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# REPORTING BEHAVIOR OF FRAUD VICTIMS AND BLACK'S THEORY OF LAW: AN EMPIRICAL ASSESSMENT\*

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As many as one-third of the adult U.S. population have been victims of fraud; yet, fraud victims are reluctant to report their victimization. Although previous research has uncovered some characteristics of fraud victims, that research tends to be atheoretical. In the current study we attempt to move beyond these descriptive studies by placing fraud-reporting behavior into the general theoretical framework developed by Black. Using data from a survey of 400 residents of a large southeastern city, we investigate fraud victims' reporting behavior in the context of Black's propositions about the use of law. Specifically, we examine why some fraud victims report their victimizations while others do not. We conclude that Black's theory only partially explains fraud reporting. It provides important insights, however, into why some people report and others do not.

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According to estimates from the most comprehensive studies of fraud victimization to date, between 15 and 33 percent of American adults have been victims of a personal fraud (Rebovich and Layne 2000; Titus, Heinzelman, and Boyle 1995). The estimated annual loss from personal fraud is more than \$40 billion (Titus 2000; Titus et al. 1995). Yet despite the great financial loss associated with fraud, victims are often reluctant to report their victimization. In a recent national survey of white-collar crime victims, nearly 95 percent of the sample stated that they would report a white-collar victimization; yet only 21 percent actually reported their victimization to crime control agencies or consumer protection groups (Rebovich and Layne 2000). These numbers are substantially lower than the reporting rates of other crimes. For example, the respective reporting rates for household burglary, personal robbery, and motor vehicle theft are 50, 55, and 78 percent (O'Brien 2000). Because of fraud victims' lack of cooperation, criminal justice agents find it difficult to develop an accurate picture of the problem and to bring perpetrators and fraudulent organizations to justice. Therefore it is important to understand why so many individuals are reluctant to report their victimization.

Previous research on fraud victims has uncovered many of the characteristics of victims, but has produced little theory to explain these victims' reporting behavior (Shichor, Sechrest, and Doocy 2000; Wallace 1998). In the present study we expand current knowledge about fraud victims' reporting behavior by placing reporting behavior into the general theoretical framework developed by Black (1976, 1989). Specifically, we examine why some people mobilize the law by reporting fraud victimizations to official agencies, while others do not.

### REPORTING OF FRAUD VICTIMIZATION

Despite high incidence rates and substantial losses due to fraud, the reporting rate has remained fairly stable over the past several decades: between 25 and 33 percent from the late 1960s to the late 1990s (Bass and Hoeffler 1992; Ennis 1967; Vaughan and Carlo 1975, 1976). The most recent study of fraud reporting from the National White Collar Crime Center found that 21 percent reported their victimization. Of these, 13 percent of victims reported to crime control agents such as police or district attorneys; another 8 percent reported to consumer protection agencies including the Better Business Bureau (Rebovich and Layne 2000).

Reporting rates, however, vary by the type of fraud. One recent survey found that only 14 percent of victims of free prize fraud reported the crime, whereas 68 percent of 800/900 telephone number

scams and 63 percent of unauthorized credit card use were reported (Rebovich and Layne 2000). In a comparison of victims who reported their victimization to a local police department with individuals who responded to a newspaper advertisement requesting fraud victims, the two groups differed significantly in regard to the types of fraud of which they were victims (Blum 1972). According to an analysis of the types of frauds reported, members of the reporting group were more often victims of a confidence game, while those in the nonreporting group were more often victims of consumer frauds.

Vaughan and Carlo (1975, 1976) examined differences between fraud victims and nonvictims of a fraudulent appliance repairman by using information gathered from police reports and consumer protection agencies. Of the 96 fraudulent incidents examined, only 26 percent were reported to formal agencies; however, every case of fraud involving a contract violation was reported. The dollar amount lost may have been the most important factor in the reporting of these frauds, although the amount lost did not explain reporting behavior across all types of fraud. Frauds involving professionals (e.g., doctors and dentists) were reported at the second highest rate, 40 percent. Vaughan and Carlo (1976) speculate that the violation of trust may explain this slightly higher rate.

Prior research on the characteristics of those who do and do not report has produced mixed results. Blum (1972) found that victims who reported were more likely to be female, less highly educated, financially less stable, and more religious than the nonreporting group. A study based on interviews from a sample of complainants at a consumer protection agency found quite different results (Steele 1975): victims who reported were white, middle class, and male. In addition, a study of complaints filed at a consumer protection agency in California found that educational level was the most significant demographic element in determining who would report: those with less than a bachelor's degree were more likely to report than those with a college degree (Jesilow, Klempner, and Chiao 1992).

Mason and Benson (1996) conducted one of the few studies that moves beyond describing the differences between the characteristics of those victims who reported and those who did not. They examined the influence of social support on fraud victims' reporting behavior. Their analysis suggests that social support in the form of information from others was more important in explaining reporting behavior than were the victim's demographic characteristics or characteristics of the fraud.

These studies have been useful in increasing the current understanding about fraud victims' reporting behavior, but many suffer from methodological shortcomings that limit their generalizability. First, they rely too frequently on small samples. Most of the subjects are victims of one specific fraudulent scheme or complainants to a single consumer protection agency. Blum's (1972) study was composed of 39 victims in all; Steele (1975) interviewed 42 complainants; and Vaughan and Carlo's (1975, 1976) study consisted of 88 victims. Second, perhaps the most significant shortcoming of the previous fraud-reporting studies is their atheoretical nature. Except for Mason and Benson (1996), previous studies on fraud reporting examined only the correlation between reporting behavior and demographic variables such as race, class, sex, and marital status.

One way to understand fraud reporting is to view it as a decision on whether or not to invoke law. Previous research indicates that a wide array of factors, both individual and situational, influences the decision to use legal remedies in cases of common and white-collar crime victimization. One general theory that incorporates these different levels of explanation for use of law for all types of crime was proposed by Black (1976, 1989). In this paper we use Black's theory to explain in greater depth why some white-collar crime victims invoke law while others do not.

### BLACK'S THEORY OF LAW

In *The Behavior of Law*, Black (1976) presents a general theory of law that is both concise and systematic. Black (1976:1) asserts that "behavior is the variable aspect of reality" and that "everything behaves, living or not." Social life has several variable aspects (stratification, morphology, culture, organization, and social control) that increase and decrease from one location to another. These variable aspects can be used to develop propositions that predict and explain the quantity and quality of any social phenomenon, including law. According to Black, law (like other social behavior) can be conceived as a quantitative variable that varies from one setting and time to another. Variation in the amount of law can be measured in a number of ways. For instance, a police report is considered to be more law than no police report, and an arrest is more law than no arrest. Black proposes a theory of law that uses five aspects of social life to explain variation in the use of law.

### *Stratification*

Stratification, which refers to the “vertical aspect of social life” (Black 1976:17), exists when the material things in life are distributed unevenly in any way. The quantity of law varies directly with social rank: Black proposed that those in the higher strata use more law than those in the lower strata. The direction of law is downward; thus law will be used more if an offense is committed by someone of a lower rank against someone of a higher rank than if an offense is committed in the opposite direction. For example, previous research suggests that both the defendant’s and the victim’s race in a murder are important factors in regard to the imposition of the death penalty (Bowers and Pearce 1999). Black murderers face a greater risk of execution than whites; blacks who murder whites face a greater risk of execution than all other types of murderers. Given the wealth and power disparities between blacks and whites in the United States, this finding indirectly supports Black’s proposition that crimes committed by people in the lower strata of society against members of the higher strata are dealt with more severely.

### *Morphology*

Morphology, referring to the horizontal relationships in social life, is the “distribution of people in relation to one another, including their division of labor, networks of interaction, intimacy, and integration” (Black 1976:37). Black contends that law is used less frequently among intimates than among strangers, and more frequently as the social distance between people increases. For example, Engel (1999) found that residents of a small community are reluctant to sue one another, even in the case of serious injuries. When residents do sue, he found that the parties are separated by a significant degree of relational distance.

Similarly, Black (1976:48) asserts that “law varies directly with integration.” This means that those who are integrated more fully into the society will use law more frequently than those who are not. Daly (1999) found that legal officials are more willing to put people with weak family ties into correctional facilities than those with strong family ties. In addition, women are given preferential treatment over men because legal officials perceive them as playing a more active role in family life.

### *Culture*

Culture is “the symbolic aspect of social life, including expressions of what is true, good, and beautiful” (Black 1976:61). Black

argues that the quantity of law varies directly with culture: where there is little culture, there is little law, and where there is more culture, there is more law. In regard to individuals, culture can be measured by the extent of culture in their lives (e.g., literacy and education). More highly educated people are more aware of their rights, social positions, and options than those with less education and culture (Avakame, Fyfe, and McCoy 1999). Therefore educated people are more likely to use the law and to be legally successful than less educated individuals (Black 1976).

### *Organization*

Black defines organization, the capacity for collective action, as "the corporate aspect of social life" (1976:85). Law is thought by Black to vary directly with social organization: those who are more highly organized will use the law more frequently than those who are not. It is possible to measure individual organization in terms of group membership. People who belong to groups and participate in group activities are thought to be more highly organized and more likely to implement the law when needed. For example, fraud victims who have a strong social support system are more likely to report their victimization than victims who have less support (Mason and Benson 1996).

### *Social Control*

Black refers to the normative aspect of social life as social control (Black 1976). Law is simply one form of social control, but numerous other forms exist, including etiquette, custom, ethics, and bureaucracy. Black asserts that the more often one form of social control is used, the less frequently other forms will be used. If informal forms of social control are employed to control deviant behavior, law will be used less often. The inverse relationship between law and nonlegal forms of social control is evident in Japan: that country has relatively little law, but it possesses numerous nonlegal alternatives for settling disputes (Haley 1999). Although it is not known whether the lack of laws in Japan caused the formation of nonlegal means of arbitration or vice versa, the case of Japan illustrates the relationship between formal and informal social control: where there is a great deal of one there will be less of the other.

The popularity of Black's theory and the testability of its propositions make it an ideal area of scholarly interest. With relatively few propositions, Black can explain variation in the quantity and the style of law. One of the strengths of his theory is the fact that it is presented in explicit propositional form and can be tested

empirically. Black's theory has generated a great deal of controversy, but unfortunately it has not generated as many empirical evaluations. Tests of this theory have produced inconsistent and mixed results (Avakame et al. 1999; Borg 1998; Doyle and Luckenbill 1991; Gottfredson and Hindelang 1979; Myers 1980).

## DATA AND METHODS

Data for this study were derived from a telephone survey of residents of Knox County, Tennessee. We selected the sample using a random-digit dialing procedure that included all residential telephone exchanges in the county. The survey was administered over a two-week period in June 1994 by experienced interviewers. The sample consisted of 835 persons; 400 agreed to complete the survey, for a response rate of 48 percent. This response rate is slightly lower than desired for a telephone survey. Except for a slight overrepresentation for females and highly educated individuals, however, the sample closely mirrors the population (see Mason and Benson 1996).

The survey was designed to model one of the few existing fraud victimization surveys, the fraud victimization portion of the National Crime Victimization Survey (NCVS) (Boyle 1992). In our survey, respondents were given a list of 13 types of fraud and asked whether they had been the victim or the attempted victim of that type of fraud during the past five years. We selected these 13 types from among those most frequently cited in the NCVS fraud victimization study, and recommendations by the Knoxville Police Department Fraud Unit (see Mason and Benson 1996; Van Wyk and Benson 1997). The five-year reference period is longer than is typically used in victimization research, but we chose it because it was the same as that used in the NCVS fraud victimization study (Boyle 1992).

### *Dependent Variable*

Reporting behavior typically is conceptualized and operationalized as reports to police. In the case of conventional crimes, this practice is logical because it is commonly known that police handle these calls. For fraud, however, this measure is less appropriate. Because of the ambiguity of the crime and the uncertainty about where to report, fraud victims may not realize that they can and should go to the police. When the definition of reporting is limited to calls to the police, the full range of victims' responses to fraud is not included. To overcome this limitation, we conceptualize reporting so as to include reports to administrative agencies and other

organizations such as consumer protection agencies and the Better Business Bureau.

Reporting behavior, our dependent variable, is measured with a dichotomous variable by asking respondents who indicated a victimization or attempted victimization whether they reported the incident (0 = did not report, 1 = did report). Those who reported their victimization were then asked whether they reported the victimization to police, the Better Business Bureau or a consumer protection agency, the business involved in the swindle, the district or state attorney, a personal lawyer, or an insurance company.

### *Independent Variables*

The independent variables for this study represent the five social aspects of law according to Black's (1976) theory. The variables chosen from the survey are similar to those suggested by Black (1976) and those of empirical tests of the theory (see, for example, Avakame et al. 1999; Doyle and Luckenbill 1991). To formally test the theory, we attempted to construct and code the variables in keeping with the five theoretical categories proposed by Black (1976).

*Stratification.* In our study, stratification is measured with the variables age, race, gender, and income. Our age variable comprised a seven-category scale ranging from 18-24 up to 75 and older. We collapsed this variable into four categories of 18-24, 25-34, 35-54, and 55 and older. Race was measured with a six-category nominal scale, which we collapsed into a dichotomous measure of white and nonwhite (0 = nonwhite, 1 = white). We coded gender as male or female (0 = female, 1 = male). Household income was measured with a seven-category ordinal scale ranging from less than \$7,500 per year to more than \$75,000. We recoded this variable into a four-category ordinal scale with categories \$0 to \$14,999, \$15,000 to \$24,999, \$25,000 to \$49,999, and \$50,000 and greater. According to Black (1976), older persons, whites, males, and those with higher incomes are generally higher in the stratification system and will use law to a greater extent than younger persons, members of racial minority groups, females, and individuals with lower incomes. If Black's thesis is correct, we would expect the former to report victimizations or attempts at a significantly higher rate than the latter.

*Morphology.* Morphology is measured with two separate variables. First, respondents were asked "What was your relationship, if any, with the swindler?" Response categories were as follows: knew the offender, knew of the offender but not personally, and the offender was a stranger. We collapsed the first two categories to

create a dichotomous measure asking whether respondents knew or did not know the offender (0 = did not know, 1 = did know). For the second variable, respondents were asked their current marital status, which was coded as single, divorced, widowed, and married. According to Black (1976), people victimized by strangers should report being victimized more frequently than those victimized by people they know. Similarly, married people should report being victimized more than those in other marital categories.

*Culture.* We measured culture by asking respondents to indicate the highest level of education they had completed. Education was measured on a six-category ordinal scale ranging from less than a high school diploma to a graduate degree or higher. We collapsed this scale into four categories: high school or below, business or associate's degree, some college to bachelor's degree, and graduate or professional degree. Black's (1976) theory predicts that those with higher levels of education have more cultural resources and should report victimizations more frequently than those with lower levels of education.

*Organization.* We measured organization with three separate variables. First, respondents were asked whether they had discussed the actual or attempted fraud with people other than the authorities (0 = no, 1 = yes). Respondents then were given two numeric measures asking how many times in the past two weeks they had attended community functions and how many times in the past two weeks they had attended a church or other religious service. These three measures reflect the degree to which individuals are connected with others in the community and participate in formal and informal gatherings. According to Black's (1976) theory, those who discuss victimizations with others and those who frequently attend community and religious functions will report frauds more often than those who do not and those who do so only infrequently.

*Social control.* We measured social control by asking respondents whether they used an alternative, nonlegal form of social control to respond to their victimization. Specifically, respondents were asked whether they "took any nonlegal action" concerning the victimization (0 = no, 1 = yes). Nonlegal action includes any action that does not involve some legal authority, such as confronting the swindler personally, discussing the incident with relatives or friends, or writing a letter to the business responsible for the fraud. Black (1976) predicts that those who use some form of nonlegal action will report the victimization to official agencies less frequently than those who do not take any nonlegal action.

*Control Variables*

Finally, Black (1976) hypothesizes that the relationship between the five social aspects of law and the quantity of law used will hold true regardless of other characteristics of the offense. We employ two control measures to test this hypothesis. First, we asked respondents whether they had been actual victims of a fraud or whether a fraud had only been attempted. Second, for those indicating an actual fraud victimization, we asked the approximate dollar amount lost in the fraud. If Black's theory is correct, neither the success of the fraud nor the dollar amount involved should have a significant effect on reporting behavior.

To statistically examine Black's hypotheses about the use of law, we employ a series of cross-tabulations and zero-order correlations of respondents' reporting behavior by the variables in each of Black's five categories. Next, we conduct a series of logistic regression analyses to determine how each of Black's theoretical categories affects the odds of reporting a fraud. We investigate the effect on reporting behavior of each theoretical category separately and then in a full model, controlling for Black's other theoretical categories. In addition, in the full models, we control for the success of the fraud and the dollar amount involved if the fraud was successful.

**RESULTS**

A total of 224 respondents reported at least an attempted fraud victimization, resulting in a total five-year victimization rate of 56 percent. This rate is nearly identical to the lifetime rate reported by Titus et al. (1995) in their national survey of fraud victims. Of the 224 respondents who indicated an attempted fraud, 104 (46 percent) were victimized successfully. The overall reporting rate was 24 percent: specifically, 28 percent of successful fraud attempts were reported as were 20 percent of unsuccessful attempts. The overall reporting rate is equal to that found by Ennis (1967) but higher than the 17 percent reported for the NCVS pilot study (Boyle 1992) and the 15 percent found by Titus et al. (1995).

Sample statistics, arranged by Black's conceptual categories, are presented in Table 1. Also in Table 1, for those who reported at least an attempted victimization, we conducted cross-tabulations (for categorical variables) and zero-order correlations (for numeric variables) on whether the fraud was reported, by each of Black's predictor variables. Only education ( $p < .05$ ) and amount lost ( $p < .01$ ) were correlated significantly with reporting behavior.

Because our dependent variable is dichotomous, we performed a series of multiple logistic regression analyses to determine how

**Table 1. Demographics of the Sample and Cross-Tabulations of Black's Categories With Reporting of Fraud**

	<i>N</i>	% or $\bar{x}$	Chi-Square Coefficient	Sig.
<b>Stratification</b>				
Sex			1.21	.27
Male	156	39		
Female	242	61		
Race			.05	.82
White	357	91		
Nonwhite	35	9		
Age			1.50	.68
18-24	40	10		
25-34	74	19		
35-54	148	37		
55 and older	134	34		
Income			3.16	.37
\$0 to 14,999	84	24		
\$15,000 to 24,999	76	22		
\$25,000 to 49,999	109	32		
\$50,000 and higher	77	22		
<b>Morphology</b>				
Relationship to offender			.53	.47
Knew offender	37	16		
Stranger	189	84		
Marital status			2.92	.41
Single	77	20		
Divorced	57	14		
Widowed	40	10		
Married	219	56		
<b>Culture</b>				
Education			10.64	.01*
High school graduate or below	141	36		
Business degree or assoc. degree	44	11		
Some college to bachelor's degree	158	40		
Graduate or professional degree	49	13		
<b>Organization</b>				
Talked to others about crime			1.05	.31
Yes	114	51		
No	111	49		
Attendance at community functions	na	.55	.05 <sup>a</sup>	.51
Church attendance	na	1.51	.04 <sup>a</sup>	.60
<b>Social Control<sup>b</sup></b>				
Nonlegal action taken			na	
Yes	45	26		
No	129	74		
<b>Control</b>				
Amount lost	na	\$399	.20 <sup>a</sup>	.002**

Note: The dependent variable in the crosstabulations and correlations is a dichotomous measure of fraud reporting (0 = did not report, 1 = did report).

<sup>a</sup> Because these variables are numeric, indicated values are Pearson correlation coefficients.

<sup>b</sup> In this and subsequent analyses, the social control variable is not included. Respondents reported a fraud attempt and then took nonlegal action in only one instance. As a result a cell count problem ensued; thus social control was not included in the full models.

\*  $p < .05$ ; \*\*  $p < .01$  (two-tailed)

each of Black's variables affects the odds of reporting a fraud. In our first model, we included all respondents indicating an attempted or actual victimization, ran separate logistic regressions for each of Black's theoretical categories, and then conducted a full model with all theoretical categories included. Although Black (1976) argues that all five categories are equally important predictors of use of the law, he treats them as distinct theoretical categories. We performed separate analyses on each category to determine how strongly variables within each category, by themselves, predict reporting by respondents. Next we ran a full model in which we included all theoretical categories to determine how well, when all other variables are controlled, each variable predicts reporting of the fraud.

We found that when the variables are tested alone, the only variable to significantly affect reporting behavior is education in the category of culture (see Table 2). Holding a graduate or professional degree significantly increases the odds of predicting a fraud report, compared with only a bachelor's degree or some college credit. Those with the highest level of education were about 1.5 times more likely to report a fraud attempt than those with a bachelor's degree or some college, but were not more likely to report than those with a business or associate's degree or those with only a high school diploma.

In the full model, respondent's relationship to the offender is a significant predictor of reporting, increasing the odds of reporting by a factor of 1.3. In addition, education again is significant: those in the highest category were 1.7 times more likely to report than those with a bachelor's degree and some college, and 1.3 times more likely than those with only a high school diploma or less. As in the separate model, those in the highest educational category were not more likely to report than those with a business or associate's degree. Finally, the strongest predictor of reporting in the full model was amount lost ( $p < .01$ ), one of our control variables.

Next we performed the same analyses on only those respondents whose fraud attempt had been successful. As shown in Table 3, a greater number of Black's variables significantly predicted reporting of fraud than in the model including all victims. In the separate models, age in the stratification category yielded a significant coefficient: respondents 55 and older were about 1.5 times more likely than those age 35-54 to report a fraud. Marital status in the morphology category also produced a significant result: married respondents were 1.5 times more likely to report than single respondents. Education again was significant in the separate model. Those with a graduate or professional degree were almost twice as



**Table 3. Logistic Regression of Fraud Reporting by Black's Categories for All Successful Fraud Attempts (N = 104)**

	B	Exp.(B)	B	Exp.(B)	B	Exp.(B)	B	Exp.(B)
Stratification								
Sex	-.37	.71					-.23	.80
Race	-.56	.57					-.34	.71
Age								
Age (1)	-1.25	.29					.38	1.47
Age (2)	-1.00	.37					-1.10	.33
Age (3)	-1.33*	.27					-2.15**	.12
Income								
Income (1)	.11	1.11					-.24	.79
Income (2)	-.40	.67					-1.16	.31
Income (3)	.57	1.76					.99	2.69
Morphology								
Relationship to offender			.76	2.14			1.99*	7.34
Marital status								
Marital status (1)			-1.44*	.24			-.82	.44
Marital status (2)			.75	2.12			2.61**	13.57
Marital status (3)			1.03	2.79			.96	2.61
Culture								
Education								
Education (1)						.58	-2.59*	.08
Education (2)						.83	-.58	.56
Education (3)						.15	-3.01**	.05
Organization								
Talked to others about crime							-.57	.54
Attended community functions							.05	1.03
Church Attendance							.08	1.24
Control								
Amount lost							.00	1.00

Note: All *F* statistics were significant at  $p < .05$   
 \* $p < .10$ ; \*\*  $p < .05$ ; \*\*\*  $p < .01$

Table 4. Logistic Regression of Fraud Reporting by Black's Categories for Unsuccessful Fraud Attempts (N = 120)

	B	Exp.(B)	B	Exp.(B)	B	Exp.(B)	B	Exp.(B)
<b>Stratification</b>								
Sex	-.62	.54					-.69	.50
Race	1.36	3.89					1.49	4.42
Age								
Age (1)	-.31	.73					-1.01	.37
Age (2)	.69	1.99					.53	1.70
Age (3)	.04	1.04					.04	1.04
Income								
Income (1)	.52	1.68					1.36	3.90
Income (2)	-.26	.77					-.38	.69
Income (3)	.21	1.23					.38	1.46
<b>Morphology</b>								
Relationship to offender			.56	1.75			.37	1.45
Marital status								
Marital status (1)			.72	2.06			.81	2.25
Marital status (2)			-7.72	.00			-8.14	.00
Marital status (3)			.78	2.18			-.59	.56
<b>Culture</b>								
Education								
Education (1)						.37	-.76	.47
Education (2)						.42	-.26	.77
Education (3)						.33	-.97	.38
<b>Organization</b>								
Talked to others about crime							1.22**	3.40
Attended community functions							.08	1.09
Church attendance							-.24	.79
							-.21	.82

Note: All F statistics were significant at  $p < .05$   
<sup>\*</sup> $p < .10$ ; <sup>\*\*</sup> $p < .05$

likely to report a fraud as those with some college or a bachelor's degree.

In the full model for successful attempts, these findings held true, in part. Again, persons 55 and older were about 2.2 times more likely to report than individuals age 35-54. Although not significant in the separate model, relationship to offender was significant in the full model: respondents who were victimized by a stranger were almost twice as likely to report as those who knew the offender. As for marital status, married persons were over 2.5 times more likely to report than those who were divorced, but not significantly more likely than single or widowed persons. Finally, those with graduate degrees were significantly more likely to report than those with some college and bachelor's degrees and those with only a high school diploma or less, but not more so than those with an associate's or business degree.

In our final model, we performed the same set of analyses on only those respondents whose fraud attempts were unsuccessful (see Table 4). Only education in the culture category and "talked to others about the crime" in the organization category were significant. Those with graduate degrees were about 1.2 times more likely to report than those with some college or a bachelor's degree, and respondents who discussed the fraud attempt with others were 1.3 times more likely to report than those who did not. In the full model, with controls for all variables in each of the theoretical categories, no variables were significant predictors of fraud reporting.

## DISCUSSION AND CONCLUSION

Although fraud affects as many as one-third of U.S. citizens and costs approximately \$40 billion per year, the reporting rate is low, as for most white-collar crimes. A majority of individuals indicate that they are highly likely to report a future fraud victimization, but only 20 to 25 percent actually do (Rebovich and Layne 2000). Determining the reasons for fraud victims' low reporting rate is the task of criminologists, particularly specialists in victimology. In this paper we placed fraud victims' reporting behavior in the theoretical context of Black's general theory of law.

Several findings from the present study are consistent with Black's theory. In our logistic regression analyses that included both victims and attempted victims, we found that victims' level of education and relationship to offender consistently affected their reporting behavior. Individuals with the highest levels of education reported their victimization significantly more often than those with lesser amounts of education (except for those with business school or associate's degrees), and individuals to whom the offender

was a stranger were significantly more likely to report than those to whom the offender was known. In addition, in the logistic regression model that included only successful victimizations, age and marital status were significant predictors of fraud reporting. Individuals in the highest age category (55 and older) and married persons were significantly more likely to report than those in the other categories for each variable.

Overall we found that the variables in Black's categories of morphology and culture were significant predictors of fraud reporting. None of the variables in Black's categories of organization and social control were significant, however, and only age was significant in the stratification category. We also found that amount lost in the fraud, a variable that Black argues should be irrelevant in the decision to invoke law, was the strongest predictor of reporting: individuals who suffered greater financial loss were more likely to report than those who were defrauded of smaller amounts. Although this finding contradicts Black's theory, it is consistent with previous research on the importance of offense seriousness in decisions to report victimizations.

Another finding that contradicts Black's theory is the lack of effect of household income on fraud reporting. Indeed, income was not a significant predictor within the category of stratification, nor with controls for variables in Black's other categories. This finding agrees with the recent findings of Avakame et al. (1999), that those in the higher strata are not more likely to invoke law than those in the lower strata. Similarly, in the policing literature, much of the research on calls for service finds that persons in the lower classes are significantly more likely to call police in both emergency and nonemergency situations than those in the higher classes (see, for example, Kelling 1987). The explanation is that those in the lower classes may call police and invoke law more often because they lack the wherewithal to handle legal situations informally.

How do our findings contribute to the explanation of low reporting rates among fraud victims? Research on this topic, though limited, is instructive. Geis (1973) argues that one reason why victims of white-collar crimes often do not react strongly to victimization and subsequently fail to report is that the act is nonviolent and lacks the interpersonal domination inherent in many street-level crimes. Levi (1987) suggests that fraud reporting tends to be low because the victim is usually involved with the offender in a money-making venture, even though the relationship is deceitful. The victim may feel some culpability because he or she worked with the perpetrator and subsequently decided not to report the act. Titus (2000) echoes this sentiment: he argues that swindlers present the

scheme as unscrupulous, and when it fails and the victim loses money, he or she feels partially responsible for the loss. The victim is thus portrayed as someone seeking a quick payoff, a risk taker, or even a co-conspirator (Levi 1987; Titus 2000; Walklate 1989).

Another key issue is victims' knowledge of how and where to report their victimization. Levi (1987) and Titus (2000) suggest that fraud victims often do not recognize local police agencies as the appropriate source for reporting their crimes, nor are they aware of the various regulatory and consumer-advocate agencies where the crime could be reported. In surveys conducted on behalf of the American Association of Retired People (AARP), nearly two-thirds of the sample were unable to name any organizations that protect people from victimization (AARP 1996, 1997). Not uncommonly, victims do not report frauds because they do not know where to report (Geis 1973; Pontell, Rosoff, and Goode 1990; Walklate 1989). This uncertainty is likely to contribute heavily to the low rates of fraud reporting.

Even when victims are aware of the proper place to report the offense, many do not do so because they do not wish to be involved in the legal process (Vaughan and Carlo 1976). Bringing fraudulent organizations to prosecution often requires the expenditure of a great deal of resources, which many victims lack. This fear of a costly, lengthy court process makes victims reluctant to report the offense (Geis 1973; Levi 1987; Titus 2000; Walklate 1989).

On the basis of the present study and this previous work, we suggest that fraud reporting is influenced by two main factors: perceived seriousness of offense and accumulated legal capital. We found perceived seriousness of the offense to be reflected in amount lost and in the victim's relationship to the offender. We use the term *perceived seriousness* because the dollar amount lost in the fraud may or may not be a sizable percentage of a victim's total assets. Thus a fraud in which a victim loses \$1,000 may be inconsequential to a wealthy person, but may deplete the entire savings of a less affluent individual. The victim's relationship to the offender is also part of perceived seriousness: individuals who are victimized by someone they know are much less likely to report than if they are victimized by a stranger. In other words, victims may perceive that the fraud is more serious and more offensive if committed by a stranger than by someone they know.

Second, we suggest that fraud reporting is influenced by what we call accumulated legal capital. By *legal capital* we mean the accumulation of knowledge about and experience with the machinations of law. This idea is derived from the concept of social capital (Coleman 1988; Hagan 1991). Individuals who have experience in

dealing with the legal process and who know how it works may in fact be more likely to report being victimized. They have a clearer idea than others about where they can report the victimization and how their complaints will be handled. This may help to explain our finding that individuals with two-year business and associate's degrees were almost as likely to report their victimization as those with the highest levels of education. The education offered in business schools may provide knowledge of how to deal with consumer frauds (e.g., where it should be reported), thus augmenting the degree holder's legal capital.

In our study, education, age, and marital status were all significant predictors of fraud reporting. We suggest that those with the highest levels of education, older individuals, and married persons are likely to have accumulated more legal capital than others. Beyond simple occupation of these statuses, it may be that belonging to the higher categories translates into knowledge and experience with the legal system as well as a clearer idea of how to deal with victimization. For example, Mayhew and Reiss (1969) found that landowners were more likely than renters to use lawyers in legal disputes because of the knowledge of the legal process they gained in acquiring property. Thus we suggest that the legal capital accumulated with education, age, and marriage may be important in decisions to report a fraud victimization.

The present study increases our understanding of fraud victims' reporting behavior. Although we found some support for Black's (1976) theory of the use of law, fraud reporting overall might be explained more effectively by a combination of the seriousness of the offense and the amount of legal capital that individuals have acquired. Of course we cannot generalize with confidence to the general population, but we believe that these factors are important and should be considered in any examination of fraud reporting. Our findings lead us to two conclusions.

First, we recommend that criminal justice and consumer protection agencies do more to encourage fraud victims to report their victimization. At-risk persons must be educated about the many types of fraud, the signs to look for in detecting a swindler, and the proper reporting procedures. This point is important because individuals who are better educated about fraud and know how to report are less likely to be victimized and, if victimized, more likely to report than noninformed victims (Titus 2000). Criminal justice and consumer protection agencies are in the best position to help individuals acquire the legal capital that will help them deal with victimization and may, in some cases, help prevent victimization.

Second, we hope that this study will encourage additional research on fraud reporting, especially research that more fully analyzes victims' decisions to report. Such work also should investigate the importance of offense seriousness and the notion of accumulated legal capital in fraud victims' reporting behavior.

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