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# How Much is the Public Willing to Pay to be Protected from Identity Theft?

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Pages 437-459 | Published online: 04 Sep 2010

Cite this article <https://doi.org/10.1080/07418825.2010.511245>

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pay an additional tax for identity theft prevention, more so when the promise of a reduction is highest (75% compared to 25%) with an average WTP of \$87, and (2) WTP is highest among individuals who carry many credit cards, who subscribe to an identity theft protection service, and who take active steps in preventing fraud by shredding bills and paying with cash, but is lowest among individuals who believe that taxes are too high. Converted into a “per crime” cost and combined with the portion of identity theft costs that are borne directly by business, we estimate the average cost per identity theft to range from approximately \$2,800 to \$5,100.

Keywords: identity theft white-collar crime willingness to pay financial crime

## Notes

1. Identity theft became a crime in the USA when Arizona passed the first statute in 1996 followed by legislation in California in 1997 (Allison et al., [2005](#); Pontell, [2009](#)). It became a federal crime with the passing of the Identity Theft and Assumption Deterrence Act of 1998.
2. “U.S. identity theft losses fall: study.” Javelin Strategy and Research, February 1, 2007 ([http://www.javelinstrategy.com/press-releases/2007-02-01-us-identity-theft-losses-fall-study](#)).
3. The N... adopted use of existing... accounts such as... new accounts
4. The m... ed respondents reported... existing account
5. Extan... answers and actual p... om experim... comparisons of CV responses with estimated travel times to use parks and other public goods or to







about respondents' actual activities for which they may fall prey to identity theft, we opted for the seven-item measure in the analyses that follow.

12. That we arrive at two different estimates of the public's WTP for identity theft protection depending upon the level of crime prevention obtained is not surprising. In many public policy choices, there are diminishing marginal benefits of prevention. For example, in the case of pollution, the public might be willing to pay an enormous amount for the first units of pollution reduction if pollution is so bad that it causes respiratory distress. However, as the air becomes cleaner, the value of each additional unit of pollution reduction might decline as other priorities emerge. Similarly, with identity theft, if the risk is very high it might deter so many people from shopping on the internet that commerce is stifled as people take very expensive precautionary measures. However, as the risk diminishes, the benefits of additional risk reductions become much smaller. Previous WTP estimates of the cost of crime have not been able to examine the marginal valuations in this way because they have not varied the level of crime reductions. Thus, for example, Cohen et al. (2004) only asked about a 10% reduction in specific crime types, and did not explore the difference there would be between that first 10% and the next 10%. We should also note that it is possible that we could have found a higher per unit valuation for the larger identity theft reduction. For example, it is possible that if we were to have provided a scenario that reduced identity theft to zero, the per unit value would have been higher as people who now

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were concerned about their potential overlap. Still, multicollinearity was not of concern

as the correlation between education and income was  $r = .44$ . Finally, there were slightly more “don't know” responses in the income question compared to the education question (as other polling studies reveal), and we opted to preserve as many cases as possible. All of this notwithstanding, regression analysis using income in lieu of education revealed the same pattern of findings with respect to all variables and inserting income into the model did not alter coefficient size and significance for any of the terms.

14. A reviewer provided a slightly different interpretation: “If the average citizen is skeptical about the efficacy of hypothetical programs, it may be that promising them a 25% reduction in offending by use of ‘a new technology’ that the government is ‘considering’ as compared to a 75% reduction does not get them to invest more for each unit of promised returned value. If results that meet inflated estimates of success are not delivered, they will be out less for each fairy tale percentage promised.” This is a fair point. Of course, further data are needed with respect to the extent to which citizens are skeptical of such programs and their overall effectiveness. It is an important empirical question.

15. We controlled for Cajuns because they represent a minority population in one of the four states (Louisiana), and have been considered an ethnic group (Henry & Bankston, [1999](#)).

16. The... identity theft  
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reduce t... re research  
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17. Acco... time, year-  
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Census I... ic  
Supplem... [4\\_001.htm](#)).

18. Othe... hreve-  
Neiger, Fremouw, Kane, and Hutton ([2004](#)) interviewed 37 identity theft victims



Victims Hurt Just the Same

Source: Wiley

Reporting behaviors of identity theft victims: an empirical test of Black's theory of law

Source: Emerald

A Near Repeat Examination of Economic Crimes

Source: SAGE Publications

DETERMINANTS OF STUDENTS' WILLINGNESS TO PAY FOR VIOLENT CRIME REDUCTION

Source: World Scientific Pub Co Pte Lt

The Consequences of Identity Theft Victimization: An Examination of Emotional and Physical Health Outcomes

Source: Informa UK Limited

Valuing the public's demand for crime prevention programs: a discrete choice experiment

Source: Springer Science and Business Media LLC

Public Preferences in a National Willingness-to-Pay Survey

Source: Wiley

The Dark Figure of Online Property Crime: Is Cyberspace Hiding a Crime Wave?

Source: Informa UK Limited

Findings from the Cambridge Study in Delinquent Development

Source: SAGE Publications

Respondent Fatigue in Estimates of the Cost of White-Collar Crime: Implications From Willingness-to-Pay Surveys:

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