mini-IPIP (Donnellan et al., 2006), Brief Self-Control scale (Holtfreter et al., 2010) and modified UPPS Impulsive Behavior scale (Whiteside et al., 2005) correlates of the Big Five personality model with internet fraud victimization, with pyramid schemes as a form of internet fraud. They found that premeditation (prediction) of fraud outcome was the largest correlate, as participants who can more accurately predict the negative consequences are least likely to engage with the fraud. Extraversion was positively correlated with internet fraud victimization, which Modic and Lea (2012) explain through increased likelihood of extroverted people to respond to such prompts, and the fact that they prefer the internet for communication, which makes it harder to detect lies and deceit. Lastly, agreeableness was positively correlated with fraud victimization, as Modic and Lea (2012) believe that agreeable people want to believe others are as friendly as them. However, they incorporated many types of scams into the cluster of internet scams, which is where their study is lacking. As many studies show (i.e. Pak and Schadel, 2011; Kadoya et al., 2021; DeLiema et al., 2021), profiles of scam victims depend on the scam type. Perhaps the results of this study would have been different if the correlates were examined through each included type of internet fraud. Research concerning personality correlates of joining MLMs is sparse. However, unlike demography correlates which might make someone a more vulnerable target for both pyramid schemes and MLMs, personality is more complex, and perhaps cannot be easily generalized from pyramid scheme to MLM.

The effect of the recruiter. 34% of all former MLM consultants were recruited by a friend, 12% by a coworker, 9% neighbor, and 8% through social media (DeLiema et al., 2018). Moreover, agents are often pressured into turning to their close contacts for recruitment (Beasley, 2012). The same is true for pyramid schemes, as victims are often told to sign up their parents, partners, or friends as their downline. If people are approached by someone they trust and have a close emotional connection with, they are more likely to believe the scheme is valid and a legit way to make money. More recently, pyramid schemes and MLMs have been using social media to propagate. Int is interesting to note, however, that pyramid schemes in Iran (Keshavarzi et al., 2021) still prominently use phone calls to lure potential victims. When asked about it, pyramid scheme members explained it was easier to maintain dominance over the victim in a conversation – if something goes wrong, they can hang up.

## WHY DO PEOPLE STAY IN PYRAMID SCHEMES AND MLMS?

The culture of pyramid schemes and MLMs. As mentioned in the previous section, MLMs (and pyramid schemes) rely on the notion that their model is a complete meritocracy, where hard work always pays off, and those that put in the effort are always rewarded. In their 2018 demographic analysis, DeLiema et al. (2018) found that the number of hours an MLM participant put in their work weekly correlated positively with their monetary gain. Participants who had made more money in the model, worked more hours than those who had made less. However, a positive correlation was also found between the number of weekly workhours and monetary loss. Participants who had lost more money in the model, worked more hours than those who had lost less. . If both success and unsuccess are positively correlated with working hard, then it cannot be the work itself which determines the outcome, making the model not a meritocracy. And yet, despite the evidence, both MLMs and pyramid schemes keep claiming its effort which leads to success. Liu (2018) points out that the stress MLMs place on grit fits into the American promise of hard work paying off. By this logic, if an individual within an MLM (but also a pyramid scheme) isn't making money, it must be because they aren't trying hard enough, or simply aren't talented enough (Liu, 2018). This convinces the participant that there is a potential for success within the model, if they endure a bit more, try harder, put in more work, more money, etc. It's worth pointing out that this notion of grit is in direct conflict with the idea of "easy money-making on the side" idea that sells the MLM/pyramid scheme during the recruitment process.

Another notion that ties into this is the belief of the "law of attraction", which dictates good things will happen to the model-participants if they keep visualizing them. This also contributes to the idea that participants are solely responsible for their financial state, and the context of the model is completely ignored (Keshavarzi et al., 2021). Because both pyramid schemes and MLMs include recruitment as a way to turn profit, it isn't uncommon for agents to approach their friends, family, members of religious community to sign them up as their downline. However, as Liu (2018) points out, this entangles the business with family, friendship and/or religion, and makes it harder for people to leave, as they've associated their loyalty to the business to their loyalty to their loved ones. Through their observation of Irani pyramid schemes, Keshavarzi et al. (2021) conclude that the participant meetings, which are held quite often, are used to indoctrinate the new members into the scheme. They include overwhelming new participants with simple, attractive information, which is easily cognitively digested, and the participants are encouraged to analyze the information in accordance with the majority (Keshavarzi et al., 2021). In this way, these meetings are also a process of conformity enhancement (Keshavarzi et al., 2021). They also excite and motivate the participant. Henceforth, it could be concluded that they are a crucial part in propagation, interlevel transfer and learning of the MLM/pyramid scheme culture.

The stigma of leaving. After a while, participants may notice that they're just losing money. They might blame themselves for it, and still be able to recognize that participating just doesn't pay off. As claimed by DeLiema et al. (2021), it might take longer for the participant to realize they are being scammed and keep losing money, as investment scams such as pyramid schemes are opportunity-based and present themselves as beneficial. Still, the participant might be convinced that the model holds money-making potential, and that it is their fault they're failing. Because of this, they might try to at least break even before they leave, because they've already invested so much (Liu, 2018 (in the context of MLMs)). In this way, this sunk-cost fallacy is just another obstacle preventing them from true freedom from this model. Unfortunately, it doesn't help that a lot of people have no financial plan for what they're going to do after they leave (Liu, 2018). As mentioned in the previous paragraph, MLMs and pyramid schemes work to create tightly knit communities with a certain culture. Sometimes they even encourage their participants to cut off the people that are unsupportive of their business. To the members, then, staying in the harmful, but familiar model might be easier than facing uncertainty in having to reintegrate back into their communities and face the financial ruin.

## THE CHARACTERISTICS OF SCHEME ORGANIZERS

Cognitive dissonance remains relevant in explaining the behavior of scheme participants, as well as scheme organizers. Jacobs and Schain (2011) believe that even those that violate the law believe in it. In other words, organizers of pyramid schemes and other scammers want and need to believe that they are still good people, and they need to justify their actions to themselves. The awareness that their actions are exploitative make the scheme organizers feel negatively about themselves, so they rationalize their actions in what Jacobs and Schein (2011) call neutralization theory. The neutralization can be done by several means (Sykes and Matza, 1957, as cited by Jacobs and Schein, 2011): the fraudster denies responsibility and blames external forces for his actions; the fraudster denies injury, and distances themselves from any immediate victims; the fraudster denies that the victim is, in fact, a victim by convincing themselves that they somehow deserved it; the fraudster questions the credibility of anyone who judges their actions; the fraudster appeals to higher loyalties. Jacobs and Schein (2011) describe this theory of neutralization within the context of Ponzi scheme organizers; however, it's possible to generalize the theory to pyramid schemes, and all frauds and law-breaking behavior in general.

It is complex to think about pyramid schemes and MLM participants. This paper has so far used the dichotomizing terms such as "fraudster" and "victim". However, by the very nature of the fraud, an individual within a pyramid scheme, although themselves a victim, must also try to attract others into the business. Of course, the individual may genuinely believe in the business and be convinced that it is a legitimate way to operate because of misinformation and propaganda fed to them by their upline. But it is also possible that the victim realizes that struggle is a norm for the majority of pyramid scheme agents, causing the need for cognitive dissonance and neutralization. This way, they are both the victim and the vessel of the fraudster. However, it is extraordinarily important to remember that victim-blaming and stigmatization only contributes to fraud underreporting and makes the spread of awareness and scam precaution more difficult.

## CONCLUSION

MLMs are not the same as pyramid schemes – the distinction between the two are the priorities of each model. In an MLM, the individual joins to sell the product, and can choose to earn additional income through recruitment of other members, which then become their downline. In a pyramid scheme, the individual joint to sell the product, but is forced to recruit other members, as the products have no real marketplace value and are hard to sell. Because of this, pyramid schemes are illegal, and MLMs can be legal if they obey certain guidelines. However, both MLMs and pyramid schemes are based on the same model and operational principles. MLMs can also result in financial loss, and participant unhappiness. Because of this, it has been proposed that the two models invoke similar psychological processes within an individual, which lure them in and prevent them from leaving once the join.

Some factors included in the appeal of pyramid schemes and MLMs are promises of financial freedom and promises of business independence within the model. The latter is especially appealing to women, and models actively pray on their fears and insecurities related to the pressure put on them to both be fully present parents, and to bring in money for the family. Related to this, some demographic correlates of increased risk to join and participate in a pyramid scheme or an MLM are religiosity, higher perceived personal gain, and prior exposure to pyramid schemes. No gender or education effects were found. However, those conclusions came from a laboratory setting, and in real life, women are more often victims of such scams. Also, in a correlation study done outside the laboratory, an effect of education was found, with higher educated individuals being more likely to join the scam. However, this research didn't separate the types of scams, but grouped them all into Internet scams. Further research should separate the scam types and perhaps focus more on the correlates related to real life. Speaking of personality correlates, agreeableness and extraversion are positively correlated to scam joining, and premeditation of scam consequence is negatively correlated to scam joining. Other that than, people are mainly recruited by their friends and family, and because of this, pyramid scheme fraud is the least likely reported of all scam types. Potential victims are only aware of the positive business opportunity, and not of the negative consequences.

Once people join the scheme and realize they're not making any money, they may be reluctant to leave because they're at least trying to break even. Other than that, MLM and pyramid scheme culture places a lot of responsibility about one's financial state onto the participant. In this way, one thinks they're responsible for their own financial ruin because they're not trying hard enough, and they keep investing their time and more money hoping to see some change. This doesn't happen, as the odds of succeeding in this type of business model are stacked against them.

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