

## Exploring the mechanisms of underground economy: A case study of the informal bicycle market in a southern China city

Robert Guang Tian<sup>1</sup>, Xiaohui Shu<sup>2</sup>, Yu Liu<sup>3\*</sup>

<sup>1,2</sup>Huaihua University, China; rgtian@yahoo.com (R.G.T.) sxh9123@163.com (X.S.)

<sup>3</sup>Shantou University, China; yliu@stu.edu.cn (Y.L.)

**Abstract:** This paper aims to explore the typical mechanisms of the underground economic phenomenon through anthropological and grounded theoretical methodology through an ethnographic study on the site of an informal bicycle market in a city in South China. It investigates and analyzes the formation path and mechanism of the informal bicycle market. Data was collected through unobtrusive observation and in-depth interviews. It follows a grounded theory data analysis procedure based on multiple data sources, such as participant observations, interviews, prior literature, and news reports. The model illustrates how the informal bicycle market is formatted and the mechanisms to maintain its operations. The findings indicated that the development of the informal market affects the efficiency of social resource allocation and, in many cases, may erode the overall system of the national economy. The analysis of the formation path and mechanism of the underground economy represented by the informal market is of great significance for the sustainable development of the social economy.

**Keywords:** *Economic anthropology, Informal market, Path model, Underground economy.*

### 1. Introduction

Economic diversification is becoming increasingly apparent with the accelerated development of China's economic and social modernization. The state-owned, private, international, and underground economies have outstanding performance (He & Wang, 2024). Among them, the development of the underground economy has attracted the great attention of academic circles. Some scholars believe that the underground economy is an indispensable part of the modern Chinese economic system and a supplement to the formal system of the national economy, which should be recognized and given a specific space for development (Chen, Schneider & Sun, 2020). However, other scholars believe that the underground economy seriously interferes with and affects China's national economic system's regular operations and has a specific destructive effect, so it must be firmly banned (Pang et al., 2021). This paper intends to discuss the operation mechanism and influence of the black bicycle market in Shantou City with the characteristics of the underground economy through economic anthropology to fully understand the impact of the underground economy on the local economy and society and put forward corresponding policy suggestions.

While the phenomenon is quite outdated, the term “underground economy” was first proposed in the 1960s by the Italian economist Giorgio Fua (1969) to refer to illegal economic activities that do not follow government regulations (Xia, 1993). In this paper, we define the underground economy as economic activities from which, for assorted reasons, the government has not been able to derive income, implement control and tax management, or include their output value in the Gross National Product (Xie, 2008). According to the United Nations System of National Accounts (SNA), the underground economy mainly includes three activities: illegal economic activities, undeclared economic activities, and unstated economic activities (Li, 2016). It prompts legal units to seize illegal income,

informal market transactions, and illegal business activities (Wang, 2000). This study takes the informal bicycle market in a Chinese city as the entry point and studies the informal market transactions as a typical form of the underground economy. Informal market transactions generally refer to those conducted in illegal markets that the government has not approved (Horodnic et al., 2021). The commodities traded are consumer products obtained by the seller through improper means and often sold at a lower than market price (Wang, 1994).

Most research on informal bicycle markets emphasizes the status quo, causes, and governance and focuses on cost, benefits, and risk. For example, Qiang's (2014) work describes the Shanghai informal bicycle market's entire process and personnel composition. It makes a detailed analysis of the social loss caused by informal market trade. Liu (2006) proposed a continuous "ecosystem" of informal bicycle markets consisting of three actors, thieves, buyers, and resellers, and analyzed how to break this ecological cycle. From the economics perspective, scholars proposed a supply and demand model and the interests of related subjects to perform an economic analysis of the informal bicycle market trading (Zhang, 2003). Due to the preliminary examination of cultural factors, the initial research on forming the informal bicycle market is rough. It only focuses on the antecedents and consequences of the entire event. There is no discussion of the construction of the network, and therefore, it lacks effective measures for network functions.

## 2. Research Methodology and Analytical Design

This study adopts the ethnographic method to guide field observation and in-depth interviews to conduct an exploratory analysis of the economic phenomenon of informal bicycle market transactions. It makes an exploratory analysis of the economic phenomenon of informal bicycle market trading from the perspective of economic anthropology, followed by programmatic root modeling, to construct a development path model of the informal bicycle market in Shantou City in southern China. We study and analyze from economic anthropology rather than from a purely economic perspective, thus avoiding the possibility of disconnection between economic phenomena and social and cultural scenarios. We derive a development path model of informal bicycle market transactions through a grounded theory analysis, provide ideas for the informal market's source management, and provide suggestions for further informal market research.

Economic anthropology is a product of the dialogue between economics and anthropology. It takes human economic behavior as the research object, but its understanding of the economy goes far beyond the scope of economic interpretation (Hann & James, (2024). Economic anthropologists emphasize the need to describe and explain specific behaviors in detail, put them into a broader context for analysis, explore their relationship with other social actions horizontally, and conduct historical research vertically (Shi, 2002). In the eyes of economic anthropologists, economic activity is not just human physical activity, but it is often intertwined with social factors; from the perspective of intertwined economic anthropology, economic activities with the social embedded in a particular society (Chen, 2001). Therefore, the study of socio-economic issues by economic anthropology involves the economic analysis of the problem and examines the changes in economic forms related to culture, society, and the environment.

We used anthropological methods to collect data on informal bicycle market transactions. The inductive grounded theory data analysis procedures are based on second-hand data from the literature and news reports. Anthropological research is a discipline that studies the behaviors of diverse groups and their association with society and culture based on a holistic view and cultural relativity. We explore various groups through participant observations and in-depth interviews in our fieldwork to better understand individual and group behavior (Tian, 2017).

*Participant Observation:* This requires researchers to participate in the daily trading activities of the research subjects by observing, listening to people's dialogue, or participating in conversations for an extended period (Cai, 2015). This study used unobtrusive participant observation methods to avoid the possible ethical issues of engaging in illegal activities. Those observed include resellers and used bicycle

buyers in Shantou City's informal bicycle market transactions. The researchers took turns participating in observations at informal bicycle market trading sites, talking to sellers and buyers, obtaining valuable data from their trading process, and recording their activities in detail.

*In-depth Interviews:* In the process of participant observation, in most cases, the researchers talked freely with bicycle dealers and adopted in-depth conversations with the consent of the informants, who were told the purpose of this research project. Upon dispelling the doubts of bicycle dealers and gaining the good feelings and trust of the other party, the interviewers tried to obtain confidential information by asking participants to provide inside knowledge from their perspective, either bicycle dealers or customers. The information and materials collected through free-form conversations and in-depth interviews were recorded and transcribed. In the process of recording verbatim discussions and observations, the researchers attempted to restore the interview scenes as much as possible, paying attention to vital details such as tone, gesture, and demeanor, and the use of expressions by the interviewee as much as possible, including dialect and language features. Five buyers and three sellers were interviewed with consent; each interview took about a half-hour.

The grounded theory data analysis procedure develops theory from the data through substantive and theoretical coding (Glaser and Strauss, 1967). The researchers use the programmatic rooted theory to consider the particular research questions and objectives. Using programmatic rooted theory for data analysis involves operating procedures with universal applicability (Wang and Gao, 2010). The causal relationship between variables is narrowed to a simplified set of variables. Conversely, some qualitative studies might be perceived as biased, subjective, and lacking necessary rigorous arguments.

The existing theoretical frameworks need to be more precise and more complete. Current procedures are challenged because they cannot dig deeper or perfect the theory; therefore, alternative approaches are required to interpret the phenomenon adequately. The grounded theory method emphasizes the phenomenon and data through continuous comparison and qualitative coding and derives the view from the data. It requires constant comparison to ensure researchers fully interpret the phenomena and data. The methodological design of grounded theory aims to theorize from substantive fieldwork and is considered one of the most rigorous qualitative methods.

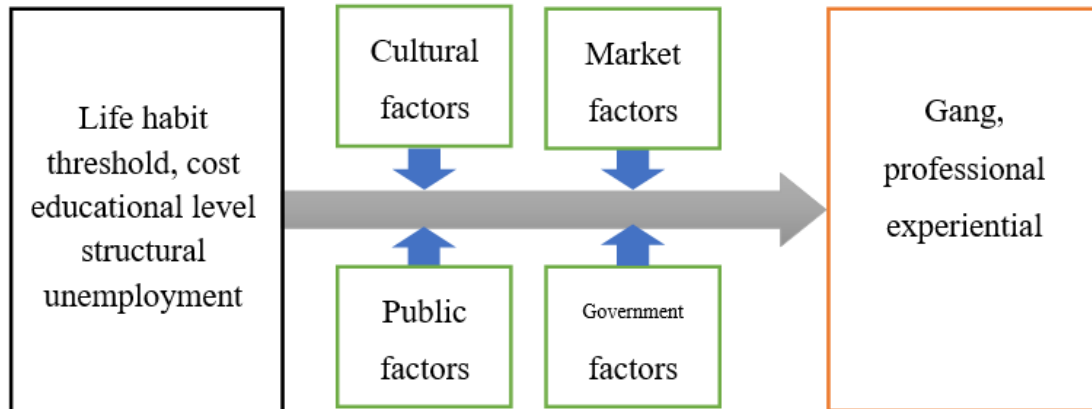
The researchers selected 12 text resources from 18 text files, including 10 field notes, covert observations, in-depth interviews, and information collected and organized according to the network and literature to conduct coding analysis and model construction. It includes grounded theoretical data analysis of first-hand information resources obtained through open, axial, and selective coding, leading to conceptualization and classification. The procedure looks for links between various categories and continually compares and improves the undeveloped categories to achieve theoretical saturation.

Open coding, also known as open-ended logging, requires researchers to break up the collected information with an open mind, then assign codes and combine them in new ways. The Field records obtained by the researchers in the field research are coded in detail, conceptualized in relevant literature or directly named, and further categorized in later coding. After deleting some initial concepts of low frequency (fewer than three times), a total of 64 concepts were obtained, summarized into 21 subcategories, and some representative interview sentences were conceptualized and categorized (Table 1 in the appendix).

The primary spindle coding process further analyzes the subcategories derived from open coding and discovers and establishes connections between various conceptual categories. Six main categories are summarized according to each subcategory's conceptual causal connection and mutual relationship (Table 2 in the Appendix).

The selective coding process further refines and generalizes the logical relationships between the main categories, establishes the core category and sketches the storylines to develop the entire context structure (Chen, 1999). In the selective coding stage, the storyline of the study is that the essential incentive is the precursor of the development results, among which cultural factors, market factors, public factors, and government factors affect the progress of the crucial incentives to the current

development results. The “Shantou City informal bicycle market formation model” is established based on this reasoning, as shown in Figure 1.



**Figure 1.**  
The formation path model of the informal bicycle market in Shantou City.

According to the rooted theory of the three-level coding process of open coding, spindle coding, and selective coding, the resulting concepts and categories still conform to the veins and connections of the Shantou City informal bicycle market formation path. No new categories emerged after testing, confirming that the theory established in this study is saturated.

### 3. Formation Path Model of the Informal Bicycle Market

The study is designed to determine the mechanisms of the informal bicycle market in Shantou City. We would like to understand how the informal market was formatted and the business models employed by the informal market operators. The analytical process started with coding the data collected and then conceptualizing the phenomena observed and the contents summarized from the interviews. Through the grounded theory analysis, the researchers attributed the path of the informal bicycle market in Shantou to essential incentives, cultural factors, government factors, market factors, public factors, and development results.

#### 3.1. The Formation of the Informal Bicycle Market

An important reason for the rapid development of the informal bicycle market is that the informal market has a low entry threshold. It does not require specific age and education of the dealers, and they do not need to spend time on technical or professional training. It is effortless to get started and become familiar with what is required. Moreover, cash comes quickly after getting acquainted with it, so it is desirable to desperate people.

#### Field record 1

**Interviewer:** You are so young, is it reliable to buy from you? (A middle-aged male dealer rushed to say: he has been doing this for five years.)

Xiaohei (about 25-year old, a popular dealer in the black market): When I was young, I was very naughty and did not like study. I began selling bicycles with my uncle before finishing high school. I could not make much money at the beginning. After being familiar with it, I made profits. I have been doing this since then. Other guys at my age here are also doing this from a very young age.

The composition of bicycle dealers in the informal market can be divided into three categories. One category is young people; most are males, including those who dropped out of students early. When they do not have enough economic support, they step into stealing. The second one is mainly grouped by peasants generally low in education and their families' weak economic condition. They take the township as a unit to make a living in the city but are not a part of the local labor force as they do not have residence permits. The third category is unemployed. They have no fixed occupation, and the other peasants introduce them to the block trading market. These people are mostly idle, and some are involved in gambling, stealing, and reselling bicycles to make money.

The most crucial factor in the essential incentives is the cost factor. In the open coding stage, the cost category was subdivided into four sub-concepts: purchase cost, sales cost, arrest cost, and psychological pressure cost. Regarding value, Firth (1967) stated that no matter what kind of society, people hold the mentality of employing as little input as possible to get as much output as possible. Polanyi (1944) indicated that cost comprises all efforts to obtain something, including money, workforce, material resources, and other quantifiable factors, as well as ethical, social relations, opportunities, and other complicated factors. Therefore, to analyze the cost incentives of the Shantou City informal bicycle market, we should examine the quantifiable purchase cost and sales cost and explain the problematic factors to quantify. These include the cost of arrest and psychological stress (Sumoto, 1997).

### 3.2. Low Purchase Cost

In the informal market, the price of a bicycle is about 50% lower than the market price. In exceptional cases, the price will be 75% lower.

Dealer A is in their mid-30s; he appeared to hurry in front of the buyer and said: I am rushing to return. This bicycle is just 550 RMB for you, do you want it?

To gain further trust and obtain more relevant information, the researcher asked dealer A: Are you from Hunan province?

He replied: As we are from the same town, you give 450 RMB, this new bicycle costs over 1500 RMB, for a second-hand, 450 RMB is the lowest price. You can ask others also, the bottom price is 400 RMB. To gain more trust, the researcher carefully checked the brand and appearance of the bike.

When asked: is this bicycle Giant?

He said confidently: the brand is genuine; you can see the interface, and its weight can tell.

Seeing that the researcher understood the line and intended to buy it, he immediately said 350 RMB. If you want, you can ride it right away.

Field record 2

The frequent police patrols on the weekend made dealer A sell off the bicycle as soon as possible. Even if the price was much lower than expected, he was still willing to complete the transaction. It was found that the profit rate of black-market bicycles was about 300%. Furthermore, as can be seen from the range of concessions in bicycle prices, the informal market has no rules for its transactions. The source of bicycles in the informal market is unknown. The dealers and thieves (suppliers to the dealers) have long-term cooperation and form a good interaction and mutual trust relationship. The acquisition cost is meager.

### 3.3. Low Sales Cost

In general, bicycle dealers observed that they would ride bicycles that needed to be sold directly around the informal marketplace, and customers often shop around. The competition for selling bikes in the black market is substantial, which is not much different from the traditional market. There is a close network that can effectively reduce the difficulty of bicycle sales in the black market. This network

usually comprises friends from hometowns, couples, or long-time partners. When one dealer cannot satisfy the customer, the buyer can contact other dealers through this network. The relationship network plays a pivotal role in the sales process, and the dealers out of the relationship network will face the difficulties of finding buyers (Qiang, 2013).

#### 3.4. Low Arrest Cost

The police usually conduct weekly or bi-weekly driving patrols on the roads. Such low-frequency driving patrol reduces the probability of bicycle dealers being arrested and, to a certain extent, reduces the arrest cost. The dealers can ride the bicycles that need to be sold as regular residents, which is safer than displaying the bikes for sale. The surrounding roads are complicated, and the police force is insufficient. Therefore, it is difficult for the police to obtain evidence to arrest illegal bicycle dealers. Besides, due to the lack of licenses for bicycles and the information asymmetry between the police and the dealers, even if the dealers are arrested, they can escape substantive punishment by saying they do not know the bicycles were stolen (see Field record 3).

The researcher: Although your bicycle is perfect, is it safe to buy?  
 Dealer B: You are assured to be safe.  
 The researcher: How did you buy this? Can you find them after? (them: thieves)  
 Dealer C: We all know each other, so they sell bicycles to us.  
 The researcher: Are you here every day?  
 Dealer D: We arrived after picking up the children in the evening.  
 The researcher: Do your children know you sell bicycles in the black market? How do you explain to them?  
 Dealer D: We are not breaking the law. We did not steal bicycles, but we purchased and sold them first.

Field record 3

The cost of arresting sellers by the police is considerably high. The driving patrol police force is not efficient enough to deal with the bicycle dealer team of 40-50 people. The informal bicycle market trading location is unpredictable. Conclusion: there are crossroads and numerous trails, which create difficulties for the police who are unfamiliar with the terrain. Besides, bicycle dealers are also good at exploiting legal loopholes. It is difficult to impose substantial penalties on them; the cost of large-scale arrests of bicycle dealers is very high.

Anthropologists believe risk is a natural social and cultural phenomenon (Li, 2016). In the face of uncertain risks, people are more inclined to avoid risks. The police engaged in a game of interests between arresting and indulging bicycle dealers. Under the premise of not seriously threatening public order, they could only turn one eye and close one eye to avoid possible losses caused by arresting bicycle dealers in the black market. Avoiding risks is a cultural cognition shared by bicycle dealers and the police. If this cultural cognition is not changed, the informal bicycle market will inevitably develop continuously, negatively impacting the social credit system developing in China.

#### 3.5. Low psychological stress cost

It can be seen from Field Record 3 that bicycle dealers regard their reselling of bicycles as a regular business. As an intermediary part of the informal bicycle market economy, the bicycle dealers engaged in the informal market bicycle trading are generally the bottom laborers of society. They sell black bicycles to earn a living and believe they will not lose their reputation. Besides, as the informal market has been around for a long time, the local people have a taciturn attitude towards it; this also reduces the psychological pressure of the bicycle dealers in the black market to a certain extent. Therefore, the mental strain on the bicycle dealers is low, which further promotes the development of the informal bicycle market.

### 3.6. Analysis Of Cultural Factors

The groups that constitute underground economic activities are often those at the bottom of society with limited education. As such, they may not fully follow the social and cultural norms. Therefore, under the premise of limited explicit cultural norms, underground economic activities can proceed in an orderly manner, benefiting from group members who have a shared sense of innate cultural identity. Different gangs from different regions have their own rules for doing business, and the management of various bands does not necessarily agree with each other.

Of course, cultural identity can also be cultivated. In the informal bicycle market, it is almost impossible for any gang to conduct transactions independently. Reciprocity is an essential criterion for their interaction. The long-term mutual benefit has created a sense of cultural identity, further strengthened the closeness of the relationship network, and promoted the development of the informal market (Varman and Costa, 2008, 2009). We found that the Anhui Gang often interacts with the Henan Gang. The two groups have the same cultural cognition in the process of long-term mutual benefit, and even to some extent, both sides appreciate each other. Both parties will introduce each other's business to seek more stable long-term cooperation.

The social relationship network is an essential guarantee for the operation of the underground economy. Anthropologists' research on social networks begins with studying kinship (Zhuang and Fang, 2012). They believe that interpersonal relationships are a kind of art. In all economic activities, establishing a relationship with each other and expanding their relationship network is very important (Yang, 2009). Sorenson (2018) argues that social networks have an inherent boundary within the region and the industry, limiting the transmission of information and leading to some external conditions, such as communication technology, which are difficult to change. Different economic activity patterns emerge in a geographically concentrated network (Sorenson and Stuart, 2001). There are two forms of relationship network formation. One is a network of relationships woven by interest only, and the other is built by kinship relationships (Tang, 2003). Both have high security and minimal risk.

Fei Xiaotong (1985) pointed out that traditional Chinese social relations were constructed according to the differential patterns of closeness and distance. This differential pattern expressed the bloodline for the small groups in the informal market. As the core of the interpersonal relationship circle, the closer the relationship is to the center, the easier it is for people to form intimate partnerships. As mentioned earlier, the bicycle marketers in the informal market like to trade with gangs and families composed of fellow villagers. In Field Record 1, Xiaohei talked about his uncle. Xiaohei relies on his network of relationships based on blood relations. Therefore, to some extent, the system of underground economic activities is the replication and development of the original connection.

The existing literature suggests that one part of the core of Shantou City culture is its clan culture. The clan system is a social system with patriarchy at its core and blood relationships as the link. Clanship has spread all over China and has existed in various historical periods. Although the clan system as a formal rule and organizational system no longer exists in the modern economic era, its impact is still far-reaching (He, Yi, and Li, 2014). Shantou City's clan system is deeply rooted, and clan organizations are prevalent. Also, the idea of familism is particularly essential. Familism is a social system based on blood relations affecting the formation of all family members' behaviors, thoughts, and views (Yang, 2000). It will also influence people's thinking in various areas such as politics, economy, law, religion, and personality. Many Shantou City people are only willing to do business with Shantou people, keeping the distance and wariness of non-Shantou people (Qiu and Wang, 2005). The high cultural gap caused by clannism keeps other gangs from doing business with Shantou City's informal markets.

Moreover, a particular geographical environment forms some negative factors brought about by the unique marine culture, which affects the value orientations of some people. It is difficult for the government to restrict the naval part of Shantou City (Ding, 2009). The informal bicycle market transaction itself is an illegal act. Still, some people are willing to take risks and compete for gain due to

low costs and high profits. At the same time, this behavior makes foreign gangs in the informal market gradually concede to staying away. This cognition in Shantou City has been passed on to new group members. After a long time, the development of the informal market has become increasingly ingrained and difficult to restrain or eliminate.

### *3.7. Analysis of Government Factors*

Shantou City does not have a policy that restricts foreign populations. In recent years, the number of foreign “sanwu persons (persons with three noes, means no registration information, no legal status, no residential records)” personnel has increased. Most of the “sanwu (three noes)” individuals do not have stable occupations, and some rely on stealing for life, thus providing a steady stream of vitality for the informal market so that it can develop and grow (Wu, 1998). The public security officials are not keen on cracking down on the informal bicycle market. Most are grasping for significant crime arrests and letting minor criminals go. Thus, due to the prohibitive detention costs, public security personnel place little importance on bicycle theft and informal market trading. This has contributed to developing the informal bicycle market to a considerable extent.

The more important reason is the asymmetry of information on both sides. Bicycle dealers and law enforcers are asymmetrical, and the information advantage is biased toward the bicycle dealers. This means that bicycle dealers will never be punished. Due to the lack of proof, they can only be convicted according to the dealers' sales. It isn't easy to verify whether he has sold the bicycle and the amount of reselling in the past. According to the current law, there is a maximum of several days of detention. The lack of punishment has made some individuals take the risk on the black market.

### *3.8. Analysis of Market Factors*

Three subcategories were identified through the rooted theory coding: competition for related products, competition for alternatives, and infrastructure construction to analyze the market influencing factors that affect the informal bicycle market development. Related products are products that are identical or similar in function and usage. Sharing bicycles is a competitive product for bicycle access. The emergence of shared bikes has improved people's traveling modes and solved the “last-mile” problem; as such, they are sought after by the public. Besides, the shared bicycle is easy to use and can be left anywhere in the city, thus having low consumption costs. Consumers save on the cost of purchasing bikes and avoid being stolen. It is the main reason why shared bicycles are favorable to people, so shared bicycles seriously affect the illegal black bicycle market. The production and sales of bikes to individuals have slowed down in recent years, which has inhibited the development of the informal bicycle market. The popularity of alternative products, such as electric vehicles and motorcycles, has significantly impacted the bicycle market. Advances in technology have considerably changed people's travel ideas. Electric cars have gradually expanded their market share because they save time and effort and do not require licenses. The advancement of electronic vehicle production technology and reduced prices has made “every family must have bicycles” become “all homes buy electric vehicles.” It also affects the supply of black bicycles from the source, thus limiting the development of the informal bicycle market.

The construction of urban transportation facilities pays more attention to optimizing and improving existing bus lines, adding new bus lines, and setting up night buses, significantly facilitating citizens' travel. Besides, light rail construction is vigorously promoted, and the city's construction goal of convenient traffic in Shantou City is expected to be soon realized. Changes in how people travel will result in more public transportation choices, which will curb the development of the informal bicycle market.



### 3.9. Analysis of Public Factors

Most of the informal bicycle market includes thieves, sellers, and buyers. Thieves use various means to transfer stolen bicycles to sellers, such as consignment, wholesale selling, or other means of benefit-sharing; the sellers then deliver the bikes to the buyers in many ways to achieve illegal income. As Say's Law suggests, on the one hand, the informal market provides a place to sell illicit bicycles. On the other hand, continuous black bikes have created the demand for the informal bicycle market. The needs of the public provide possibilities for the realization of the informal bicycle market trading cycle.

Informal market bicycle dealers firmly grasp the psychology of people's greed and sell bicycles at meager prices. After several experiences with having their bikes stolen, the bicycle owners also turn to the informal market to buy low-cost bicycles. In changing the role of public ownership between bicycle owners and buyers, they will unconsciously become the captive of informal markets. The attitude of the buyers to the informal exchange of bicycles is devious. On the one hand, they hope the government can ban the informal bicycle market as soon as possible. On the other hand, they hope there are more ways to buy bicycles of good quality but at low prices on the black market. Therefore, the ambiguous attitude of the public has promoted the development of the informal bicycle market.

Compared with the high theft rate of bicycles, the actual reported cases by the former owner are meager. The detection rate of bicycle theft is insufficient, and the low detection rates make the owners think that reporting wastes time and effort. On the other hand, this has aggravated bicycle crime, making Shantou City a vicious circle of informal bicycle market transactions.

### 3.10. The "Three-Way" Development of the Informal Bicycle Market

Under the negative influence of cultural, public, and government factors, the informal bicycle market in Shantou City is increasingly developing in the direction of "gang, professional, and experiential." Based on cultural identity, significant gangs with families or fellow villagers and friends are mainly Hunan, Sichuan, Jiangxi, Anhui, Henan, and Fujian. After many encounters with law enforcement agencies or other public security departments and law enforcement agencies, the situation is now static. Bicycle dealers in the informal market have experienced occasional crackdowns that have caused little harm. It is difficult for law enforcement departments to crack down and ban the activities. Under the development of the informal market in Shantou City, bicycle dealers have accumulated considerable trading experience in the continuous informal market transactions. Their professional level has been continuously improved, and the higher the professionalism of the bicycle dealers, the greater the black bicycle trading volume. During our in-depth interviews, we noticed one detail: the bicycle dealers usually carried magnets. The customers could check the bicycle quality any time (see Field record 4 for more information).

The Dealer E (Female, 54 years old) expertly pulls a magnet from her pocket, sticks it to the frame, and says: You see this bicycle, imported brand Merida, and it cannot absorb the interest at all. It is an all-aluminum alloy, has no fakes, is much better than standard steel and aluminum frames, and has an excellent anti-vibration effect. You can see the ratio of the tire size to the overall structure is just right. It is original, the tire wear is shallow, the appearance is new, and the price-quality ratio is very high. You try the brakes; it is susceptible, and you can twist the handlebars and push the shifting function.

After seeing that the researcher tried the variable speed function, she immediately said: How about it? Good speed change. This speed change system has seven gears and 21 speeds. It can be ridden on all kinds of complicated roads. We can negotiate the price if you want.

Field record 4

During the field observation and in-depth interviews, we noticed that Dealer E is very efficient in sales, and the customer turnover rate was shallow, so we locked her in as one of our key informants.

Bicycle dealer E knows a lot about the bicycles she sells, especially mountain bikes. In talking to the buyer, she used her expertise to convince the buyer and complete the transaction quickly.

#### 4. The Impact of the Underground Economy on Society

The formation and development of an underground economy are very complicated. When the old and new systems are replaced, the existing economic foundation and development policies cannot adapt to the current economic development rate, resulting in an imbalance in the development of economic entities, and the gap between the rich and the poor continues to widen. The growing desire to break the unfair distribution pattern inevitably leads to a change in income distribution through tax evasion and even more severe illegal economic behavior. It is the fundamental reason for the increasing frequency of underground economic activities. Also, the complicated international trade situation has caused a severe shortage of certain products. When demand is unmet, people will turn to the underground market; the informal market seeks to balance supply and demand and injects a steady momentum into clandestine economic activities. The more the underground economy develops, the more obvious its impact on social order.

##### 4.1. The Impact of the Underground Economy on Social Development

As far as Shantou City is concerned, the emergence of the underground economy seems to be an inevitable result of its impact. First, the underground economy has exposed problems such as weak administrative supervision and imperfect institutional systems, and it has accelerated the continuous improvement of the government. Secondly, the underground economy can help solve specific unemployment problems and stabilize the social order to a certain extent. Besides, private economic transactions can meet the needs of the bottom consumers. However, the underground economy can adversely affect society as an abnormal economic phenomenon.

##### *Squeeze formal economic market share.*

When the total bicycle demand remains unchanged, the informal bicycle market will inevitably divide the profits of the traditional bicycle market. The price of bicycles in the informal market is much lower than in the regular market. However, the performance is comparable; many consumers are more willing to buy their bicycles in the black market.

The researcher: Business is so good; you should have made a lot of money.

Dealer F: This is a well-known used bicycle market, certainly making a little money, or how there will be that so many people come here to sell bicycles. Usually, the business will be better when starting school in September. Junior high school students, high school students, and college students who have just entered the school generally have bicycle needs. The market price is fair, and the quality is good. Many parents and college students are willing to come here to buy a bicycle. If you have a good business, you can sell 5-6 bicycles a day.

Field record 5

According to interviews with bicycle dealers, the profit of a second-hand bicycle is at least 100 Chinese RMB. When the dealers have a good business, they can earn at least 500 to 600 Chinese RMB daily. For the middle and lower-level workers, this is a considerable profit. In the long run, attracted by high profits, more people enter the informal market to resell used bikes, crowding out the market share of regular bicycle manufacturers, thus reducing their purchase volume and eventually being squeezed out by the market. In addition to selling to self-sharing companies, there are companies whose bicycles are stolen or worn out. If this is a closed system, all bikes will continue to cyclize inside the system.

#### 4.2. Generating a Rent-Seeking effect

The informal bicycle market's rent-seeking effect bears the formal economy's dual pressures, the government's suppression, and the dilemma of increasing demand for black vehicles despite insufficient supply or sales due to various factors. It forces non-productive profit-seeking activities, part of the illegal profits generated through unauthorized transactions, to flow into relevant government administrations to maintain the integrity and continuous development of the informal market. We found an irregular agreement between the bicycle dealers in the informal market and some police officers. They can guarantee the safety of the informal market dealers to the greatest extent (see Field record 6). It is foreseeable that the rent-seeking effect makes the government's governance of informal market transactions more difficult, undermining its prestige and the fair market competitive environment (Xu and Xia, 2014).

#### 4.3. Damaging Social Atmosphere

Informal bicycle market transactions earn profits quickly and easily, causing young bicycle dealers around 20 to succumb to secure access to money rather than having a formal job. Although they want to change the status quo, some bicycle dealers who lack professional skills often continue engaging in black bicycle business activities because of the psychological effect of avoiding uncertainty. In the long run, their morality is gradually distorted, and the psychology of rationalizing their behavior is not conducive to building a pleasant social atmosphere.

### 5. Conclusion

Based on the flexible application of anthropological research methods and procedural grounded analysis, this study has established a path for forming the informal bicycle market in Shantou City. It also explores the impact of the informal market economy on social development. According to economic anthropologists, an underground economy is an economic forum and a social culture, which inevitably results from social development at a particular stage. As a typical underground economy, the informal bicycle market exists in major cities in China. The Shantou City informal bicycle market has a long history and a solid foundation and has gained particular popularity. When it comes to social employment, supervision, and formal systems, it is challenging to manage.

The price of products the underground economy provides is lower than that of the regular market. According to our fieldwork records, low-income families will be less willing to purchase traditional bikes if they can use less money to buy bicycles in the black market. At the same time, the black bicycle market has also solved some unemployment problems, and its existence seems reasonable. However, these kinds of irregular employment methods and economic activities have brought about relatively significant negative impacts on society, such as squeezing the share of the formal economy, damaging the social atmosphere, and generating rent-seeking effects along with eroding trust, creating fear, and depriving legitimate buyers of their possessions. Therefore, for the long-term stability of the society and the acceleration of China's modernization process, the development of the underground economy must be curbed.

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## Appendix

**Table 1.**

Partial conceptualization and categorization process.

Partially representative words	Conceptualization	Subcategory
When I was young, my family did not care much about me. I did not love learning.	Low level of education	Education
At first, I could not make much money; I made profits after two months of familiarity with it.	Low threshold	Low threshold
I could not find a job when I first came here. Usually, I did some loose work, and later, I was introduced to do this.	No permanent job	Structural unemployment
When I cannot satisfy my desires, I steal bicycles and profit from them.	Life habit	Life habit
As we are from the same town, you give 450 RMB, this bicycle costs over 1500 RMB, 450 RMB is the lowest price.	Low purchase cost	Cost
My bicycle is better than his. How much does he want? How much do you give me? I will provide you with a lower price: 330 RMB.	Low cost of sales	
There are rules for selling bicycles here. Outsiders do not know. Sometimes the police come, we usually know in advance. If there were three to four dealers here, they would not have cared much about this when the police met us. If there are many dealers, they usually drive us away, generally no arrest.	Low cost of arrest	
We are not breaking the law; we are not stealing the bicycles. We resell vehicles.	Low psychological pressure cost	
Shantou City has a sound clan system; the clan concept is deeply rooted, clan organization is prevalent, and many Shantou City people are only willing to do business with Shantou people.	Clannism	Cultural distance
Not only are we out of town, but many people in the local area do this. They (Shantou people) are not very friendly and dare to do anything without fear.	Value difference	
The Shantou City area faces the tropical sea. Under the influence of marine culture, some people in Shantou advocate utilitarianism, and their ideas are conservative and backward. They even take risks for some benefits, including violation of the law.	Marine culture	Marine culture
Anhui people have been honest for generations, doing business honestly, returning customers, or you can go to	Cultural identity	Cultural identity

Henan people to buy. They have more contact with us. They are also doing business honestly.		
We are fellows, and at that time, he introduced me.	Fellow	Relational network
Also, some couples work together.	Clan	
The attitude of the buyers to the informal market of bicycles is devious. On the one hand, they hope the government can ban the informal bicycle market. On the other hand, they hope there are more ways to buy black bicycles of good quality but at low prices.	Ambiguous attitude	Ambiguous attitude
When a new bicycle is stolen, it dramatically inconveniences the owner's life. They tend to go to the black car market when they plan to buy another one.	An exchange between the owner and the loser	Role exchange
The owner thinks the report is useless and unwilling to report the case.	Low report rate	Report rate
The government has not controlled the entry of immigrants, which has led to an increase in the number of foreign "three none" personnel.	"Three none" personnel policy	Immigrants policy
We can only convict based on the number of thefts when the thief was caught and the sales when the stalker was caught. It makes it possible for the thief to reduce the penalty effectively.	Low severity of a punishment	Severity of punishment
Some public security personnel do not pay attention to it. They think that stolen bicycles are trivial matters.	The public sector pays little attention	Degree of recognition
It is also difficult for law enforcement agencies to verify how many vehicles the seller has stolen in the past. After the thief is caught, the conviction can only be based on the number of thefts and sales.	Difficult to get proof	Information asymmetry
The electric vehicle market has developed rapidly in recent years, and many families have turned to purchasing such convenient, fast, and green travel vehicles.	Substitutes competitiveness	Substitutes competition
The emergence of shared bicycles represented by Mobike bikes and OfO solved citizens' "last mile" problem to travel.	Related products competitiveness	Related products competition
The relevant departments have recently added several new bus routes, greatly facilitating citizens' travel. The construction of light rail facilities transportation has also been put into development.	Transportation infrastructure construction	Transportation infrastructure construction
They would like to form a faction with the fellows; the informal market trading activities with family and gangs include Hunan Gang, Sichuan Gang, Jiangxi Gang, Anhui Gang, and Henan Gang.	Gang	Gang
This bicycle is the imported brand Merida; it cannot absorb the magnet. It is all aluminum alloy, no fakes, and is much better than the average steel frame aluminum frame; the anti-shock effect is also excellent.	High professional level	Professionalization
Most of the time, they lock the bike aside and leave it some distance away. When they find a buyer, they go to the buyer. Once they find the situation is wrong, they immediately depart and return until the police leave.	Anti-arrest experience	Empiricism

**Table 2.**  
Open coding and its categories.

Main category	Subcategory	Category connotation
Based incentive	Threshold	The difficulty level of informal bicycle market entry
	Cost	Including the cost of buying and selling stolen bicycles, the cost of arresting dealers, and the cost of psychological stress
	Degree of education	The lower education level of dealers
	Structural unemployment	The imbalance between the labor market structure and social needs causes unemployment.
	Life habit	Not doing business, leisure, and stealing.
Cultural factors	Cultural distance	Differences in values due to regional and cultural differences
	Cultural identity	A sense of group cultural identity; the recognition of foreign culture and values
	Marine culture	Culture derived from the sea, human's understanding and utilization of the ocean itself, and the spiritual, behavioral, social, and material connotation of civilized life created by the ocean
	Relational network	A network of relations connected by relatives, friends, and fellow villagers
Public factors	Ambiguous attitude	The swing in public attitudes towards the informal market for bicycles
	Role exchange	The conversion of the public between being the owner of a bicycle and the buyer of a stolen one
	Reporting rate	The proportion of reported cases in the total number of cases
Government factors	Foreign population policy	Government policies on registration, management, and control of the foreign population
	Degree of punishment	The punishment of thieves and resellers in the informal market
	Degree of recognition	Attention was paid to the theft of bicycles.
	Information asymmetry	The police and dealers have different information about the quantity and number of stolen bicycles.
Market factors	Competition of substitutes	Competitiveness brought about by the emergence of diverse types of products that are functionally alternative
	Competition of related products	Competitiveness of products of the exact nature that are roughly the same in function and type
	Transportation infrastructure construction	Urban infrastructure planning and construction, such as subway light rail construction input
Developmental outcomes	Gang	To take the family or fellow villagers as the unit and divide it into different organizations according to region
	Professionalization	The means and tools are much more modern; the theft tends to be more skilled and professional.
	Empiricism	Have sufficient experience in the frequency and manner of managing law enforcement agencies and have relative countermeasures.