

The London School of Economics and Political Science

From description to explanation in cross-national research
The case of economic morality

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DECLARATION

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ABSTRACT

This dissertation proposes a social mechanism to explain consumer fraud from a cross-national perspective. Drawing on data from the European Social Survey and the European Values Study, the dissertation seeks to: (1) contribute to the understanding of consumer morality expressed by dishonest behaviour in diverse economic and cultural contexts; and (2) demonstrate the value of research based on social mechanisms towards the advancement and integration of theories from diverse social sciences. By addressing individual-, national- and cross-level variation, an analysis motivated by social mechanisms moves beyond description, helping to explain the processes underpinning this complex social and political phenomenon.

The contribution of this dissertation is twofold. From a substantive point of view, the dissertation fills a gap in the literature by offering a multilevel theoretical and empirical account for consumer fraud. From a methodological perspective, the dissertation differs from other pieces of cross-national research, making sense of cross-national data by alluding to a social mechanism that helps to explain social phenomenon by integrating different levels of analysis.

This dissertation begins with a general introduction followed by a theoretical chapter, a methodological chapter, and three empirical papers, finishing with a general conclusion. The introduction provides information that guides and sustains the subsequent chapters. The theoretical chapter covers the substantive foundations of the research hypotheses and empirical studies, examining the state of the art of economic morality and consumer dishonest behaviour. The methodological chapter discusses the potentialities and pitfalls of cross-national survey methods and analytical strategies. This discussion is enriched by the insights of a systematic literature review—carried out in the context of this dissertation—that inspects how social mechanisms are addressed in studies using ESS data. The empirical studies are presented in the form of self-contained papers motivated by different research questions addressed with cross-national data. The conclusion brings together the partial conclusions from the three papers to reflect on methodological implications and future directions for research.

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CHAPTER ONE: INTRODUCTION

This dissertation proposes a social mechanism to explain consumer fraud from a cross-national perspective. Drawing on data from the European Social Survey and the European Values Study, the dissertation seeks to: (1) contribute to the understanding of consumer morality expressed by dishonest behaviour in diverse economic and cultural contexts and (2) demonstrate the value of research based on social mechanisms towards the advancement and integration of theories from diverse social sciences. By addressing individual-, national- and cross-level variation, an analysis motivated by social mechanisms moves beyond description, to help explain the processes underpinning this complex social and political phenomenon.

The theoretical discussion and empirical work presented here is guided by the following questions: (1) Who are the consumers that engage in fraudulent practices in the marketplace? (2) Where are they placed in the social structure? (3) What is their distribution across Europe? (4) What are their motivations and attitudes towards institutions, social order and the economy? (5) How do country characteristics facilitate the emergence of fraudulent practices amongst consumers? (6) How do these country characteristics interact with specific individual motivations and attitudes to give rise to fraudulent practices? The answers to these questions are integrated into a unified theoretical framework that bridges individual and societal processes.

The piece of social research presented in this dissertation was developed along the principles of societal psychology. This interdisciplinary form of social research seeks to explain social phenomena in the social, institutional and cultural environments in which they occur and how they affect and are affected by the cognitive processes underlying people's thoughts, feelings and behaviours (Gaskell & Himmelweit, 1990). The focus of this dissertation is placed on the broad social (e.g., social norms that are favorable to fraud), economic (e.g., growth in countries' GDP and income inequality) and cultural forces (e.g., perception of the level of corruption within the government) that shape consumers' morality and explain consumers' dishonest behavior.

The contribution of this dissertation is twofold. From a substantive point of view, the dissertation fills a gap in the literature by offering a multilevel theoretical and empirical account for consumer fraud. Studies of consumer fraud are scarce and usually rely on consumer perceptions about the severity of specific dishonest actions. The European Social Survey (2nd round, 2004/5) provides—for the first time—cross-national data on the prevalence and distribution of consumer fraud in European countries. An exhaustive literature search did not return any studies that use ESS data on economic morality. From a methodological perspective, the dissertation differs from other pieces of cross-national research, making sense of cross-national data by alluding to social mechanisms that explain social phenomena integrating different levels of analysis.

This dissertation begins with a general introduction, then moves on to a theoretical chapter, a methodological chapter, three empirical papers and finishes with a general conclusion. The introduction provides information that guides and sustains the subsequent chapters. The theoretical chapter covers the substantive foundations of the research hypotheses and empirical studies by examining the state of the art of economic morality and consumer dishonest behaviour. By looking at unanswered questions from the current theoretical framework, and possible hypotheses derived from the literature to explain consumer fraud (Karstedt & Farrall, 2004, 2006), a social mechanism to explain consumer fraud from a cross-national perspective is proposed at the end of the theoretical chapter (p. 57).

The methodological chapter discusses the potentialities and pitfalls of cross-national survey methods and analytical strategies. This discussion is enriched by the insights of a systematic literature review—carried out in the context of this dissertation—which inspects how social mechanisms are addressed in studies using ESS data (Annex, p 179). An innovative approach to cross-national research based on social mechanisms is advanced in the methodological chapter. The empirical studies are presented in the form of self-contained papers motivated by different research questions addressed with cross-national data. The three papers contribute to test different aspects of the social mechanism that explains consumer fraud. Paper 1 describes the top-line findings of ESS economic morality module (2nd round, 2004/05), paper 2 moves beyond description to focus on the combined effect of social norms and relative deprivation for explaining the emergence of dishonest practices using ESS data (2nd round, 2004/05), paper 3 relies on EVS data (4th wave, 2008) to investigate the effect of distrust in political institutions,

income inequality and level of corruption in public sector on justification of fraud using multilevel modelling. The conclusion brings together the partial conclusions from the three papers reflecting upon methodological implications and future directions for research.

This introduction offers a guide to this dissertation by starting with definitional issues and discussion of the social and economic relevance of the study of consumer fraud. Gaps in the literature are outlined and the research questions are described and discussed. A social mechanism to explain consumer fraud is introduced to be further developed in the theoretical chapter. At the end of the introduction, the three empirical papers are briefly summarized; particular emphasis is given to their contribution in clarifying the research questions addressed in this dissertation.

1.1: Concepts and definitions

Consumer fraud is a type of dishonest consumer behavior, involving material gains for the person who performed it, and clear negative consequences for a company or the state, via the acquisition, consumption and disposition of goods, services, or ideas. Adopted in this thesis is a vision of consumer citizenship in which consumer and citizen roles overlap, where consumers contribute to the wider society through their role as consumers (cf Trentmann, 2004).

Consumer fraud can assume two forms—active and passive—depending on whether the consumer initiated the behaviour or if he/she merely took advantage of a situation he/she faced (Muncy & Vitell, 1992). An example of ‘active fraud’ is insurance fraud; An example of ‘passive fraud’ is keeping extra change from a shop assistant. Other examples of fraud are income tax evasion, paying cash-in-hand to circumvent taxes, falsely claiming social security benefits, bribing public officials and buying on credit with no intention of paying. Although not all dishonest practices are necessarily illegal¹, some cross the boundaries of legality. The criminal nature of some of these practices justifies the expression “crimes of everyday life”, a term proposed by Karstedt and

¹ All the dishonest practices covered in this dissertation are illegal.

Farrall (2004) that will be used interchangeably with consumer fraud² and consumer dishonest behaviour throughout this dissertation.

Consumer fraud cannot be isolated from the social, cultural, institutional and economic context in which it occurs and acquires meaning. Fraudulent practices can be more or less disseminated in particular social groups, regions or countries. Eventually, they are guided by socially shared beliefs about how people ought to behave. These social norms dictate the approval or disapproval of other people's behaviour and have an effect of enforcing the behaviour in the prescribed direction (Elster, 1989). This idea is reinforced by the consistent finding that people pay taxes as long as they believe that others also comply with the same rule (see Torgler, 2007).

Social norms for dishonest consumer behaviour are assumed to be rooted in culture, specifically in collective ideas of fairness and justice about the economy (Arnold, 2001; Booth, 1993; Karstedt & Farrall, 2006). This dimension of culture is referred to as economic morality and is expressed by judgments of rightness and wrongness of practices of economic agents (consumers, companies, governments, central banks, sellers and households). Economic morality should be understood in the wider economic and legal context, as the actions of economic agents are constrained by institutional forces, economic regulations, its enforcement and its effectiveness. Economic morality shapes norms, judgments and practices by dictating its legitimacy in terms of what it is right and wrong (Karstedt & Farrall, 2006). These moral constraints would impose barriers to dishonest behaviour and may inhibit its occurrence. Put this way, high levels of consumer fraud in a particular country signal a country's poor economic morality. As such, economic morality can also be used in a broader sense to refer to the normative landscape of dishonest practices of diverse economic agents in particular regions or countries. In this dissertation, this conceptual framework for economic morality and consumer fraud is adopted in line with Karstedt and Farrall (2006).

Economic morality evokes other types of dishonest practices from economic agents, commonly labeled white collar crimes, such as corruption³ or embezzlement. White

² Consumer fraud is also used in the literature to refer to fraud committed against consumers. In this dissertation this meaning is avoided and consumer victimisation is used to refer to individual perceptions of having been a victim of fraud.

collar crime is defined as a “violation of the law committed by a person or group of persons in the course of an otherwise respected and legitimate occupation or financial activity” (Coleman, 1985, p.5). Consumer fraud differs from white collar crime in two respects. First, white collar crime implies the abuse of privileges that a respectable job entails. The offenders include staff, managers, company owners or governments, but not those in the consumer role. This dissertation centers on the description and explanation of dishonest practices by consumers only. Second, white collar crime refers to illegal activities committed in a professional context. Crimes of everyday life are not necessarily illegal, and are committed by ordinary citizens in the course of daily-life activities such as shopping, browsing the internet, or filling in a tax form (Karstedt & Farrall, 2005, 2007). Figure 1 shows the distinction between fraud, corruption and error (customer and official). Concerning the latter, the intentionality of the behaviour constitutes the main distinction between consumer fraud and customer error.

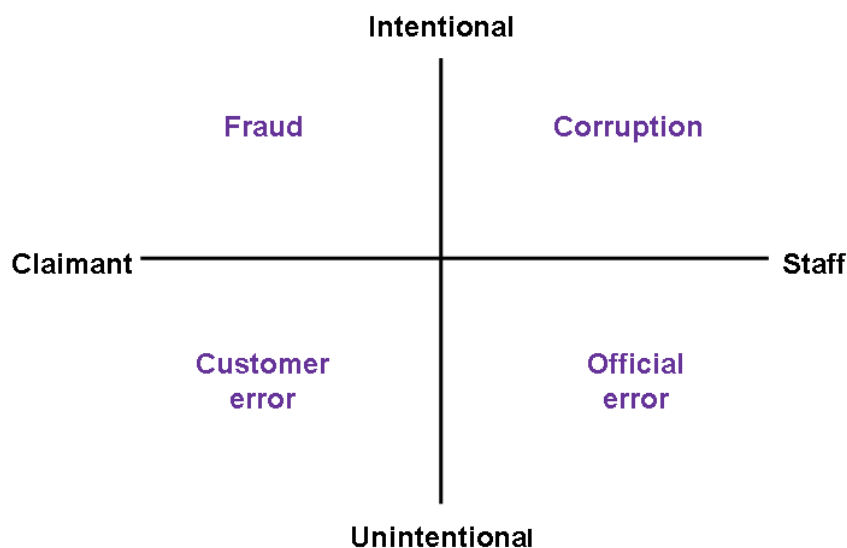


Figure 1: Typology of fraud, error and corruption in benefit systems (source: Rand Europe, 2010).

The study of consumer fraud occupies a well-delimited terrain not explored by research on white collar or violent crimes committed towards individuals or households. In this dissertation, the focus is directed to the identification of specific patterns of occurrence

³ Corruption as defined by Transparency International—the abuse of entrusted power for private gain—is related to public and government sectors as it implies misuse of public power. The study of corruption goes beyond the scope of this dissertation and it is treated only indirectly inasmuch as it mirrors the dishonest practice of giving a bribe to a public official.

of consumer fraud in European countries, to the economic and cultural contexts that facilitate its emergence, and to explanations that account for the observed configuration of dishonest practices in Europe.

1.2: The social and economic effects of consumer fraud

Consumer fraud has received less public attention than other types of crimes, such as white collar crimes or street crimes committed towards individuals and households (e.g., homicide, robbery and sexual offences). The emotional and physical impact that violent crimes inflict on their victims or the quantifiable financial losses caused by white collar crimes may explain the augmented salience of these types of crimes. By contrast, consumer fraud is seen as victimless and with low financial consequences (HMRC, 2010). Those who commit it tend not to see themselves as “real criminals”, because the condemnation of these practices is not as consensual as in other types of crimes.

Taken collectively, the impact of fraud for society and for the economy is substantial and affects everyone to a greater or lesser degree. In the next paragraphs, I will explain how consumer fraud affects society and the economy.

First, widespread fraud on society shifts the moral boundaries in society between what it is perceived as right or wrong. If fraudulent activities are common, they may tend to be seen as more acceptable. This idea was advanced by Durkheim (1966), who claimed that morality is built on social awareness rather than on static moral principles. Accordingly, ethical ideas would encompass social changes in society. For example, illegal downloading is a practice widely disseminated and seen as legitimate especially amongst youngsters between 14-24 years old (Bahanovich & Collopy, 2009). Movements asserting the legalization of unrestricted downloading by revision of copyright laws have come into place in recent years. Lately, these movements have assumed the form of an international political organization with an active voice in parliament in some countries in Europe (Sweden, Germany, Switzerland and the Czech Republic) and Africa (Tunisia). In this way, the fraudulent nature of illegal downloading has been challenged by arguments in favor of unrestricted downloading based on the right of free access to culture. These arguments have started entering into public and political

discourse and may lead to a moral shift in direction towards the legitimization of illegal downloading.

Second, improved efforts on the side of companies and governments to prevent fraud and catch fraudsters may lead to more controlled societies. In the UK, for example, some legal action to tackle illegal file sharing has been recently set into motion. The new legal measures allow that online contents and activities are supervised by internet service providers who can impose penalties to fraudsters. These measures were received with some resistance by consumers because they threaten personal privacy and limit individual action. Clearly, the impact of fraudulent activities has to be discussed in terms of the consequences for wider society and future generations and cannot be restricted to financial losses to commercial business or governments.

It is not easy to estimate the economic impact of consumer fraud to the private or public sectors. First, what constitutes fraud is controversial. For social benefit fraud—for example—providing inaccurate information or omitting the change of circumstances may be considered an error less serious than lying about the basic conditions for receiving the benefit (e.g., employment status). The distinction between fraud or error rests upon in the fraudulent intention of the customer which is difficult to discern in all cases (HMRC, 2010). Second, the methodologies used to identify fraudulent cases by government agencies suffer some limitations stemming from the impossibility of reaching all cases. Consumer fraud can be detected only if fraudulent individuals are randomly picked for investigation, reported by someone, or signaled by cross-information checks. Small scale fraud with low consequences is believed to be largely undetected by these methods. As a result, official figures portray an incomplete picture of the prevalence of the consumer fraud in a population.

When it comes to cross-country comparisons, the non-equivalence of definitions of fraud and methodologies poses barriers to the direct comparison of official figures. Additionally, these figures may also reflect cross-country differences on the efficacy of the criminal justice system. Nevertheless, statistics for the nature, extent and/or impact of diverse types of consumer fraud are not available for the vast majority of European

countries⁴. The only type of fraud that has attracted considerable attention from national and international bodies is tax and benefit fraud, given its direct influence on the general state of the economy. But different definitions of fraud and different methodologies used to capture information make it unreliable to compare directly the existing figures for different countries.

One study commissioned by European Commission on tax fraud (Reckon, 2009) and a report on benefit fraud commissioned by National Audit Office (NAO, 2006) to Rand Europe stand out as the exceptions. The Reckon (2009) study harmonises figures for the VAT gap⁵, based on national accounts available in EUROSTAT, and a noteworthy finding for this dissertation is that a lower perception of corruption from public and political sectors (measured by the Transparency International Corruption Perceptions Index) is associated with more tax compliance⁶. This result underlines the importance of economic morality in shaping the practices of different economic agents (e.g., consumers and governments). The report commissioned by the NAO (2006) is a benchmark study for the UK comparing fraud and error in social security systems in Australia, Canada, France, Ireland, the Netherlands, New Zealand, Sweden and the USA. Despite the methodological limitations stemming from the diversity of data and methodologies employed in different countries, the results were compared in terms of losses for the social benefit system in percentage of the expenditure. The overall conclusion is that in those countries, total fraud and error range between 2 and 5 percent of the countries' expenditure.

For simplicity's sake, statistics of consumer fraud will be presented only for the UK (from government agencies/departments and research institutes). Only the most recent and relevant figures are presented here. Overall, these figures suggest that dishonest practices in the UK have been mounting; that they occur more regularly than other crimes; and that they involve higher costs than other forms of criminality. The annual

⁴ E.g., the only countries that provide information on tax fraud are Denmark (Danmarks Statistik), Germany (Info Institute for Economic Research), Italy (Italian Agenzia della Entrate), Sweden (Swedish NCB/NR) and the UK (HMRC).

⁵ The VAT gap is estimated from the difference between accrued VAT receipts and a theoretical net VAT liability for the economy as a whole. It includes, but it is not limited to tax fraud, as it also includes also TAX not paid as a result of legitimate tax avoidance (Reckon, 2009).

⁶ In this dissertation, the Corruption Perceptions Index (CPI) was also found to be associated with acceptance of VAT fraud (cf. paper 3).

losses for business in the non-financial services alone parallel the combined costs of burglary in dwellings, theft, robbery of individuals and common assault (Dubourg, Hamed, & Thorns, 2005).

The UK's Department for Work and Pensions (which provides UK citizens with social security) estimated that, in 2010, 2.1 per cent of total expenditure across all benefits are due to fraud resulting in £3.1bn being defrauded from the British taxpayer; for income support alone, the figure is £480m which corresponds to 5.7 per cent of income support expenditure attributed to fraud (HMRC, 2010).

The Association of British Insurers estimated that, in 2010, insurers detected every day 335 fraudulent claims worthing £3.2 million. Dishonest home insurance claims is the most common (170 cheating householders caught every day) but fraudulent motor claims are the most costly (£1.12 million exposed every day). The costs to private individuals is a £44 extra added to the average UK households annual insurance bill to compensate fraud costs (ABI, 2010).

A recent KPMG⁷ report (2011)—based on the KPMG fraud barometer that examines fraud cases being heard in the UK court referring to charges of at least £100.00—revealed that 2010 was the year with the highest number of cases in 23 years (when the KPMG fraud barometer begin). Similarly, a steep rise in the number of cases had also been observed in 2009 and 2008. The report (KPMG, 2011) shows that fraud is mostly affecting the government (in the form of tax and benefit fraud) and financial institutions (e.g., mortgage fraud). The perpetrators of fraud that involves higher losses are career criminals, but these account only for 29.3 per cent of total cases in 2010. The group of non-professional fraudsters contributes with the highest number of cases. According to this report, it is this non-professional group—formed by ordinary citizens—that is driving the numbers of cases up in recent years, since there is not much variation over time in the number of cases attributed to professional fraudsters.

The main focus of this thesis is the class of crimes committed by respectable citizens with no criminal record who may occasionally break the rules. Little is known about who they are: their socio-demographical characteristics, their position in the social

⁷ KPMG is a provider of professional services including audit, tax and advisory services to help national and international companies and organizations negotiate risks and thrive in the varied environments in which they do business (www.kpmg.com).

structure, their motivations, and their attitudes towards the economy and the social order. Such information is not available from official reports and, if it exists, it must be strictly confidential. The inexistence of harmonized official information also makes it impossible to compare their prevalence in European countries. In this dissertation, the characterization of perpetrators of consumer fraud and their prevalence in some European countries is attempted in paper 1, based on data from the European Social Survey (ESS⁸).

1.3: Literature gaps and research questions

The official figures for fraud highlight the economic importance of its study for description, prevention and detection of dishonest practices in particular countries. The social scientific study of consumer fraud seeks explanations for cross-country differences and/or dynamics of occurrence over time. Such knowledge constitutes a valuable input for economic and social policy-making. In this dissertation, the description of the phenomenon of consumer fraud in Europe is presented for the first time and explanations for the variability of dishonest practices between and within countries are attempted and tested. This section summarises the main theories and key studies that currently offer a basis for explaining consumer fraud and the questions that are left unanswered.

Criminological literature has not devoted attention to crimes of everyday life. The only theoretical framework that explains consumer dishonest practices was elaborated by Karstedt and Farrall (2006) and tested empirically with samples from England, Wales and Western and Eastern Germany. The authors put forward the idea that a syndrome of market anomie—expressed through distrust in the market and in the economic agents, cynical attitudes towards the law and detachment from the economy—drives dishonest practices in the marketplace. Karstedt and Farrall (2006) advanced that this constellation of negative feelings and attitudes towards the market result from the transition to neo-liberal economies that was observed in the late twentieth century in European countries. Neo-liberal policies re-balanced the weights between governments and markets in the economy (through the de-regulation of markets) and distributed responsibilities and

⁸ Norwegian Social Science Data Services (NSD) is the data archive and distributor of the ESS data.

risks between consumers and business. Some authors have noted that the neo-liberal reforms were accompanied by a “cornucopia of new opportunities” (Shover, Coffey, & Hobbs, 2003, p. 490) that has facilitated dishonest practices by economic agents (see Ericson, Barry, & Doyle, 2000). Karstedt and Farrall (2006) claim that new opportunities are related to the changes in economic morality that accompany the transition to neo-liberal markets.

These opportunities were created because, on the one hand, consumers are sovereign in making decisions and balancing the risks and on the other hand, they can be an easy prey for illegal and unfair business practices if they lack important skills such as financial knowledge and legal information (Karstedt & Farrall, 2006). Situations where consumers may feel defrauded by business include small print clauses, charges for unordered items and concealing of relevant information about products or contracts. The perception of consumers about the fairness of the economy is inevitably affected by those experiences in the marketplace. Empirical evidence (Karstedt & Farrall, 2006) gives support to the idea that consumers who are victims of unethical experiences in the marketplace show a lower confidence in the economic agents. In the scenario of generalized dishonest business practices, consumers may choose not to cooperate with market rules and regulations. Consumers may also take advantage of situations they face. From this angle, consumer fraud appears a feasible outcome of neo-liberal policies.

Karstedt and Farrall’s (2006) studies in England, Wales and Western and Eastern Germany confirmed that consumers who were victims of dishonest practices in the marketplace trust less in the market and are more likely to engage in dishonest practices (i.e., they reported a higher intention to engage in these practices if they have the chance). It was then demonstrated that reciprocity principles apply in the relationship between the market and consumers. Consumers who are victims of business dishonest practices are more likely to behave dishonestly in the marketplace.

To sum up, changes in economic morality follow changes in the economy because new opportunities to cheat were created. This situation will lead to a state of market anomie where victimised consumers become offenders. The diffusion of dishonest practices amongst consumers and business will in turn impact economic morality. Fraudulent practices may extend beyond the economic sphere to affect the way citizens behave

towards government agencies and institutions (e.g., benefit fraud). Figure 2 depicts the current framework for economic morality and consumer dishonest practices, with the links between variables identified by numbers 1, 2, 3 and 4.

The arrow (2) that links economic morality (e.g., perceptions of legitimacy of the markets) and market anomie and the arrow (3) that links market anomie to fraudulent practices were empirically tested in Karstedt and Farrall’s (2006) study using structural equation modelling. The authors analyzed the adjustment of the theoretical model to data (both independently for each country and in the pooled sample) founding empirical support for the model in England, Wales and Western and Eastern Germany. This dissertation seeks to apply and extend this framework to explain consumer dishonest practices in 26 European countries using ESS (2nd round, 2005).

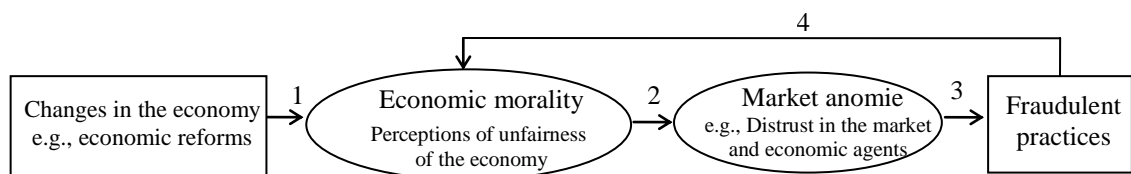


Figure 2: Current theoretical framework for explaining consumer fraud

This framework raises some problems that demand additional research. Some of these guide the literature review and motivate the empirical studies presented here. First, the assumption that neo-liberal policies impact economic morality (arrow 1) is theoretically grounded only as there is no empirical evidence that shows that the transition to neo-liberal economies was accompanied by a decline in the market trust and consequently an increase in crimes of everyday life. It might be the case that the new opportunities to cheat offered by the market only contributed to diversify the range of crimes of everyday life (e.g., downloading illegal software), but other type of dishonest practices already existed in previous forms of market organization.

Second, this theoretical framework precludes other factors—besides neo-liberal policies and profusion of opportunities to cheat—that may affect economic morality and dissemination of crimes of everyday life. It is not clear whether the rise in crimes of everyday life can be attributed solely to a reciprocity mechanism of “I (as a consumer) was cheated by a company, so I’m going to behave dishonestly if I have the chance”.

Third, the framework explains how the cornucopia of new opportunities undermines trust in the markets and economic agents through the effect of victimisation experiences. However, the model is weak at explaining how distrust in the market originates consumer fraud (arrow 3). A psychological mechanism is needed to account for why consumers with similar experiences in the marketplace may differ in the likelihood of engagement in consumer fraud. The next section explains how these three research questions may refer to the global social mechanism for consumer fraud.

1.4: Social mechanisms and research questions

Based on the gaps identified in the literature so far, three research questions motivated the empirical studies presented in this dissertation. The first research question is whether the transition to neo-liberal markets was accompanied by changes in economic morality and a rise in consumer fraud. The second research question explores the country factors (social, economic and cultural) that may affect economic morality and dissemination of consumer dishonest practices. The third research question relates to the identification of a psychological mechanism that explains how a state of market anomie contributes to the emergence of consumer dishonest behaviour. The three research questions can be regarded as parts of a broader social mechanism of consumer fraud that were not explored in previous research.

A social mechanism for consumer fraud—which accounts for the motivations and structural forces that contribute to the initiation and maintenance of consumer fraud—explains how psychological, social and economic factors interact to create different figures of consumer fraud in European countries. Explanations based on social mechanisms involve variables and explanations from different levels of analysis integrated in a coherent structure. The social mechanism for consumer fraud presented in this section incorporates and expands the current theoretical framework for Karstedt and Farrall (2006) based on the research questions outlined in the previous section.

The social mechanism follows the structure of Coleman's (1986) macro-micro scheme, which conceptualizes social action through the integration of different theories defined at different levels. This typology constitutes the grid of analysis of this dissertation, within which theories, research questions and findings will be framed and discussed.

Three kinds of processes are considered: (1) the impact of the wider social and economic context in shaping beliefs and facilitating dishonest consumer behaviour (contextual processes); (2) the cognitive processes that sustain dishonest behaviour (individual processes); and (3) the way consumer practices are combined to create an economic ethos (transformational processes). These processes are illustrated through a diagram known as “Coleman’s boat”. Figure 3 depicts “Coleman’s boat”, which articulates the three possible processes that constitute a social mechanism.

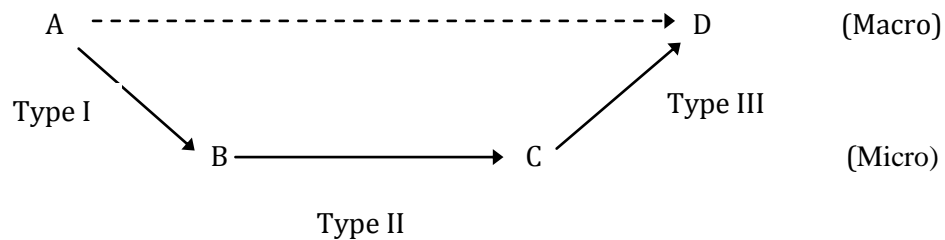


Figure 3: Coleman’s macro-micro model

Coleman’s (1986) scheme considers relationships between variables (A, B, C and D) defined at different levels of analysis (macro and micro). Elements A and D are macro-level variables, referring here to countries’ characteristics. Elements B and C are micro-level variables referring to individuals’ characteristics. The arrows between them refer to associations between these variables, explained by processes or partial mechanisms denoted by numbers (Type I, II and III). These processes are linked together to bring about the macro-level association $A \rightarrow D$. The social mechanism refers to the three processes that together explain the observed macro level association $A \rightarrow D$.

The establishment of a macro-level association, by itself, does not go beyond the description of the phenomenon, unless a social mechanism can be demonstrated. This dissertation aims to establish a social mechanism that accounts for the description and explanation of different patterns of consumer fraud in Europe, using cross-national data.

Applied to the social mechanism of consumer fraud, the initial framework proposed by Karstedt and Farrall (2006) provides an initial account for how the transition to neo-liberal markets (A) leads to the dissemination of dishonest practices in the marketplace amongst consumers (D). This constitutes the macro-level association $A \rightarrow D$ which can be subdivided into the three mechanisms explained below. The links in Figure 1 (Current theoretical framework for explaining consumer fraud, p.20) and mechanisms in

Figure 2 (Coleman's boat of social mechanism, p.22) are connected in the next paragraphs.

Type I (contextual process) is a macro-micro situational mechanism that explains how the transition to neo-liberal markets (A) affects market anomie (B). Neo-liberal markets create new opportunities for unethical business practices. The landscape of dishonest practices by business impacts the fairness of the economy (economic morality) and promotes market anomie. Arrows 1 and 2 in Figure 1 define the Type I mechanism in Figure 2.

Type II (individual process) is a purely psychological micro-mechanism that links the indicators of market anomie (distrust in the market and economic agents and cynical attitudes towards the law) to consumer dishonest behaviour. This psychological mechanism needs further elaboration, as it is not entirely clear how distrust generates dishonest behaviour. In this respect, Karstedt and Farrall's (2006) framework evokes a reciprocity mechanism that turns victimization experiences into offending behaviour. It is worth noting that although in the initial scheme, the arrow that links elements B and C is unidirectional, from a psychological perspective, the impact of behaviour on cognition should also be taken into account. The bidirectionality of the arrow would be more consistent with psychological approaches that underline the mutual impact of cognition and behavior, such as cognitive dissonance (Festinger, 1957) and self-perception theories (Bem, 1972). However this mechanism does not explain how individuals with the same experiences in the marketplace may engage differently in dishonest practices. Arrow 3 in Figure 1 encapsulates the Type II mechanism in Figure 2.

Type III (transformational process) is a micro-macro action formation mechanism which describes how isolated individual actions, such as individual dishonest practices, combine to generate collective dishonest behaviour. This mechanism points to the effect of social norms. The macro-level variable D refers to specific patterns of consumer fraud in different countries. Arrow 4 in Figure 1 corresponds to the Type III mechanism in Figure 2.

The three research questions identified in the previous section can be mapped onto the macro-micro mechanism scheme. This structure will guide the theoretical chapter and the empirical papers.

The first research question—to test whether the transition to neo-liberal markets was accompanied by a change in economic morality and a rise in consumer fraud—overlaps with the macro-level association $A \rightarrow D$. There is no direct empirical evidence that states this association apart from official data that point out a rise in consumer fraud over time (in countries where such information exists). However if Type I, II and III processes are theoretically and empirically established, the macro-level association can be logically inferred (Opp, 2011).

The second research question—which country contextual factors (social and cultural) lead to market anomie—refers to the identification of a general Type I mechanism. The specific mechanism of how the neo-liberal transition leads to a state of market anomie, through the dissemination of unethical opportunities for business that impact economic morality, is well articulated in Karstedt and Farrall's (2006) framework. There is also empirical evidence that supports the association between (1) neo-liberal transition and spread of unethical business opportunities (Shover, et al., 2003) and (2) perception of fairness of the economy and market anomie (Karstedt & Farrall, 2006). The question here is whether neo-liberal transition inevitably leads to market anomie and which other economic or social contexts would also promote market anomie. In other words, the second research question investigates whether the neo-liberal transition is a sufficient and necessary condition to the state of market anomie.

The third research question relates to the identification of a psychological Type II mechanism that explains how distrust in the market (market anomie) facilitates dishonest practices in the marketplace. This mechanism is not directly addressed in the existing literature.

Type III mechanism posits that dishonest practices can combine with each other to create collective behaviour through the effect of social norms if opportunities to cheat are available. The transformational mechanism of consumer fraud is dealt with only from a theoretical perspective in this dissertation. It will not be tested given the impossibility of tracing the processes over time given the cross-sectional nature of the cross-national data available.

The general social mechanism proposed here is founded in classical theories from political science, sociological and social psychology presented in the theoretical chapter and tested in three empirical papers.

Overall, the social mechanism for consumer fraud postulates that the neo-liberal transformation of markets impacts economic morality if this transition was not accompanied by a sustained evolution of the social institutions (political, educational and religious). A rapid economic development implies the disembeddedness of the market with social institutions (Roland, 2004; Rosenfeld & Messner, 1997) which lead to an overemphasis of market material values (Rosenfeld & Messner, 1997). In extreme situations of disembeddedness, a syndrome of market anomie may take place. This syndrome encapsulates distrust in the market and political agents and cynical attitudes towards the law.

A general level of perception of corruption in public and political sectors also has serious implications to economic morality. First, as citizens perceive that private rather than public interest prevail in government decisions and policy-making, the trust in political agents and public officials becomes undermined (TI, 2010). Second, corruption in the public sector is associated with lower judicial/legal effectiveness (Kaufman, 2004). By relaxing legal barriers which prevent fraudulent practices, law compliance diminishes and fraudulent activities propagate.

Besides the rapid transition to neo-liberal policies and a higher level of corruption, a high level of social inequalities can also triggers fraudulent behaviour. First it has shown that using international surveys (e.g., the World Values Survey) that the way resources are distributed in society is the major determinant of trust in other people (Uslaner, 2002). Trust in others or generalized trust is assumed to underlie trust in social institutions (Offe, 1999). Second, social inequalities signal a strained social structure with deep boundaries between social classes. The upward mobility in these societies is associated with material success that can be achieved by legitimate means (such as a high level of education and a reputable job) or by illegitimate means (such as dishonest behaviour). Individuals from lower classes may perceive their way to social ascension to be blocked by restricted access to education and well-paid jobs (Merton, 1957).

Lower-class individuals are more likely to feel relatively deprived, especially in strained social structures. Relative deprivation (Runciman, 1966) then fuel illegitimate ways to achieve material success, such as fraudulent practices. Relative deprivation is a valid motivation for consumer fraud in societies where consumer fraud is uncommon, as it applies to behaviour with a deviant nature (Merton, 1957). Individual attitudes towards

fraud and opportunity would determine the extent to which relative deprivation would materialize in dishonest behaviour (Beck & Ajzen, 1991).

In societies where consumer fraud is widespread, social norms that are favorable to dishonest behaviour explain the occurrence of fraud. Neutralization processes in the form “Everybody does it” (Gabor, 1994) legitimate and help individuals to accept and to perpetuate dishonest behaviour. The gradual emergence of social norms results from conformity processes (Elster, 1994). When social norms are favorable, opportunity seems to be the major obstacle to behaviour (Beck & Ajzen, 1991). As such, economic context, institutional landscape and social structure are macro-level factors that either prevent or facilitate fraudulent behaviour in the marketplace. The behaviour materializes when attitudes and social norms are favorable and the opportunity arises.

In the next section, a brief overview of the empirical studies presented in this dissertation, the research questions that motivated them and the main findings is offered.

1.5: Research questions and empirical studies

This dissertation seeks to both describe and explain patterns of consumer fraud across Europe. Paper 1 accomplishes the descriptive task. Papers 2 and 3 test a theoretical framework that gives coherence to findings from paper 1. Because paper 1 lacks explanation, papers 2 and 3 test a social mechanism that explains the variability of consumer fraud between and within countries.

The empirical studies depart from two assumptions. First, the variability in countries’ economic and social circumstances encapsulates differences in economic morality. Second, economic morality shapes the practices and habits in the economic sphere. In this way, economic morality plays the role of intervening variable in the relationship between countries’ economic and social context and practices in the economic sphere. These two assumptions were not tested in this dissertation because economic morality itself was not operationalized as it involves ideas about the economy that are expressed not only in terms of consumers’ perception of fairness of economic practices, but also in terms of the way business, political organizations and governments operate, as well as existing regulations, their implementation, their enforcement and their effectiveness. In

this dissertation, the position that survey data cannot capture all the richness of economic morality is assumed.

The research questions were addressed through the lens of cross-national European survey data gathered from the European Social Survey (2nd wave, 2004/5) and the European Values Study (4th wave, 2009). These surveys provide individual information about attitudes and/or dishonest practices. Additional information was gathered from other surveys, such as the Global Corruption Barometer (GCB) and the World Values Survey (WVS), but their role in this dissertation is only secondary. These surveys were used to inspect the quality of ESS and EVS data, since they contain some common questions⁹. Detailed information about all these surveys will be provided in the relevant papers (papers 1 and 3). Statistical information about the level of corruption in the countries (Corruption Perceptions Index), control of corruption (Control of Corruption Index) and income inequality index (Gini index) and the GDP gathered from the Transparency International, the Eurostat and World's Bank, were also used to test specific research hypotheses.

Paper 1 (using ESS data, 2004) describes the patterns of occurrence of dishonest practices and the characterization of fraudsters is attempted. This paper empirically supports the distinction between active and passive fraud to define situations where the consumer actively initiates the behaviour or situations where he/she merely takes advantage of a situation he/she faces. Paper 1 shows that dishonest practices are widespread across Europe. In the 26 European countries considered, nearly half of the population has engaged at least one of the seven dishonest practices considered in the last five years. Countries' specificities are also observed, as certain practices are more common in some countries than in others. Country variations on levels of consumer fraud can be best summarised in terms of differences between developed and emerging markets (MSCI/Barra, 2010). The results indicate that passive fraud is more common in developed than in emerging markets, whereas active fraud is more common in emerging compared to developed markets. This paper also shows that in all countries considered,

⁹ "Cheating on taxes if you have a chance is never justifiable (1) always justifiable to (10) never justifiable" (EVS and WVS); "Someone accepting a bribe in the course on their duties is (1) always justifiable to (10) never justifiable" (EVS and WVS); and "In the past 5 years/12 months/, have you or anyone living in your household paid a bribe to a public official/in any form? (ESS and GCB).

active fraud is not linked to social class, but passive fraud is more common in higher classes. Additionally, consumer fraud is more common amongst men and young people.

The first research problem considers whether economic dynamics such as the transition to neo-liberal economies lead to changes in economic morality and to the increase of crimes of everyday life. Despite its social and scientific importance, this problem was not tested directly in this dissertation because longitudinal data on economic morality or consumer fraud is not available. The answer was only partially addressed in paper 2 (using ESS data, 2004), which explores whether a rapid expansion of the market (indicated by economic growth) is accompanied by higher levels of fraudulent practices amongst consumers.

Paper 2 (ESS data, 2004/5) explores the effect of a rapid economic growth (growth in GDP) on the general level of consumer fraud in 26 European countries. The theoretical underpinnings of research hypotheses are presented in the theoretical chapter and in paper 2. Drawing on Institutional Anomie Theory (Messner & Rosenfeld, 2010; Rosenfeld & Messner, 1997), Theory of Anomie and Social Structure (Merton, 1957) and Theory of Institutional Change (Roland, 2004), the rationale for this paper is that a rapid economic growth leads to a state of anomie because the values of the market (materialism and pursuit of self-interest) surmount the power of social institutions that help to regulate and sanction dishonest practices. As a result, consumer fraud seems to proliferate. The results indicate that, controlling for GDP, a rapid economic growth is associated with a higher level of fraud. This result offers support for the initial hypothesis that the expansion of the economy in neo-liberal markets is associated with a dissemination of fraudulent activity amongst consumers. As predicted by Karstedt and Farrall (2006), the transition to neo-liberal markets seems to generate new opportunities for dishonest practices and fraudulent practices will spread.

Paper 3 (EVS data, 2008) addresses the second research question, which seeks to identify some of the country contextual factors (social and cultural) that may affect economic morality and fraudulent activity. This paper tests whether the level of corruption in public and political sectors (measured by Transparency International Corruption Perception Index) is associated with more acceptance of fraud amongst consumers, as suggested by previous research (Reckon, 2009). The response variable is acceptance of fraud, not actual fraudulent behaviour, because acceptance of fraud does

not depend on opportunities to cheat and other environmental factors that may inhibit the behaviour. Perception of corruption in the country is associated with lower judicial/legal effectiveness (Kaufman, 2004) and is consequently associated with economic morality. The results support the hypothesis that countries with higher levels of corruption in the public sector also show higher levels of acceptance of fraud (VAT fraud only).

Paper 3 tests the effect of income inequality (Gini index) on justification of fraud. The hypothesis states that countries with greater income inequalities are associated with more acceptance of fraud amongst consumers. The results support this hypothesis (controlling for GDP and level of corruption in public sector), as countries with greater income inequalities are associated with more acceptance of fraud (specifically, cheating on taxes). Paper 3 identifies the perception of corruption in public sector and income inequality as two variables that possibly influence economic morality as they are associated with acceptance of specific types of fraud.

Papers 2 and 3 address the contextual mechanism (Type I mechanism). Together, they show that the neo-liberal transition and the cornucopia of new opportunities are not necessary and sufficient conditions to change economic morality. Economic development sustained in non-economic institutions contend unethical practices (neo-liberal transition is not a sufficient condition) and other country economic and cultural circumstances such as income inequality and perception of corruption in the government shape economic morality (neo-liberal transition is not a necessary condition).

The third research question requires the identification of a psychological mechanism (Type II mechanism) that explains how a state of market anomie contributes to the emergence of consumer dishonest behaviour. The current framework for explaining consumer dishonest behaviour does not provide a direct answer to the question of why some consumers are more likely to engage in fraudulent practices than others. Karstedt and Farrall (2006) suggest that those who have been exposed to unethical business practices would be more favorable to dishonest behaviour. These authors conclude that since middle class individuals are the target for business unethical practices, dishonest practices should be more usual in the middle classes. A related explanation for

individual differences in engagement on dishonest practices directs to different levels of trust in the economic agents (due possibly to different experiences of victimization).

Paper 1 explored the distribution of dishonest behaviour across social class, drawing on the third research question. Paper 3 tests whether the lack of trust in political institutions triggers dishonest behaviour. The results of these two papers indicate that crimes of everyday life are widespread across social classes (paper 1 using ESS data 2004), even though passive fraud is more common among higher classes and distrust in political institutions is associated with justification of fraudulent practices (paper 3, using EVS data, 2008).

Additionally, it has been also advanced that relative deprivation theory (Runciman, 1966) explains individual differences in consumer fraud. A feeling of economic deprivation was suggested by Merton (1957) as being at the basis of deviant behaviour. The hypothesis that relative deprivation fuels a perception of the unfairness of the economy and motivates dishonest practices is tested in paper 2 (using ESS data, 2004). It is revealed that, in countries where social norms restrain fraudulent practices, relatively deprived consumers are more likely to engage in these practices. But in countries where social norms are favorable to fraud, less deprived consumers are more likely to engage in fraudulent activity. These results highlight—in line with Merton (1957)—that fraudulent activity is triggered by feelings of relative deprivation, but only if these behaviours are deviant. If they are common, social norms and opportunity dictate the likelihood to engage in fraudulent activity, rather than deprivation feelings.

The results suggest that trust in institutions underlies dishonest behaviour. This finding was also stressed in Karstedt and Farrall's study (2006). But on its own, it doesn't explain why some individuals have more propensity to engage in fraudulent practices than others. Relative deprivation doesn't provide an answer to all situations since relative deprivation is associated with dishonest practices only in countries where these practices are deviant. In a systematic way, the three papers presented here allow to answer the following questions:

- Who are the consumers that engage in fraudulent practices in terms of their socio-demographical characteristics? (paper 1)
- Where are they located in the social structure? (paper 1)

- What is their distribution across Europe? (paper 1)
- What are their motivations and attitudes towards political institutions and the economy? (papers 2 and 3)
- How do country characteristics facilitate the emergence of fraudulent practices amongst consumers? (paper 2 and 3)

The answers for these questions are integrated into one social mechanism that incorporates and extend the current knowledge about consumer dishonest practices.

CHAPTER 2: THEORETICAL FOUNDATIONS

This dissertation contributes to our understanding of consumer fraud across Europe by proposing and testing a social mechanism that accounts for cross-national differences in its prevalence. This chapter first introduces and discusses the theories that motivate the current integrative perspective on individual-, national- and cross-level variation in consumer fraud. These contributions are linked according to a social mechanism that extends the current knowledge about consumer fraud and allows generating hypotheses that are tested in the empirical papers.

Based on the gaps identified in the literature so far, three research questions motivated the empirical studies presented in this dissertation. The first research question is whether the transition to neo-liberal markets was accompanied by a change in economic morality and a rise in consumer fraud. The second research question explores other country contextual factors (social, economic and cultural) that affect economic morality and the dissemination of consumer dishonest practices. The third research question relates to the identification of a psychological mechanism that explains how a state of market anomie contributes to the emergence of consumer dishonest behaviour. In this chapter, the theoretical perspectives that contribute to clarify these three research questions are reviewed and hypotheses derived from the theories are formulated throughout the chapter. At the end of the chapter, a social mechanism— to be tested in the empirical papers—is formulated.

This dissertation revolves around three domains: market, morality and society. A major challenge to consumer research is to integrate those domains of empirical investigation (see Caruana, 2007). In this chapter, the theoretical elaboration of links between these three domains is attempted. Theories that explain how morality shapes and it is shaped by the market and society are reviewed. Theories that explain consumer fraud through different processes are integrated at different levels. Inevitably, different theories employ different levels of analysis of the phenomenon. The focus can be placed on the role that consumers play in shaping economic morality, or on the impact of economic

morality on consumer's practices. Economic morality and consumer morality are two key concepts that are assumed to be in correspondence.

The exposition of the theoretical framework follows the four levels of analysis proposed by Doise (1986): societal (broad social context), positional (position of individual in a group or society), interpersonal (interaction between individuals) and intrapersonal (merely psychological). Relevant theories from cognitive psychology, social psychology, sociology and political science are then considered. At a societal level, consumer fraud is linked to economic morality and characteristics of the market (liberal vs coordinated economy). At a positional level, consumer fraud is linked to anomie and its impact on class structure. The theories classified at societal and positional levels refer to contextual processes (Type I mechanisms) that explain how country characteristics impact individual beliefs, attitudes and values. Intra and interindividual levels allude to cognitive processes and individual characteristics, such as relative deprivation, trust, human values and attitudes towards dishonest behaviour, as well as neutralization processes that sustain dishonest behaviour. Theories classified as being at intra-individual and interindividual levels refer to psychological mechanisms that relate cognition to behaviour (Type II mechanism). It is important to note that understanding the social mechanism underlying consumer fraud through such a multi-disciplinary framework has never before been attempted and tested empirically.

2.1: Societal level: Moral Views of the market and economic morality

2.1.1: Moral view of market societies

The link between market and morality has been a recurring debate in economics, sociology and political science. In this dissertation it is assumed that the market encapsulates a moral dimension that gives meaning to consumer experiences and shapes consumer practices. These moral ideas are incorporated into consumers' values and attitudes; they can be extended to other spheres of action and contexts, such as relationship with governments and social relations.

The point of departure of this dissertation is the idea that the market and morality cannot be seen as separate entities since the market is a moralizing agent is. This theoretical

position is well established in the literature by Fourcade and Healy (2007) and concurs with four alternative positions of market society. The four positions will be discussed in the next paragraphs. At the end of this section, the idea of economic morality is presented and the link between market and morality with the theoretical position endorsed is made clear.

There are different perspectives on the beneficial or harmful effect of the market on social order are more or less openly articulated in benchmark theories and schools of thought that shaped the evolution of the social sciences. Resulting from different visions of human nature, social organization and ideal institutions, the rival views of market society can be grouped into three broad categories (Hirschman, 1982): the market can have a *civilizing* effect on social order, politics and culture; the market can have a *destructive* effect on social order, politics and culture; and the market can have a *feeble* effect on social order, politics and culture. Despite the fact that these ideas appeared in a historical progression, all may be encountered in contemporary literature. A fourth position recently advocated by Fourcade and Healy (2007) is endorsed in this dissertation. This position considers that “markets are cultural phenomena and moral projects in their own right” (p. 285).

The thesis that market has a civilizing and positive effect on society has been termed by Hirschman (1982), the *doux commerce* dissertation. More recently, Fourcade and Healy (2007) used the expression “liberal dream”. This optimistic perspective prevailed in the eighteenth century and persists nowadays in mainstream economic thinking. From an individual perspective, it is asserted that personal virtues such as gentleness, cordiality, integrity, honesty and responsibility are assumed to be fostered by the communicative dimension that commerce transactions between strangers promote. From a social perspective, the coordination of interests of all agents involved in the exchange are believed to generate cooperation and social harmony.

The *doux commerce* dissertation is based on the idea that the well-being of individuals is guaranteed as long as the market satisfies individual needs and wants through an efficient allocation of resources (Frey & Stutzer, 2002). Accordingly, wealth, satisfaction of wants and economic welfare inevitably lead to happiness. Lane (1991) goes further, claiming that the efficiency of the market should be evaluated by two criteria: happiness and human development. The happiness derived from the satisfaction

of needs and desires is considered not to be the only aim of the market; the satisfaction derived from experience with the market should be also considered. Lane (1991) considers that production and distribution processes are also sources of well-being in a way that they stimulate cognitive complexity, self-esteem and self-control. In Lane's words, "the market should be judged by the satisfaction people receive as a consequence of their market experiences and by what they learn from them" (p.5). The goods and services provided by the market are only intermediate goals subordinated to the ultimate goals of happiness and human development.

Another virtue attributed to the market is the promotion of personal freedom and choice that spread to the political and cultural spheres (Friedman, 1962). As Fourcade and Healy (2007) put it: "consumer sovereignty is political freedom in another guise" (p. 289). In the cultural sphere, the beneficial effect of the market relates to the commodification of cultural goods and the creation of incentives to creativity and innovation.

A radical shift from *doux commerce* dissertation to a rather pessimistic view of the market may be credited to Marx and Veblen's thinking. The *self-destructive dissertation* (Hirschman, 1982) or *commodified nightmare* (Fourcade & Healy, 2007) challenges the moral merit of capitalism based on the belief that it contains the seed of its own destruction and promotes conspicuous consumption. From this perspective, capitalism corrodes personal character and moral values by stimulating competition and envy of others lifestyles, ignoring the origin of desires and distorting social relations (Polanyi & MacIver, 1957). Contemporary authors (e.g., Galbraith, 2004) tend to contest the existence of consumer sovereignty, based on the firm belief that industries and advertising control and manipulate consumers, in that they cultivate the demand for products.

In face of these new developments, the *doux commerce* dissertation was revised. A morally neutral tone was adopted largely by economic sociologists. This was achieved by attributing less deterministic power to market forces. Rather than assuming a strong direct link from the market to the social order, whether beneficial or prejudicial, the emphasis turned to the other direction. Instead of being a dependent variable, the moral order is a factor that shapes the structure of the market and economic development. A classical author who stressed the role played by cultural and institutional legacies in

raising and sustaining market systems was Weber (1930) who focused on the way religious doctrine is associated with economic organization. In his view, each religion encloses an economic ethic that supports or reproves certain economic practices in everyday life.

This third view is reinforced by factual evidence of distinctive paths of capitalism in different countries or regions (Hall & Soskice, 2001). Two distinct varieties of market economies—liberal (LME) and coordinated (CME)—resulted from the interaction of markets with cultural and social milieu. In LME, firms coordinate their activities via hierarchies and competitive market arrangements and the equilibrium outcomes of firm behaviour are usually given by demand and supply conditions (Hall & Soskice, 2001, p. 8). In CME, firms depend more heavily on non-market relationships to coordinate their endeavors with other actors and to construct their core competencies (Hall & Soskice, 2001, p. 8).

LME and CME may also be seen as two archetypes of two contrasting poles of a continuum along which all countries may theoretically be positioned. The authors identified empirically clusters of countries included in this dichotomy based on two indicators of institutional practices: stock market capitalization (ratio of market value of listed companies to GDP) and employment protection (composite index of ease of hiring and firing). The distinction between LME and CME has been evoked to explain technological specialization patterns (Akkermans, Castaldi, & Los, 2009) and specific legal systems (Pistor, 2006).

In this dissertation, the distinction between LME and CME will be used to describe patterns of dishonest behaviour in each one of the market economies (cf. paper 1). This is done only with the descriptive purpose of characterising the patterns of consumer fraud in Europe. Considering that different market economies are rooted in different cultural values, it can be assumed that different patterns of dishonest behaviour would emerge in countries classified as CME or LME. This constitutes the first research hypothesis in this dissertation.

H1: CME and LME differ in respect to patterns of consumer dishonest behaviour (paper 1).

A fourth position, not considered in the original Hirschman's (1982) scheme, has been recently advocated by Fourcade and Healy (2007). This position is central to the current dissertation. The authors consider that "markets are cultural phenomena and moral projects in their own right" (p. 285). This perspective considers that markets and morality should not be regarded as separate entities, since the market is a moralizing agent. This is the core of the idea of economic morality. As part of culture, markets participate in the process of conveying moral meaning to economic practices.

The morality of markets is more or less explicit in daily exchanges, advertisement and economical discourses. On the one hand, moralizing ideas might be abstracted from expressions such as creditworthiness of nations, countries level of corruption, fair trade and corporate and environmental responsibility that are immersed in the economic world. On the other hand, practices and discourses centered on efficiency and social responsibility, aimed at conferring credibility to markets, align with prevailing moral ideas (Fourcade & Healy, 2007). Thus, economic practices are framed in economic and social principles with a prescriptive function for behavioural and cognitive systems (Fourcade & Healy, 2007). In this dissertation, consumer fraud is assumed to be associated with moral ideas about the economic world that determine the illegitimacy of illegal behaviour.

The market system becomes a moralizing institution to the extent to which market principles penetrate other institutional domains. Broader market principles—such as efficiency, productivity and social responsibility—may develop into socially shared values such as material satisfaction and the pursuit of well-being. Messner and Rosenfeld (1994) refer to the culture of the "American Dream" to express the configuration of values that emerges in capitalist societies characterized by achievement orientation, competitive individualism and monetary success. The morality of the market is derived from this constellation of values in market societies. In capitalist societies, the wrongness of certain practices is evaluated against the shared values of achievement, individualism and materialism.

The perspective of the market as a moralizing agent is also shared by Baudrillard (1998), who proposed a definition of consumption that includes, amongst other ideas, the one that consumption is itself morality, i.e. a system of ideological values. In his view, consumption takes the form of a structural organization that is external and

imposes itself upon individuals. In Baudrillard's (ibid) words, consumer society is a "new objective situation governed by a new morality" (p. 175). Baudrillard's definition of consumption is central to this dissertation: consumer behaviour is linked to ideology and morality and cannot be detached from the cultural context in which it acquires meaning.

Baudrillard (1998) also claims that "consumer society is at one and at the same time a society of solicitude and a society of repression" (p. 174). Assuming that the common goals of happiness and well-being are not naturally-driven desires, Baudrillard considers that these goals are embedded in the morality of the market, in its rationality and in its illusion that everything has a purpose. The market is repressive to the extent that people need to adapt to these externally imposed goals. The existence of a whole range of criminal behaviours that may be observed in economic developed countries reinforces the idea that adaptation is not always an easy process. For Baudrillard, these deviant behaviours express resistance and demand freedom. This idea suggests that the market can be better understood as a system of psychological and moral constraints that fosters more or less enforced adaptation to new types of behaviour, collective restrictions and norms (p.176). Here rests the contradiction of market: its affluence and, at the same time, its limitation.

This understanding of the morality of markets echoes Durkheim's thinking that moral boundaries are sociological phenomenon. For Durkheim (Durkheim & Catlin, 1966), a moral fact can be recognized if, when it is violated, a sanction takes place. As Durkheim sees it, it is the whole society and, more specifically, the authority coming from "common awareness" (Durkheim & Catlin, 1966), that dictates what is legitimate or inappropriate rather than some static and universal ethical standards. As such, the ethical standards will differ not only between different societies but will also encompass social or institutional changes within a given society. As such, the ethical dimension of consumer behaviour cannot be judged by an external criterion, but should be regarded according to the moral standards of society regarding consumer behaviour.

Baudrillard and Durkheim's positions suggest that fraudulent behaviour should be considered deviant only in relation to a system of norms and restrictions that drive behaviour to a prescribed direction. It follows that in societies where consumer fraud is

widespread, social norms to behave dishonestly are entrenched in the morality of the market.

2.1.2: Economic morality and consumer dishonest behaviour

Economic morality captures the moral dimension of the economy and practices of economic agents. Economic morality can be defined as “a particular set of justice perceptions and the moral order of the economy” (Karstedt & Farrall, 2006, p. 4), in which “the mutual rights and obligations of the governing and the governed are collected and condensed” (Svallfors, 2006, p. 36). The vision of the market as having a morality is ingrained in the idea of economic morality.

The expression “economic morality” was first coined by Thompson (1971) in order to explain corn riots in eighteenth century Britain formed by consumers battling for surplus and fair prices on basic provisions. The riots were recognized as manifestations of grievance, resulting from a clash in expectations, framed on an embedded economy submerged in social relations and reciprocity principles and the demands of a more advanced, autonomous market (Booth, 1994). An embedded economy is defined by (Polanyi & MacIver, 1957) as immersed in social relations and cannot be separate of society as a whole. The moral indignation of pre-market people when faced with a more modern economic order was then expressed through opposition and conflict. This historical moment was recognized by some (e.g., Trentmann, 2004) as a first step towards the recognition of consumer authority in economic and political realms. In political science, economic morality still relies on the distinction between non-market and market societies and it is linked to the resistance resulting of the inclusion of non-market people in market-based societies (see Arnold, 2001).

This classic example spread into political science literature, and other applications of the study of economic morality were considered. Different approaches to economic morality revolve around the idea that when a clash between consumers’ expectations and actual events takes place, consumers react with moral indignation and the questioning of market or governmental legitimacy. In extreme cases, resistance and/or rebellion may occur.

Karstedt and Farrall (2006) use the expression “syndrome of market anomie” to refer to the constellation of feelings and beliefs about the market that derives from the clash of expectations between ethical principles and actual practices. The syndrome of market anomie is described by distrust related to market and market agents and cynical attitudes towards the law. Resistance and non-compliance with market principles are assumed to be at the basis of crimes of everyday life. Crimes of everyday life hold, according to Karstedt and Farrall (2006), the same meaning and deep motivations than food riots in the eighteenth century. In a similar way, they express resistance and grievance towards the market.

Karstedt and Farrall (ibid) claim that “the crimes of everyday life reflect the changes of the economy at the late twentieth century” (p. 1012). This idea has resonance in Thompson’s approach to economic morality. Similarly, in Thompson’s example, the rebellions were explained through changes in economic conditions regarded as illegitimate by pre-market people. This suggests that the new economic order has to be perceived by consumers as fair to be assimilated by consumers in terms of new practices or adjustment to old ones. Applying these ideas, global economic changes (such as economic reforms) shift economic morality. Perceptions of fairness and justice about the economic world would then encompass economic dynamics and influence the emergence of dishonest practices in the marketplace.

Karstedt and Farrall (2006) consider that if consumers don’t recognize changes in the economy as fair and legitimate, a syndrome of market anomie sets the stage for dishonest practices. The association between perceived fairness of the market, a syndrome of market anomie and the intention to behave dishonestly was tested in samples from England, Wales and Western and Eastern Germany. The authors justify the choice of these regions by assuming that all four regions are macro-units that have undergone different economic and social trajectories. As such, different market characteristics and welfare regimes characterize these regions: England and Wales represent an advanced market with fewer state-provided services, Western Germany corresponds to a market society with strong protective state provision and Eastern Germany is an example of a ready-made market society in transition from a communist regime (p. 1015). The theoretical framework proposed by Karstedt and Farrall was corroborated in the four regions using structural equation modelling.

Drawing on the idea that perceived unfairness of the economy support dishonest practices, it is not clear whether other country contexts bring about a poor economic morality and consumer dishonest practices. Besides an economic reform seen as illegitimate, an unequal distribution of wealth in society may also be associated with beliefs of unfairness of the economy among consumers. In societies with a weak distributive justice, individuals would trust less in the economy and in economic agents, in line with the syndrome of market anomie. Consumer fraud is then be more likely to occur in unequal societies. This is the rationale for the second research hypothesis:

H2: There is more acceptance of fraud in countries with greater income inequalities (paper 3).

Additionally, corruption in public sector may impact economic morality. This variable has been shown to be associated with VAT fraud (Reckon, 2009). The rationale for this association is that corruption in the public sector is associated with lower judicial/legal effectiveness (Kaufman, 2004). By relaxing legal barriers which sanction fraud, law compliance diminishes. The framework of economic morality also predicts that corruption in the public sector and consumer fraud may be associated because the perception of corruption diminishes the trust in government and impacts economic morality. As such, fraudulent practices are more likely to occur in countries with perceived level of corruption economic morality is poor and law is not effectively enforced. The third research hypothesis states that:

H3: There is higher acceptance of fraud in countries with countries with higher levels of corruption in the public sector (paper 3).

2.1.3: Economic morality and institutions

Economic morality is shaped by public policies and institutions through a process of normative feedback that passes on to citizens the message of which rights and responsibilities are expected from them as members of a wider community (Svallfors, 2006). Economic morality is assumed to have some stability in a particular society since a definite change in the way consumers perceive the economy is not the direct result of the establishment of new policies. Such a transformation presupposes an extensive and slow-moving mechanism of socio-cognitive adjustment to new ideas in people's minds,

in which psychological processes intervene, such as the information's diffusion and management, cognitive assimilation of changes, accommodation of new ideas with old ones and feedback loops based on consumers' actual experiences and expectations. A gradual change would emerge from the dialogue between innovative ideas and existing collective attitudes, systems of beliefs and values embedded in the culture.

This idea is stressed by Roland (2004), who proposed a useful distinction between slow moving and fast moving institutions in order to develop a framework for understanding institutional change, illustrating the limitations associated with the transplantation of best-practice institutions. North's (1990) definition of institutions is adopted: "institutions include any form of constraint that human beings devise to shape human interaction" (p. 3). An example of a slow-moving institution is culture understood as a constellation of values, beliefs and social norms. Slow-moving institutions progress at a slow, incremental and continuous pace. Conversely, political institutions (e.g., regime type, electoral rules, degree of federalism) may change more quickly and abruptly. They are classified as fast moving institutions (Roland, 2004).

Roland's (2004) macrosystemic approach to institutions is assumed here, in that institutions are interdependent and function in a complementary way. Along these lines, successful institutional change depends on the degree of congruence of new and existing institutions. On the one hand, incremental changes in culture will gradually create inconsistencies in fast moving institutions, creating pressure towards change. On the other hand, a reform in a fast-moving institution is condemned to failure if it does not respect the stage and specificities of slow moving institutions. Therefore, the cultural milieu is a fundamental determinant of whether a new input will succeed or fail. It may be legitimately concluded that the more irreconcilable the new and old ideas appear to be the more non-compliance and grievance manifestations can be expected from members of society.

Roland's (2004) idea that successful changes in fast moving institutions such as economic systems should taking into account the cultural values to be successfully implemented is also stressed by Institutional Anomie Theory (Messner & Rosenfeld, 2010). This theory maintains that institutional anomie is driven by structural forces derived from the economic dominance in the institutional structure, i.e., by market forces that are not balanced by the values of social institutions. In a market society, the

power of economic institutions may surmount to different degrees the power of non-economic institutions (family, education, welfare, religious and political institutions). In extreme situations, a cultural ethos where the competition and materialism values are overemphasized can be created. As a result, the normal functioning of non-economic institutions is disrupted, especially social control is worsened. In Messner and Rosenfeld's words (1994), "non-economic institutions have a limited capacity to offer incentives and penalties for socially prescribed or proscribed behaviour" (p. 87).

The authors consider four conditions for economic dominance over social institutions (Messner and Rosenfeld, 1997): (1) economic goals are assigned high priority in comparison with noneconomic goals; (2) the claims of economic roles are typically honored at the expense of those of noneconomic roles when conflicts occur; (3) social standing tends to be more highly dependent on the performance of economic roles than of noneconomic roles; and (4) the calculating, utilitarian logic of the marketplace penetrates other institutional realms" (p.1396).

Thus, according to the Theory of Institutional Anomie, the prevalence of economic values in market societies and the lack of power of social institutions are conducive to perceptions of injustice and cynical attitudes towards the law amongst consumers. Crime is facilitated under these conditions, especially "criminal behaviour with an instrumental character, behaviour that offers monetary rewards" (Messner & Rosenfeld, 1994, p. 68, 85).

Roland's (2004) and Messner and Rosenfeld's (1994) ideas can be summarised in the following way: rapid changes in the economy that do not respect the cultural stage lead to the disembeddedness of the market with social institutions and institutional anomie arises, facilitating dishonest behaviour. This idea can be conciliated with Karstedt and Farrall's (2006) framework to shed some light on the first research question in this dissertation of whether the transition to neo-liberal economies was accompanied by a change in economic morality and a rise in consumer fraud.

Roland's (2004) differentiation between fast and slow moving institutions suggests that the emergence of unfair practices in the marketplace may be facilitated by a transition to neo-liberal markets (fast moving institutions) if these changes are not accompanied by a concomitant movement from the slow moving institutions. A rapid economic development may lead to the disembeddedness of the market with social institutions and

to the suffocation of the values of social institutions by the market values of achievement and materialism. This scenario configures a state of institutional anomie (Messner & Rosenfeld, 1994; Messner & Rosenfeld, 2010; Rosenfeld & Messner, 1997) or market anomie (Karstedt & Farrall, 2004, 2006). If, by contrast, the economic expansion proceeds at a gradual pace, the market values can be progressively absorbed and incorporated in the values of social institutions. Additionally, a rapid economic development brings a cornucopia of opportunities to unethical behaviour that accompany neo-liberal markets (Karstedt & Farrall, 2006; Shover, et al., 2003). An over-emphasis on materialistic values coupled with augmented opportunities to cheat inflames dishonest practices (both from business and consumers). This suggests the fourth research hypothesis to be tested with cross-national data:

H4: Countries with markets economies with higher rates of growth show higher prevalence of consumer dishonest practices (paper 2)

2.2: Positional level: Anomie

A central idea in Karstedt and Farrall's (2006) framework is that a syndrome of market anomie—expressed by distrust in the market, in the law and in economic agents—drives consumer dishonest practices. Anomie is closely connected to the position that individuals hold in the social structure as, asserted by the theories of anomie reviewed in this section.

Anomie grasps the idea of failure of social forces to regulate the behaviour of individuals in the prescribed direction (Bernburg, 2002). In the next paragraphs, theories of anomie by Émile Durkheim (1930) and Robert Merton (1938) are presented. The application of anomie to market contexts is discussed within these classical theories at the end of this section.

2.2.1: Classical approaches to anomie: Durkheim and Merton

The main difference between Durkheim's (1930) and Merton's (1938) anomie theories is that, for Durkheim anomie was generated by industrialization and rapid economic growth not accompanied by an adequate progression in social morals able to constrain

individual desires. For Merton anomie was driven by an overemphasis on the goal of economic success compared to the institutionalized means to attain this goal.

Durkheim (1930) claims that industrial societies sustain a chronic state of normative deregulation of social ends that may lead to anomie of its members. Anomie was defined here as the sense of marginality that may be felt within “normal” society (Durkheim, 1930). Anomie is seen by Durkheim as the condition for deviant behaviour. The state of anomie, which comprises the feelings of alienation and emptiness, was the direct result of capitalism in Durkheim’s assertions. Mechanical solidarity—promoted by the division of labor—not only characterized the nature of work, but also defined human action in capitalist societies. This situation leads individuals to lose the sight of the whole meaning of life. Life-goals become ill-conceived in this way and human desires unlimited according to Durkheim.

Along these lines, the hypothesis that a rapid economic growth would facilitate dishonest practices (H4) is partially supported by Durkheim’s thinking. However, the rationale for this hypothesis is provided by Institutional Anomie Theory (Messner & Rosenfeld, 2001, 2010) which considers that market values expand to other institutions creating a state of anomie. Durkheim and Institutional Anomie Theory diverge in that anomie is derived from an over-emphasis on materialistic values, or from unattainable materialistic goals, respectively.

In his seminal study of suicide, Durkheim (1930) gave extensive evidence for the hypothesis that economic prosperity (as well as economic recession) would lead to an increase in the rates of suicide. He concluded that any other disturbance in the collective order would have the same effect. This intriguing finding was explained through the concept of anomie generated by disturbance in the social order. Durkheim (1930) asserted that if individuals for some reason move upwards or downwards in the social structure, the scale of needs and desires would be at odds with the resources available in this new condition. Social goals (or economic ideals) are more or less explicit for individuals according to the place they are located in the social hierarchy. Here lies the positional nature of anomie.

Individuals whose needs and desires cannot be fulfilled in their current social position experience anomie since they would be pursuing ends that are not attainable. Anomie of ends would lead individuals to pursue unattainable goals which results in a permanent

sense of frustration. The human existence turns out to be, in this situation, a torment. Durkheim (1930) used this rationale to explain a different incidence of suicide rates in different countries and amongst social groups (Durkheim, 1930).

For Merton (1957), the source of anomie derived, not from the anomie of ends as asserted by Durkheim, but from anomie of means to achieve social ends. Social ends are “culturally defined goals, purposes and interests held out as legitimate objects for all or for diversely located members of society” (p. 186). Merton (1957) considers that market economies value self-interest, competition and materialism. As such, individual realization is associated with economic success for all individuals, irrespective of their position in the social structure. Institutional means, in turn, “define, regulate and control the acceptable modes of reaching out these goals” (p. 187). In his way, both social ends and institutional means are determined by society.

Merton (1957) asserts that if too much emphasis is placed on the social goals, compared to the ways these goals can be attained, a state of anomie (or normlessness) arises. Anomie drives criminal behaviour because the “end-justifies-the-means” principle prevails in anomic societies.

Institutional Anomie Theory is an extension of Merton’s anomie theory (1938). Drawing on Merton’s idea of a means and ends incongruence, Messner and Rosenfeld (Messner, 1988; Messner & Rosenfeld, 2010) go beyond it to specify the elements of culture that originate the imbalance characterized by an over-emphasis on (materialistic) goals, that is the disembeddedness of market from social institutions.

Another idea in Merton’s framework is that the social structure dictates the extent to which deviant behaviour is likely to occur. Because the range of possible institutional means is limited by the social structure, individuals in disadvantaged social positions aspire for goals difficult to achieve by institutional means. Lower educated or unskilled employees, for example, have their way to material success somewhat blocked in market economies because they cannot achieve well-paid jobs. Consequently, particularly in these social groups, non-institutional strategies to achieve material success would be employed.

Applying Mertonian thinking to market anomie, one can expect that individuals in different positions in the social structure would experience anomie differently. The

strong emphasis that is placed on material goals in market societies compared with the institutional means can lead individuals from disadvantaged positions to engage in illegitimate practices.

2.2.2: Moral economy of class

Contrasting with Mertonian thinking, there is a widespread belief in the literature that fraudulent consumers belong to the middle classes. A major example is a study by Wilkes (1978), who sought to assess consumer attitudes towards various fraud situations, surveying only middle-class respondents. The author justified his choice by “general community orientations and indications that certain fraudulent practices are most associated with middle-class consumers” (p.69). Intuitively, the idea that main offenders would be those at the centre of consumer societies seems appealing. But if one considers that in most capitalist countries 85 to 90 percent of population falls into the middle class (Wright, 1997), this statement remains vague.

Karstedt & Farrall (2004) also asserted the idea that everyday crimes are concentrated among the middle classes¹⁰ since middle class consumers are at the centre of consumer societies. As such, they are the main target for dishonest business practices, as it was empirically shown in their study in England, Wales and Eastern and Western Germany (Karstedt & Farrall, 2006). Given that victimization referred to business unethical practices may result in offending behaviour Karstedt & Farrall (2006) concluded that crimes of everyday life would be more prevalent in the middle classes. Middle class consumers would also perceive more unfairness about the economy as they feel more victimised. Therefore, it can be legitimately concluded that market anomie is more ingrained in the middle classes.

In the same direction, Svallfors (2006) claims that the moral economy may hold different perceptions of unfairness of the economy across the social structure. Taking a positional perspective, Svallfors (2006) elaborated on the idea of moral economy of class to refer to “ideas held by different classes on the reasonableness and fairness of a certain distribution of resources or the ways certain institutions (such as the market)

¹⁰ Karstedt & Farrall (2007) used also the expression “middle class crimes” to refer to crimes of everyday life.

operate” (p. 6). These ideas are anchored in common experiences, goals, interests and social standards. Aligning with Karstedt and Farrall (2004), it can be predicted that the middle classes are more prone to dishonest behaviour because they feel more victimised.

It is not however clear whether consumer fraud is more likely to occur among lower class or middle class individuals. Confusion between motivation to behave dishonestly and opportunity to do so may also obfuscate the current discussion. Mertonian thinking predicts that the motivation to fraudulent behaviour would be higher in the lower classes, because individuals would be more exposed to anomie of normative means. Karstedt and Farrall (2006) argue that middle class individuals are the target of unethical practices by business and also have more opportunity to behave dishonestly (than lower class individuals).

Empirical studies that directly examine this question are scarce, due possibly to the non-availability of representative samples in the past. ESS representative samples of European countries provide definite answer on this controversy. A fifth hypothesis of different rates of consumer fraud in the social structure linked to different economic moralities will be tested in this dissertation:

H5: The prevalence of consumer fraud varies with social class membership (paper 1).

Merton’s Theory of Anomie and Social Structure (1938) is formulated at three levels of analysis: societal, positional and individual. Anomie is conceptualized at a societal level if it is seen as a property of social systems. In anomic societies, the social structure does not allow individuals to reach culturally approved goals through normative means. Merton names such social structure a “strained social structure”. A strained social structure explains why some societies are more prone to deviant behaviour than others. The de-legitimization of norms resulting from the over-emphasis of goals compared to the means to achieve these goals.

The idea that pressures to behave outside the rules have different intensities across the social structure because the lower classes face more restrictions in attaining socially valuable goals corresponds to the positional level of analysis. In the next section, a theory of deviant motivation based on relative deprivation is presented. This constitutes

the individual level of analysis in Merton's (1957) Theory of Anomie and Social Structure.

2.3: Individual and interindividual level: Consumer morality and dishonest behaviour

2.3.1: Relative deprivation

According to Merton (1957), social forces to disobey the rules rests on the feelings of frustration and deprivation that individuals facing restricted opportunities may experience. As such, different feelings of deprivation would account for different rates of deviant behaviour across social classes. However, this rather simple motivational explanation hasn't survived to empirical refutation and alternative explanations for deviant behaviour have been put forward. For example, control theories tried to explain the spreading of deviant behaviour by the attenuation in the strength, effectiveness and scope of institutional controls (cf. Messner, 1988). However control theories fail to explain different rates of deviant behaviour across social structures. Possibly, relative deprivation offers an explanation for deviant behaviour only in strained social structures, i.e., in societies where individuals cannot reach institutional goals by normative means due to a social structure with fixed boundaries in terms of social mobility. The cross-national study of the effect of relative deprivation on deviant behaviour and its interaction with country social characteristics would help to clarify this question.

Applying Merton's ideas for consumer fraud, it can be hypothesized that relative deprivation would fuel dishonest practices in the marketplace. This psychological explanation is particularly suited to societies where consumer fraud is uncommon, as it applies to deviant behaviour (Merton, 1957). This constitutes the sixth research hypothesis in this dissertation.

H6: Relatively deprived individuals are more likely to engage in fraudulent practices (especially in countries where dishonest practices are uncommon)

The third research question in this dissertation refers to the identification of a psychological mechanism that explains how market anomie would translate into fraudulent behaviour. Relative deprivation offers a partial answer as relatively deprived individuals, according to Merton (1957), would experience feelings of anomie in market societies with strained social structures. But relative deprivation would constitute only a motivation for behaving dishonestly. Opportunity and psychological characteristics such as attitudes and human values would determine the extent to which motivation would materialize in dishonest behaviour. In the next paragraphs, it is provided an account of the effect of trust and attitudes in dishonest consumer behaviour.

2.3.2 Trust in institutions

Fukuyama (1995) defines trust as “the expectation that arises within a community of regular, honest and cooperative behaviour, based on commonly shared norms, on the part of other members of that community.” (p. 26). The positive effects of trusting other people on countries’ political and economic performance are well documented in the literature (Fukuyama, 2005; La Porta et al., 1999; Rothstein and Uslaner 2006; Uslaner, 2002). Countries with higher levels of trust in other citizens show lower levels of state corruption (La Porta et al., 1999), lower income inequality (Uslaner, 2002) and higher economic development (Fukuyama, 1995). A growing body of literature agrees that social trust influences good outcomes in economy and democratic phenomena. Delhey and Newton (2005), Fukuyama (1995), Offe (1999), Sztompka (1999), Uslaner (2002) and others believe that trust in fellow citizens strongly influences economic success and democratic performance.

Trust in others implies that we assume that other people share our moral principles (Uslaner, 2002). We don’t necessarily have to share the same political ideology or religion, we trust others simply because we believe in a common human fate and in a synergy of interests. Trust goes beyond identification with the groups we belong, but as a supergroup of human beings, trust is what ties us together. By facilitating cooperation between strangers (Putnam, 1993), trust simplifies the social world providing that trust overrides decisions about cooperation with others. Trust can be built on experiences according to the rule that if the others have been trustworthy, we should trust them. But as we can trust people we do not know, trust it is not necessarily based on past

interaction with others. Rather, it is closer to a cultural value or as Uslaner (2002) puts it, a moral foundation.

Trust in others can assume two basic forms: trust in particular individuals, including family and friends and generalized trust in fellow citizens. Uslaner (2002) refers to the two types of trust as strategic and moralistic trust and Putnam (1993) refers to these types of trust as thick and thin trust, respectively.

Interpersonal trust lies at the basis of trust in groups, organizations and institutions (Offe, 1999). Providing that interpersonal trust facilitates social interaction (Luhmann 1979, p.28), trust also fosters collective behaviour. By engaging in community and civic affairs, citizens look for public interest and build the social institutions upon which democracy rests (Zmerli and Newton, 2008). In this case, interpersonal trust transforms into institutional trust. Institutional trust refers to legitimate power (e.g., in the Parliament), authority (e.g., in the government) or economy (e.g., in the mode of production).

The phenomenon of declining political trust in advanced industrial democracies since the last third of the twentieth century is well documented in the literature (e.g., Dalton 2005). Trust in institutions reflects major events in society such as a war or a political or economic crisis. Recent data from Eurobarometer (2010) suggest that trust in markets and in political institutions has been undermined as a consequence of the current economic crisis in the Eurozone, particularly in the countries more affected such as Ireland, Greece, Spain and Portugal (Roth 2011). As the political and economic discourses were directed to the avoidance of a sovereign default to protect the European banking sector, the trust in democracy and political institutions was damaged especially in these four peripheral countries. The detachment of civic affairs may lead citizens to overlook common interest and consumer deviant behaviour may arise.

H7: Individuals who distrust more in political and economic institutions are more likely to engage in fraudulent practices.

2.3.3: Theory of planned (dishonest) behaviour

So far, relative deprivation and institutional trust are seen as isolated determinants of behaviour. A solution to integrate various individual determinants of behaviour is

offered by the Theory of Planned Behaviour (Ajzen, 1985). The Theory of Planned Behaviour constitutes a psychological mechanism to explain consumer dishonest behaviour and can shed light on the third research question of this dissertation—the identification of a psychological mechanism to explain consumer dishonest behaviour.

Based on concepts of attitude, subjective norms, perceived behavioral control and intention, the theory captures within the same framework cognitive and motivational processes, social influence and contextual specificities. The Theory of Planned Behaviour (Ajzen, 1985) offers a grid for any kind of intended behaviour, i.e. behaviour preceded by intention. As such, it may be efficiently used to explain consumer dishonest behaviour. The theory of Planned Behaviour has been successfully used to predict dishonest behaviour such as cheating, shoplifting and lying (Beck & Ajzen, 1991). Figure 4 depicts the framework for the Theory of Planned Behaviour.

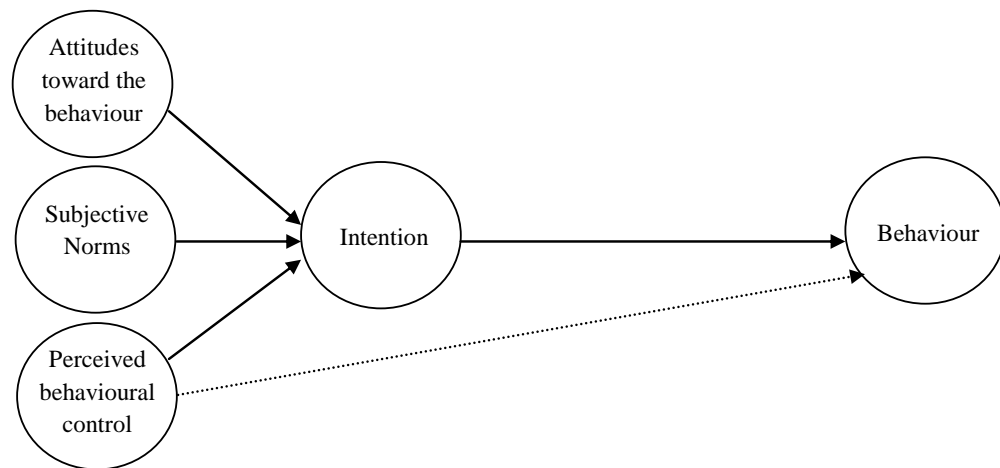


Figure 4: Theory of Planned Behaviour (Ajzen, 1985)

Attitude is the central element in the theory. Attitude refers to “a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor” (Eagly & Chaiken, 1993). In the context of dishonest behaviour, attitude is rooted in human values that dictate whether the behaviour is right or wrong.

The subjective norm is closely linked to the “perceived social pressure to perform or not to perform the behaviour” (Beck & Ajzen, 1991, p. 286). In the context of consumer dishonest behaviour, it refers to the perceived acceptance of the behaviour by significant others and refers to social norms to behave dishonestly.

Perceived behavioural control is the “ease or difficulty of performing the behavior and it is assumed to reflect past experience as well as anticipated impediments and obstacles”(Beck & Ajzen, 1991, p. 286). Perceived control of dishonest behaviour is related to the existence of psychological or physical barriers to engaging in such behaviour. It includes the avoidance of trouble and opportunity. This variable is predicted to have an impact on behaviour through its contribution to the formation of intention, but is also expected to have a direct impact if the perceived capability corresponds to an actual control over the behaviour (Beck & Ajzen, 1991). Perceived behavioural control assumes higher importance in the case of dishonest behaviour since, it involves elements (such as opportunity) over which the individual has very limited control. As noted by Beck and Ajzen (1991), the Theory of Planned Behaviour has a good predictive power for the intention to behave dishonestly, but cannot be used efficiently for the behaviour itself, as the opportunity is crucial to whether the behaviour will take place or not.

Intention is the immediate antecedent of the behaviour and captures the motivational factor of the behaviour (Beck & Ajzen, 1991). According to the theory, contextual specificities (e.g., time, money, skills and resources) would determine the extent to which intention will materialize in actual behaviour. In the context of dishonest behaviour, intention relates to sanction to behaviour and with the likelihood of being caught. It can be assumed that if the likelihood to be caught is null, the intention and behaviour would correspond.

Perceived unfairness is not considered in the original Theory of Planned Behaviour but it was mentioned by Fukukawa (2002) as an important determinant of ethically questionable behaviour. The author defines perceived unfairness as “the extent to which an actor is motivated to redress an imbalance between firms and costumers that is perceived as unfair” (p. 105). This variable assumes particular relevance in this dissertation, as it provides a basis to explain how experiences of victimization turn into offending behaviour. This link was empirically tested and supported in Kasrtdt and Farrall’s (2006) study.

However, the relationship can be in the other direction. Perceived unfairness of companies may be exacerbated in order to neutralize the negative feelings arising from dishonest behaviour. Neutralization consists of mental strategies to deal with cognitive

dissonance in which people downplay the consequences of their behaviour when they think back about it (McGregor, 2009). In the same way, the subjective norm can also be used as a neutralization strategy of the type “it is wrong, but everybody does it”, when it comes to reducing cognitive dissonance (Gabor, 1994).

Another determinant of intention particularly relevant for dishonest behaviour is the personal feeling of moral obligation. This variable was added by Beck and Ajzen (1991) to the model in the particular case of prediction of dishonest behaviour. This adds a moral dimension to the behaviour in terms of its consequences.

In this dissertation, the Theory of Planned Behaviour is not directly tested, as there is no data available for all determinants of behaviour. In this dissertation, it is assumed that (1) the correlation between attitudes towards consumer fraud (measured by acceptance of fraud in paper 3) and the actual behaviour is positive (2) the opportunity to behave dishonestly and the perceived likelihood of being caught are powerful determinants of consumer fraud. Considering that opportunity and efficacy of legal systems varies across countries, a measure of attitude is more accurate than a measure of actual behaviour to identify individual level determinants of fraud without the confounding effect of opportunity and perception of efficacy of the legal system.

The position that the Theory of Planned Behaviour is restricted in its explanatory power to the actions that involve rational choice is endorsed in this dissertation. When it comes to consumer fraudulent behaviour, automatic processing of information should not be neglected (e.g., Tversky and Kahneman, 1974) as it lies beneath quick and therefore automatic decisions, for example, whether to keep the extra change from a shop assistant. By contrast, other dishonest behaviours such as falsely claiming a government benefit may be the outcome of a planned behaviour route of cognitive processing in which the motives, the circumstances and the consequences of the behaviour are carefully scrutinized.

2.3.4: Moral intensity

The perspective asserted in this dissertation is that all forms of consumer behaviour imply moral decisions. Consumer dishonest behaviour implies, to a greater or lesser degree, adverse consequences for business, governments, or other consumers. The

moral implications of the particular behaviour may therefore vary. For example, keeping the extra change from a shop assistant may be judged as morally neutral: it does not bring any major consequences as it is usually a small amount of money nor does it directly affect other people. Falsely claiming state benefits may be considered more serious, on the other hand, as it implies misappropriation of public money and affects the wider society. The concept of moral obligation (Beck and Ajzen, 1991) varies along this dimension that grasps the implication of the behaviour for others. Dishonest behaviours that imply more serious consequences, elicit stronger the feeling of moral obligation to behave honestly.

The degree to which a consumer perceives that a purchase/practice demands the application of ethical principles is referred to as moral intensity (Izzo, 1997). This concept explains why some goods are more prone to ethical consumption than others and some unethical practices are less acceptable than others (Vittel & Patwardhan, 2008).

Moral intensity depends on a vast array of factors. Moral intensity is higher the more time has passed between the action and the manifestation of consequences of this action; the more the consumer expects that the impact will be negative; the more the consumer believes that the consequences will actually take place; the closer the consumer feels to those who will be affected; the more the consumer believes that a large number of people are going to be harmed; and the higher the level of agreement in society that that particular behaviour is unacceptable (Jones, 1991; McGregor, 2009). The factors affecting moral intensity apply to decisions leading to dishonest consumer behaviour. The higher the moral intensity of the behaviour, the higher the moral barriers for it and the less likely it is that the behaviour will be performed.

Moral intensity affects not only actual behaviour, but also judgments of certain practices. The Consumer Ethics Scale (Muncy & Vitell, 1992) assesses the seriousness of dishonest practices by consumers and business. Based on successive applications to various samples, Muncy and Vittel (1992) proposed a typology of consumer ethical judgments grouped into four categories: actively benefiting from an illegal activity, passively benefiting at the expense of the seller, actively benefiting from a questionable action and no harm/no foul. The conclusion of these studies is that consumers judge as

more serious practices that fall into the category of actively benefiting from an illegal activity (high moral intensity) and less serious those with no harm (low moral intensity).

The moral intensity is captured in this dissertation by the dimension of active versus passive. This categorisation distinguishes between situations in which the individual has deliberately initiated the behaviour or merely took advantage of a situation he/she faced. The intentionality of the behaviour implies higher moral intensity (intentional behaviours are evaluated as more serious). The distinction also brings different theoretical and empirical scenarios and its relevance is highlighted in different parts of this dissertation.

In this dissertation, it will be tested whether dishonest practices can be grouped into passive and active fraud depending on the occurrence of the behaviour, providing that consumer dishonest practices which involve lower moral intensities (passive fraud) are more likely to occur.

This is the eighth research hypothesis:

H8: Consumer dishonest practices can be grouped into passive and active in all countries considered.

The distinction between active and passive fraud is useful in this dissertation for describing the patterns of dishonest behaviour in Europe. Some regularity is observed across European countries (cf. paper 1). For example, in developed markets, passive practices are more common than in emerging markets. By contrast, in emerging markets active fraud is more common than in developed markets.

From a mere theoretical perspective, it can be predicted that different psychological mechanisms underlie passive and active practices. For example, the perceived moral obligation (Beck & Ajzen, 1991) appears to determine the behaviour in the case of active rather than passive fraud. Active fraud is more linked to deviant nature and all the active practices covered in this dissertation are condemned by law in all countries (bribing public officials, social benefit fraud, padding insurance and misusing a document).

2.4: Social mechanism for consumer fraud

In sections 2.1 to 2.3, the current theoretical framework that explains consumer dishonest behaviour and seminal studies were presented; the gaps in the knowledge provided by this current framework have been identified; the research questions motivated by those gaps have been formulated; and research hypotheses have been derived from theoretical and empirical literature. In this section, a summary of research questions and corresponding hypotheses is offered and the social mechanism for consumer fraud is also presented.

Based on the gaps identified in the literature, three research questions motivated the empirical studies presented in this dissertation. The first research question is whether the transition to neo-liberal markets was accompanied by a change in economic morality and a rise in consumer fraud (macro-level association). The corresponding hypothesis is:

H4: Countries with market economies which higher rates of growth show higher prevalence of consumer dishonest practices (tested in paper 2, ESS data).

The second research problem questions which country contextual factors (social, economic and cultural) affect economic morality and the dissemination of consumer dishonest practices (transformational mechanism). The corresponding hypotheses are:

H2: There is acceptance of fraud among consumers in countries with greater income inequalities (tested in paper 3, EVS data).

H3: There is acceptance of fraud among consumers in countries with more perceived corruption in the government (tested in paper 3, EVS data).

The third research question relates to the identification of a mechanism that explains how a state of market anomie contributes to the emergence of consumer dishonest behaviour (psychological mechanism).

H6: Relatively deprived individuals are more likely to engage in fraudulent practices, especially in countries where dishonest practices are uncommon (tested in paper 2, ESS data)

H7: Individuals who distrust more in political institutions are more likely to engage in fraudulent practices (paper 3, EVS data)

Three additional hypotheses that do not directly test the social mechanisms for consumer fraud, but are suited to descriptive purposes, are:

H1: CME and LME differ in respect to patterns of consumer dishonest behaviour (tested in paper 1, ESS data)

H5: The prevalence of consumer fraud varies with class membership (paper 1, ESS data)

H8: Consumer dishonest practices can be grouped into passive and active behaviour in all countries (paper 1, ESS data)

Integrating diverse theoretical perspectives using European Social Survey and European Values Study data predicts that the emergence of unfair practices in the marketplace is facilitated by the transition to neo-liberal markets, if these changes are not accompanied by a parallel evolution of social institutions.

This idea is supported by Roland (2004) and Messner and Rosenfeld (2010), who assert that a rapid economic development promotes the disembeddedness of the market with social institutions. Gradual economic development is built on existing cultural values, as materialistic market values are progressively absorbed by values from social institutions. If the changes are too quick, they cannot be accommodated by existing cultural values and market values will prevail. This leads to an overemphasis on materialistic values in society. Sanctions for dishonest behaviour are usually imposed by non-economic institutions. As non-economic institutions lose power, moral restraints related to dishonest behaviour are lifted by market values. This situation may configure a state of market anomie (Karstedt & Farrall, 2006) characterized by distrust in the economy and in the economic agents and cynical attitudes towards the law. A rapid economic development also brings a cornucopia of opportunities to unethical behaviour that encompass neo-liberal markets (Karstedt & Farrall, 2006; Shover, et al., 2003). An

over-emphasis on materialistic values, coupled with augmented opportunities to cheat, trigger dishonest practices (both from business and consumers).

A general level of perception of corruption amongst public sector may also lead to changes in economic morality. Corruption in public sector is associated with lower judicial/legal effectiveness (Kaufman, 2004). By relaxing legal barriers, law compliance regarding fraud diminishes. Fraudulent behaviour will be more common in all sectors and perceptions of unfairness of the economy will be fostered in society. Thus, there is higher acceptance of fraudulent practices in countries with higher levels of corruption, because economic morality is poor and law is not effectively enforced.

Besides the rapid transition to neo-liberal policies and a higher level of corruption, a high level of social inequalities can also impact the perception of fairness of the economy. In unequal societies, individuals trust less in the economy and in the economic agents, in line with the syndrome of market anomie. As a result, consumer fraud is more approved in unequal societies.

The common denominator of the effect of macro-level factors (disembeddedness of the market with social institutions, corruption in the public sector and social inequalities) is that by impacting economic morality, the syndrome of market anomie—comprising distrust in the economy and economic agents, fear of victimization and cynical attitudes towards the law—may arise. Not all individuals hold this constellation of negative feelings towards the market to the same extent and those who feel victimized by unethical business practices are more likely to experience anomie. Market anomie sets the stage for dishonest practices by impacting individual morality and attitudes towards dishonest behaviour.

Social inequalities signal a strained social structure with deep boundaries between social classes. Lower class individuals are more likely to feel relatively deprived, especially in unequal societies (Merton, 1957). Relative deprivation derives from the impossibility of attaining material success by legitimate means (such as high level of education and a reputable job). Individuals from lower classes can perceive their legitimate way to social ascension blocked by restricted access to education and well-paid jobs. Relative deprivation more linked to the lower classes fuel illegitimate ways (such as dishonest/criminal behaviour) to achieve material success. This psychological mechanism is particularly suited to societies where consumer fraud is uncommon, as it

applies to behaviour of a deviant nature (Merton, 1938). Relative deprivation offers an account for the emergence of fraudulent behaviour, especially in societies where social norms dictate its deviance.

In societies where consumer fraud is widespread, social norms to behave dishonestly dictate practices in the marketplace. The pressure to conform to social norms appears to be a sufficient explanation for the occurrence of consumer fraud. When social norms are favorable, opportunity seems to be the major obstacle to the behaviour. Social norms explain especially the process of expansion of fraudulent behaviour.

Relative deprivation and social conformism offer an account for the motivation of dishonest practices. Opportunity and psychological characteristics such as human values (Schwartz, 1992), attitudes (Beck & Ajzen, 1991) and perception of moral obligations (Beck & Ajzen, 1991) determine the extent to which motivation materialize in dishonest behaviour. Neutralization processes in the form of “Everybody does it” (Gabor, 1994) and “business is unfair”, legitimate and help individuals to integrate dishonest behaviour and determine its continuation.

In the next chapter, the methodology for testing hypotheses referring to the social mechanism with cross-national data is explained.

CHAPTER THREE: METHODOLOGICAL FOUNDATIONS

A fundamental objective of the social sciences is to describe, explain and predict individual and group action and its consequences, as well as the contexts of its emergence. Different disciplines such as sociology, psychology, political science, anthropology and economics contribute to this sphere of knowledge, mapping the social world and informing public policy.

In the previous theoretical chapter, the theories that offer a contribution to explain consumer fraud were discussed and hypotheses derived from those theories were presented. The exposition of the theories followed the levels of analysis of Doise (1986) of societal (broad social context), positional (position of individual in a group or society), interpersonal (interaction between individuals) and intrapersonal (merely psychological). These theories belong to the domain of sociology (e.g., Institutional Anomie Theory), social psychology (e.g., Theory of Planned Behaviour), psychology (e.g., relative deprivation) and political science (e.g., economic morality).

These disciplines are particularly interested in linking individuals to their broad context. For example, sociology has been defined as the “study of human social life, groups and society”(Giddens & Griffiths, 2006); social psychology is “the scientific attempt to explain how the thoughts, feelings and behaviours of individuals are influenced by the actual, imagined, or implied presence of other human beings” (Allport, 1985); and political science is the “study of governments, public policies and political processes, systems and political behaviour” (APSA, 2010). The common denominator of these definitions is the mutual effect of individuals and the social contexts formed by other individuals, social norms, institutions or political systems. The main distinction between them rests on the way individual (micro) and societal (macro) factors are combined to explain human action and its manifestations.

Some of the most famous theorists have straddled different disciplines. Wundt (1904), who is one of the founders of modern psychology, wrote a collection of volumes (*Völkerpsychologie*) covering language, society, art, myth and religion, morals and culture and also led research on experimental physiology. However, the evolution of

the social sciences has been marked by the deepening of boundaries between disciplines. Nowadays, the scope of each social scientific discipline is well delimited, with each having its own theories, topics, methods and institutional traditions.

The explanatory power of social disciplines is somewhat restricted to the section of social reality they focus on. Social phenomena may be analysed through diverse angles and their determinants may allude to individual motivations and values, social forces, institutional characteristics and economic dynamics. As social disciplines fragment social reality, they cannot autonomously provide a complete picture of how individuals and social contexts interact. A transdisciplinary approach is therefore desirable, albeit more difficult in theory and in practice.

The theoretical and empirical approaches of this dissertation rest on the assumption that theories the social sciences should be integrated in order to provide a better account for the phenomenon under analysis, specifically consumer dishonest behaviour. The questions of how consumer dishonest behaviour is originated and maintained would be better understood if motivational forces that lead to dishonest behaviour (micro processes) and social and institutional forces that facilitate or constrain its occurrence (macro processes) were combined into a coherent framework.

The main focus of this dissertation is the integration of these determinants to explain the emergence and maintenance of consumer dishonest behaviour by taking into account all levels of analysis is. This is done by proposing a social mechanism that explains an observed macro-level association with cross-national data. Such macro-level association refers to the description of prevalence of consumer fraud in different countries, regions, or particular groups, such as social classes. In this dissertation, a social mechanism that explains differences in the prevalence of consumer fraud in European countries is suggested.

So far, the social mechanism for consumer fraud considers that social economic context (type of market economy and economic growth), level of corruption in the government and income inequality are macro-level factors that either prevent or facilitate fraudulent behaviour in the marketplace by impacting the individual's perceptions of fairness of the economy. A syndrome of market anomie comprising distrust in the economy and the economic agents and cynical attitudes towards the law predisposes consumers to behave

dishonestly. The behaviour materializes when values, attitudes and social norms towards it are favorable and opportunity arises (cf. section 2.4.)

In this section, the methodological approaches to test social mechanisms are discussed. The chapter starts by introducing the levels of analysis in the social sciences and discusses social mechanisms as a solution to articulate levels of analysis. An example of a social mechanism for deviant behaviour is offered by the Theory of Anomie and Social Structure (Merton, 1957). This theory is discussed in the context of Coleman's (1986) proposal for social mechanisms as being the integration of three distinct processes (contextual, psychological and transformational), involving variables at different levels of analysis. Problems with data and statistical analysis to test social mechanisms are discussed and the methodology of the papers included in this dissertation is presented.

The results suggest that social research based on cross-national data is contributing to theoretical advancement only within the boundaries of disciplines with very low fertilization between theories from different levels of analysis. By bridging theories from different disciplines and levels of analysis, an approach based on social mechanisms would be more desirable, as it contributes to holistic explanations of social phenomena.

3.1: Levels of analysis in the social sciences

The diversity of theories and approaches in the social sciences can be classified according to the main focus of analysis of social reality. As outlined in the theoretical chapter, Doise (1986) identified four types of explanations or levels of analysis in social psychology: intrapersonal (merely psychological), interpersonal (interaction between individuals), positional (position of individual in a group or society) and societal (broad social context). The objective of this systematization is to give some order to the multitude of different results produced by socio-psychological experiments and to show how some classic studies knit together the four levels.

Citing classical examples: the Theory of Cognitive Dissonance (Festinger, 1962) is clearly at the individual level; The Social Learning Theory (Bandura, 1977) at the interpersonal level; whereas The Social Identity Theory (Tajfel, 1982) refers to the positional level and social representations (Moscovici, 1975) occupies the societal level.

Doise (1986) takes a clear multi-disciplinary perspective. He holds that the gulf between psychology and sociology—or explanations based on individual or society—may be shortened through a clear articulation between levels.

It is difficult to think about a societal theory that excludes all the other levels. Social representations theory, for example, involves the integration of intra-individual, interpersonal and positional levels, given that social representations are knowledge structures located in individual minds, that organize individual experience and direct individual action (Moscovici, 1975). They are social in the sense that they result from communicative processes through the interaction between individuals and they are shared by—and give identity to—social groups. They can be abstracted outside individual minds to have a collective existence; they are not only anchored in social groups, they also establish social cleavages. In this way, the societal level appears to be a holistic level that implies the articulation of other levels. This would be the appropriate level for a transdisciplinary approach in the social sciences.

Doise recognized serious epistemological problems concerning the articulations between levels. As Doise (1986) puts it, “some way of articulating these levels needs to be invented because social processes can only occur via processes in the individual” and “the contributions of the individual are affected by the social structure which generates and guides individual activities” (p.4). He went further, to assert that the articulation of levels of analysis should be a topic of research in its own right (p.vii). However, no clear general theory of the articulation of explanations was advanced. Doise considered that there are as many ways of articulating theories as existing ones.

Doise’s levels of analysis draw a rough line between micro and macro analysis of social phenomena. Micro analysis employs a bottom-up approach, putting individuals as the centre of social reality, whereas macro analysis relies on a top-down approach, starting from groups and societies to contextualize human action. Micro theories refer to psychological processes. For example, relative deprivation theory (Runciman, 1966) explains how the perceived economic situation depends on the positioning of the individual in relation to close others and fosters collective behaviour. Macro theories, in turn, rely on social forces and institutions that constrain collective behaviour. One example is anomie theory (Merton, 1938), which explains deviant behaviour based on the concordance of shared materialistic goals and the instrumental ways that are

available to individuals to achieve these goals. When societal pressures to achieve material goals clash with limited ways to achieve them, a state of anomie arises. Micro and macro theories may be intuitively combined: relative deprivation can be the motivational force that fosters anomie amongst individuals in the deprived strata of society. These types of macro/micro theories are not common in social thinking. Yet, macro theories imply certain assumptions about psychological functioning—usually in terms of rational action.

3.2: Bridging the individual and societal levels using social mechanisms

It is an ambitious task to test hypotheses that combine psychological (micro) and sociological (macro) mechanisms integrated through adequate linkages. Within sociology, methodological individualism postulates that the ultimate unit of analysis of social phenomena is a purposive individual and as such “social science explanations should always include explicit references to the causes and consequences of their actions” (Hedström & Swedberg, 1998, p. 12). Rather than reducing social science to the study of individual processes or attributing an outstanding place to psychology, methodological individualism advocates that psychological theories should not be disregarded when it comes to explain higher order phenomena such as collective behaviour.

Contemporary analytical sociology (Hedström & Bearman, 2009) also elaborates the idea that social facts can be better addressed through the combination of micro and macro theories that can be linked together into a coherent framework. This is redolent of Merton’s notion of middle-range theories that explain a class of events instead of isolated social facts. The most cited example is the self-fulfilling prophecy (Merton, 1957), which explains how a false definition of a situation may cause the expected situation to be brought about. If a person expects something to happen, he/she will behave in accordance to their expectations, contributing to the definition of the situation and provoking involuntarily the anticipated situation. This is an example of a psychological mechanism that can be applied to educational, organizational and economic contexts. For example, economic growth of a nation may be brought about by consumer confidence in the economy. If consumers’ confidence in the overall state of the economy is high, they will spend more, what effectively boosts the economy.

The discovery of social mechanisms is an important focus of the social sciences. Social mechanisms are defined as “plausible hypotheses, or sets of plausible hypotheses, that could be the explanation of some social phenomena, the explanation being in terms of interactions between individuals, or individuals and some social aggregate” (Schelling, 1978, p. 32). A theory may encapsulate several social mechanisms, or several theories may summed up into one single mechanism. A social mechanism is expected to be found inside a black-box when one moves beyond mere associations between variables to explanations for the observed association. In this perspective, hypotheses should refer to social mechanisms and statistical testing serves to decide between alternative mechanisms, or part of mechanisms, providing an assessment of the underlying theory.

Social mechanisms articulate explanations across different level of analysis. Coleman (1986) proposed a macro-micro typology that conceptualize social action through the integration of different social theories defined at different levels. The rationale for this model is that effects at the macro-level can be accounted for by how macro-states at one point can influence the behaviour of individual actors and how these actions generate new macro-states at a later time (Hedström & Ylikoski, 2010). The figure below depicts “Coleman’s boat” (cf. Figure 2) that represents three possible mechanisms.

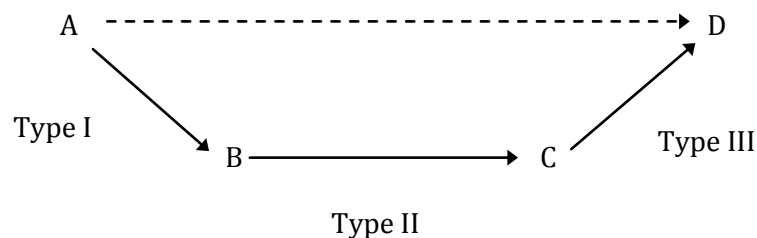


Figure 2: Coleman’s macro-micro model

Element “A” refers to the normative environment (actions of others or environmental social conditions); “B” refers to individual norms, beliefs, desires, opportunities or habits; “C” refers to individual actions; and “D” refers to emergent social outcomes (aggregation networks, extent of action or typical beliefs). Elements “A” and “D” are macro-level variables whereas elements “B” and “C” are micro-level variables.

The arrows between the elements describe associations between those variables that can be explained by mechanisms. The association $A \rightarrow B$ is conceptualized only in

descriptive terms. The explanation of the association implies the formulation of the three mechanisms (contextual, psychological and transformational). The integration of the three mechanisms constitutes the social mechanism that explains why A lead to B.

Type I (macro-micro) is a situational mechanism that explains how macrolevel conditions (e.g., culture or economic dynamics) affect the behaviour of individuals. Situational mechanisms have been studied extensively by cultural psychology. For example, the transition to neo-liberal markets (A) affects individuals' perception of unfairness of the economy (B) because the de-regulation of markets implies a cornucopia of new opportunities for unethical business practices (Karstedt & Farrall, 2006). Consumers who are victims of consumer practices feel more victimized and trust less in the market and perceive the economy as not being fair.

Type II (micro) is a purely individual mechanism and evokes beliefs, attitudes, desires and opportunities as antecedents of action. It is called action-formation mechanism. Social and cognitive psychology occupies this niche of research¹¹. Theory of Planned Behaviour (Beck & Ajzen, 1991) considers that attitudes towards dishonest behaviour (B) can predict the behaviour (C) as long as the individual perceives that significant others will approve the behaviour (subjective norm) and if the individual's moral constraints do not impede the behaviour (perceived moral obligation). If these three determinants are favorable to the behaviour and if opportunity (low chance of being caught) arises, dishonest behaviour will take place.

Type III (micro-macro) describes how isolated individual actions generate collective outcomes, intended or not and it is called transformational mechanism. Amongst the social sciences, the discipline most appropriate to unfold transformational mechanisms is economics. In its simplest form, a transformational mechanism may refer to the direct extrapolation from the individual to the aggregate. In situations where the behaviour of individuals depends on the behaviour of other individuals, the pattern of interdependencies may originate unintended and not so obvious outcomes.

The market is the prime example of the outcome of a transformational mechanism: the decisions and actions of millions of people (C) seem to be coordinated to create an

¹¹ It has been noted that in sociological theorizing, micro-level hypotheses are commonly justified by a theory of rational action (Opp, 2011), signaling that insufficient elaboration has been devoted to micro mechanisms in sociological theories.

economic system characterized by order (D). Adam Smith (1861) looked at this system as if an invisible hand was in command of all the operations. This metaphor encapsulates a transformational mechanism (or multiple transformational mechanisms). George Katona's (1975) efforts to predict economic behaviour at the macro-level based on consumers' decision-making constitute a remarkable example of theory seeking transformational mechanisms.

In sociology, the issue of how individual norms and preferences translate into culture may also be approached by transformational mechanisms. However, the interplay between individual and culture tends to be studied in one direction, emphasizing how culture influences behaviour (Adamopoulos, 2008). One possible explanation for this is that available conceptual models do not offer methodological guidelines as how the interaction between individual and society may be studied (Vijver & Leung, 2000).

By considering the different levels of phenomenon covered by several disciplines within the social sciences and the possible articulation between them, the mechanism approach takes a step further towards a unified and multidisciplinary approach of the social sciences.

3.3: An example of a social mechanism

The idea of social mechanisms is illustrated here by the example of the Merton's Theory of Anomie and Social Structure (Merton, 1957). This theory was formulated at three different levels of analysis—societal, positional and intra-individual. Some authors (Messner, 1988) assert that this theory comprises two distinct and apparently independent theories: a theory of social organization and a theory of deviant motivation. Each of these theories encapsulates different mechanisms, as will be explained below.

In the theory of social organization, Merton (1957) describes a strong social structure as one in which the “social structure allows individuals to reach the cultural approved goals through the normative means” (Messner, 1988, p. 37). Contrasting with a strong social structure, a strained social structure is more prone to deviant behaviour. In this context, element “A” in Coleman's (1986) scheme is the type of social structure (strong vs strained) and element “D” is the rate of deviant behaviour in the lower classes in a given society (cf. Fig. 5). The theory predicts that a strained social structure is

associated with a higher prevalence of deviant behaviour in the lower classes. This constitutes a macro-level association and it is formulated in descriptive terms only.

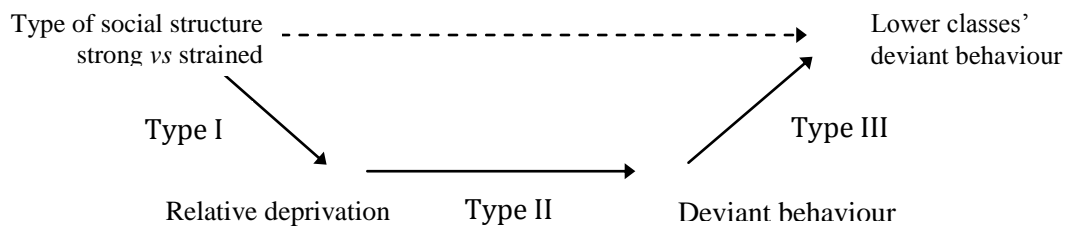


Figure 5: Social mechanism for deviant behaviour

The Type I mechanism (contextual mechanism) considers that in a strained structure, individuals in disadvantaged positions aspire for goals imposed socially (e.g., material success) that are not available by normative means (e.g., a well-paid job). The opportunities for achieving the goals are limited by social structure. As such, individuals who perceive their way to material success blocked by restricted opportunities would feel relatively deprived compared to individuals in more comfortable positions. This explanation of how in strained societies individuals may feel relative deprivation is an example of a contextual mechanism. This contextual mechanism corresponds to the Theory of social organization (Merton, 1957).

The Type II mechanism (psychological mechanism) explains how individuals violate the norms and engage in deviant behaviour. In market societies, goals are more valued than the means that individuals use to pursue them, i.e., the “end-justifies-the-means” prevails. Individuals who feel deprived look for non-normative means to achieve material success, such as dishonest practices (deviant behaviour). This mechanism corresponds to the theory of deviant motivation (Merton, 1938).

The Type III (transformational mechanism) explains how individual deviant behaviour gives rise to collective deviant behaviour, especially amongst the lower classes. This is explained by the idea that the pressures to behave outside the rules are generated at different levels across the social structure. Individuals from lower classes are more likely to feel relatively deprived due to the feelings of frustration and deprivation that individuals facing restricted opportunities experience. Individuals from lower classes are then more motivated to violate the norms. This explains different rates of deviant

behaviour in the social structure. Deviant behaviour will be fostered in lower classes, accounting for this pattern of collective deviant behaviour.

The next sections discuss various empirical approaches to test social mechanisms.

3.4: The promise of comparative research

The importance of comparative research for social sciences has been widely recognized in the literature (Hantrais & Mangen, 1996; Harkness, Van de Vijver, & Mohler, 2003; Øyen, 1990). The phenomenon of globalization re-shaped the social, economic and cultural spheres and thereby expanded social issues and research methodologies beyond national borders. As Livingstone (2003) puts it, “the choice not to conduct a piece of research cross-nationally requires as much justification as the choice to conduct cross-national research” (p. 478).

In a broad sense, comparative research studies particular issues or phenomena in two or more countries. This vague notion is associated with the early stages of comparative research in which “ex post harmonized survey agglomerates” (Gauthier, 2002) covering demographic and behavioural data were analysed for country-contrasts purposes mainly by international institutions. Comparative research gained visibility in the 1960’s through the creation of Vienna Centre of Comparative Research, the holding of an international conference on comparative research and the publication of the World Handbook of Political and Social Indicators (Gauthier, 2002). A decade later, a new type of cross-national surveys emerged in which the comparative logic was extended to research design, implementation, and analysis.

The more recent methodological literature recommends a more precise definition of comparative research confining it to studies in which the comparative aim is explicit in all stages and decisions of research. According to Hantrais and Mangen (1996), a study can be said to be comparative if particular issues or phenomena are studied in two or more countries “with the express intention of comparing their manifestations in different socio-cultural settings, using the same research instruments, either to carry out secondary analysis of national data or to conduct new empirical work” (p. 1).

Diverse concepts have been utilized interchangeably with comparative research such as cross-country, cross-national, cross-societal, cross-cultural, cross-systemic and cross-

institutional, or their equivalents with the prefix “trans” in order to emphasize macro-level structures. Nevertheless, cross-national research is commonly regarded as one type of comparative research in which the nation is used as explanatory unit (v.g. Kohn, 1987). The legitimacy of the nation as a unit of comparison has been debated from a number of perspectives but most specifically, in terms of recognizing cultural or ethnic groups (Dowley & Silver, 2005) or even cities and regions (Cheshire, Furtado, & Magrini, 1996) as more valid aggregates for comparison. But strong pragmatic justifications minimize the debate. Many comparative projects rely on secondary national statistics collected by national governments and the interests of research-funders and policy makers are directed to cross-national comparisons (Livingstone, 2003).

In dealing with comparative method it is important to recognize its possibilities. These are systematized by Kohn (1987) who mapped a typology of cross-national research according to their primary goals. Thus, a nation could be regarded as “object of study” when it is focused on the understanding of one country against the backdrop of other countries; as “context of study” if the aim is the generalization of theories or within-country findings; as “unity of analysis” when it seeks a universal theory based in systematic relations among measurable dimensions along which countries vary, and finally as “component of a larger international or transnational system” if some underlying global process is evoked for explaining interrelations of national systems. This typology offers a framework for justifying methodological approaches and analytical strategies. A useful distinction is highlighted by Van de Vijver (2003): structure-oriented studies address questions of equivalence of constructs across cultures whereas level-oriented studies are directed at the comparison of average scores.

It has become a truism that comparative research is not different from other social research whose nature is comparative as a matter of principle. From a narrower perspective, cross-national research is simply regarded as a more complex kind of social research. Kohn (1987) asserts that in cross-national research, “a much broader range of comparisons can be made involving political and economic systems, cultures and social structures” (p. 725). One of the arguments put forward by those who advocate this position is that the rules of inferential statistics apply everywhere and the analytic strategies are identical. Others, most notably Grimshaw and Armer (1973) take the

position that the complexity of problems posed by cross-national research constitutes a qualitative difference that distinguishes it from other types of social research.

Fragilities of comparative research are assumed by researchers and are largely discussed in the specialized literature. The validity of cross-national studies could be seriously threatened either by issues of standardization and functional equivalence of measures and by generalization constraints due to country selection criteria and within country differential sampling procedures.

In this light, cross-national research stimulates new epistemological challenges and encourages the development of specific theories, methods and analytic techniques. Øyen (1990) summarized the different possible positions on the topic in a categorization in which the individuals that endorse the former position were labelled purists and those agreeing with the latter were comparativists. Adopting the comparativist perspective requires an awareness of the difficulties in doing comparative studies and recognizing the importance of raising questions about the distinctiveness of comparative methodology to further developments in the area.

Methodological advances in comparative research can offer solutions to ever-present issues that might be able to be overlooked in national surveys such as conceptual variability (Suessbrick, Schoeber, & Conrad, 2000) and non-response rates (Couper & De Leeuw, 2003). In turn, developments in cognitive psychology applied to survey methods such as cognitive interview techniques (DeMaio & Rothgeb, 1996) and the nature of context effects (Schwarz & Sudman, 1995) could be extended to cross-national research. However, as Harkness et al. (2003) pointed out, findings on cognitive survey methods have gone largely unnoticed in cross-national research as well as interdisciplinary exchange across other disciplines. At this stage, technical improvements and proliferation of international datasets contrast with the lack of theoretical frameworks for comparative social research. According to Øyen (1990), this state of affairs could be explained through the history of comparative research that is traced on commercial and political enterprises distant from academic interests.

3.5: Chief problems of bridging data, tools and theory

Survey data collected in more than one country constitute a fertile ground for testing social mechanisms, as it relies on a rich repertoire of multilevel processes and variables that account for similarities and differences between countries. In an essay about comparative method, Kohn (1987) wrote that:

“Research that treats nations as the unit of analysis requires that one be able to discern which of the many differences between countries are the pertinent analytic variables; that one be able to formulate meaningful hypotheses at the appropriate level of abstraction: and - if one is ever to test such interpretations - that one have at hand or have the potential to collect data from a sizable sample of countries. It also requires much better data than are generally available in multinational data sources. I hope that an essay on cross-national research written ten or twenty years from now will be able to focus much more on such research than I believe is warranted today” (p. 715).

International datasets that accumulate information for a number of countries in various domains has become widely available over the last decade. The dissemination of statistical software and data analytic tools such as multilevel and structural equation modelling has contributed to give a new impetus of cross-national research. Different disciplines benefit from these advancements, most notably, sociology, social psychology and political science.

Methodological practices related to cross-national research have been discussed and improved, with a special concern about achieving and testing measurement invariance. Other methodological advancements are the translation of multi-lingual questionnaires, sampling from diverse countries, the improving response rate and harmonization of response styles.

Yet, the recognition of the potential of cross-national data for social research has not been fully explored, despite the considerable developments of recent years. The hierarchical nature of cross-national data demands models that link individual and contextual variables in an explicit theoretical and empirical way. The examination of social mechanisms that generate and explain observed associations between variables or events should be the desirable approach. But the rule in cross-national studies seems to be a variable-oriented approach, with limited explanatory power, that is guided by the selection of variables to statistical models (see section 3.6).

The modest progress that has been recorded at theoretical and conceptual domains within the social sciences contrasts sharply with the increasing sophistication of statistical tools, based on the fair belief that they will increase the quality of cross-national research. But as Van de Vijver & Leung (Vijver & Leung, 2000) noted, there is no reason to expect that fundamental theoretical problems are likely to be solved by statistical innovations. Theoretical innovations are paramount to exploring the interaction of individual and cultural factors, lending support to the claim that the building of theory-based empirical models is still a major challenge of cross-national research.

To summarize, we entered in a new era of comparative research, characterized by the availability of comparable micro-quantitative cross-national datasets and the development of new statistical methods and software for analysing multilevel data. Therefore, an alternative methodological approach that combines detailed information at an individual level with macro and/or mesovariables at a regional and nation level should be adopted in cross-national studies¹². Thinking multi-dimensionally can improve the understanding of within and between countries differences on individual's choices, opportunities and decisions. The possibilities of interdisciplinary exchanges are promising towards a universal social science.

3.6: Developing tools for testing social mechanisms with cross-national data

Multilevel modelling is of crucial interest in this dissertation, as it involves statistical modelling to examine the relative influence of predictors, considered at different levels of analysis, on individual-level variables. Multilevel models are commonly designed hierarchical linear models rely on regression modelling of data clustered in any way, for example, individuals nested in countries. As multilevel statistical techniques deal with the hierarchical structure of the cross-national data, they often considered the most suitable statistical tool for this type of research.

Multilevel models were applied primarily in educational research and extrapolated later to organizational and cross-national research. But fundamental differences between

¹² Traditional methods of comparative research are dichotomized in “case oriented” and “variable oriented” approaches, mirroring qualitative vs. quantitative methods distinction within a country.

fields of application demand some caution. Whereas random sampling of schools/classes or organizations/teams is more or less common, the selection of countries depends of convenience criteria. Even if random sampling of all countries (about 195 countries in total) was possible (and necessary), the samples exceeding 30 countries were needed in order to achieve meaningful conclusions.

Additionally, whereas in educational research the focus is placed on pupils' characteristics whereas school or class characteristics are secondary, the opposite holds for countries. The unit of interest is the country and individual characteristics are downplayed. Conclusions about the country are usually more informative to research objectives. And, pupils grouped by classes/schools tend to be more homogeneous than citizens in countries. Larger theoretical distances between country and citizens (e.g., a country is more than the sum of all the citizens) is also expected than between pupils and classes/schools.

Despite all their virtues, the application of multilevel techniques on the domain of cross-national research poses a number of statistical and methodological problems. Some of these problems were already raised by Goldthorpe (1997), in the context of macro-quantitative research. The statistical requirement of a sufficient number of cases to get unbiased estimates is not appropriately met when the units often refer to no more than 30 countries (the small-N problem). In the globalization era, countries are affected by the same external influences and historical paths may overlap, threatening the statistical assumption of independence of units (the Galton problem). Also convenience criteria are used to select countries instead of random sampling. As a result, country-level statistical inference implied by multilevel models is to a certain extent biased and a huge debate about this is currently feeding methodological literature.

The most relevant problem in this dissertation was termed by Goldthorpe (1997), the "black box" problem. This is the case when there is a direct correspondence between statistical and theoretical models. Often, only inputs and outputs are known and processes ignored in statistical analysis. A social mechanism is expected to be found inside a "black-box" when one moves beyond mere associations between variables to explanations for the observed associations.

A systematic literature review of the ESS carried out in the context of this dissertation (see Annex 1, p.186) with the objective of examining how social mechanisms are addressed and generated by cross-national research (based on ESS data) puts in evidence the relevance of social research that uses theories from different levels of analysis integrated in social mechanisms. The results of this study reveal that cross-national research is not being efficiently used to develop and test social theories that explain how macro-level conditions impact on psychological variables and processes and how individual actions combine to give rise to societal phenomena. There is a tendency to test theories that involve only one level of analysis, as it is demonstrated by the over-emphasis placed on testing psychological mechanisms. The combination of different mechanisms (e.g., contextual and psychological) is not a common practice in cross-national studies. Transformational mechanisms are not covered by cross-national survey research, possibly due to some resistance to test hypotheses using longitudinal data. As more waves of ESS are launched, it can be expected that longitudinal studies and possibly transformational mechanisms gain terrain in ESS based research.

Research based on secondary analysis of cross-national data should ideally rest on hypotheses derived from social mechanisms and statistical testing should help to decide between alternative mechanisms, or parts of mechanisms, providing an assessment of the underlying theory. In this dissertation, a social mechanism that accounts for the motivations and structural forces that contribute to the initiation and maintenance of consumer fraud is suggested. As it is shaped by economic contexts, constrained by social forces and expressed through fraudulent behaviour, consumer fraud appears to be a suitable topic to explore social mechanisms.

The social mechanism addressed in this dissertation derives from theoretical reflections and empirical testing. In this dissertation, the contextual (macro-micro) and the psychological (micro-micro) mechanism were tested based on data from ESS and EVS. The effect of macro variables (growth in GDP, perception of corruption and income inequality) on the frequency and acceptance of fraud was tested in paper 2 using a graphical approach that allows visualizing the effect of relative deprivation on frequency of committing fraud; in paper 3 using multilevel modeling (random slopes) to test the effect of trust, perception of corruption and income inequality on acceptance of fraud. The transformational mechanism (micro-macro) was formulated only in analytical terms based on the idea of a critical mass model (Schelling, 1971, 1978).

3.7: Methodological approach to the empirical studies

The empirical studies of this thesis used data from two well-known cross-national surveys: the European Social Survey (ESS) and the European Value Study (EVS). A brief description of each one of these surveys is offered in the next paragraphs.

The ESS is a bi-annual repeated cross-national survey. This survey is academically-driven and it is designed to describe and explain “the interaction between Europe's changing institutions and the attitudes, beliefs and behaviour patterns of its diverse populations” (ESS, 2011). All national surveys are based on face-to-face interviews of citizens aged 15 or over residents in private households regardless of nationality, language, and citizenship. Detailed rules are strictly followed by all national teams, such as study-wide targeted response rates of at least 70 per cent and rigorous probability sampling. The core modules of this survey include media; social trust; political interest and participation; socio-political orientations; social exclusion; national, ethnic and religious allegiances; health and care seeking; economic morality; demographics and socio economics; family, work and well-being. The following countries participated in the survey: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom. Data was captured using computer assisted data interview (CAPI) and pen or pencil questionnaire interview (PAPI). A continuing line of research on data collection mode has been carried out by the ESS coordinating team, aiming at the optimization of the response rate and the quality of data.

In its second round (2004/05), the ESS provides a rotative module with questions devoted to economic morality, where representative samples of Europeans were asked about the frequency of some dishonest practices in the marketplace and government, attitudes towards main economic agents, the perception of fairness of the economy and victimisation experiences (14203 respondents). Keeping in mind the shortcomings of official reports (non-coverage of all cases, underestimation of low-scale fraud, limited socio-demographical information and non-comparability across countries), ESS data constitutes a valuable contribution to the advancement of the knowledge of consumer fraud both from a national and comparative perspective. The survey uses face-to-face ESS data was used in Papers 1 and 2.

The EVS is a cross-national repeated survey research program on basic human values” providing “insights into the ideas, beliefs, preferences, attitudes, values, and opinions of European citizens” (EVS, 2011). EVS consists of the first attempt to survey EU citizens as part of the World Value Study in 1981 and it has been repeated every nine years in an increasing number of countries. This survey is intended to shed light on the cultural and social changes that are associated with socio-economic development and historical factors (EVS, 2011). There are only fixed modules on religion and morality, politics, work and leisure, primary relations.

The EVS uses a multi-state sampling strategy based on regional stratification variables. In France, a quota sampling was also used in combination with a random sampling and in East Germany a stratified disproportional sampling to allow inclusion in the sample of particular groups (EVS, GESIS, 2010). In round four, respondents are 18 or over in nearly all countries except Armenia where respondents are aged 15 or over and in Finland where respondents are aged between 18 to 74 years. The method of data collection was face-to-face interview in nearly all countries except Finland (internet panel) and Sweden (postal survey). Data was captured using computer assisted data interview (CAPI) and pen or pencil questionnaire interview (PAPI).

Paper 3 uses data of the fourth wave in 2008 covering 47 European countries/regions (in total 70,000 people). EVS contains a set of questions related to the fairness of dishonest behaviour ranging from not paying a bus fare to a public official accepting a bribe. The cross-national differences in the means of law-abiding attitudes were explored in relation to trust in political institutions and country level variables (corruption perception index and income inequality index) in Paper 3.

3.8: Methodological issues of survey questions on illegal behaviour

A primary concern in self-report illegal behaviour is whether the respondents are telling the truth. The virtues of self-reporting measures of crime have been highlighted in a number of studies (see Thornberry and Krohn, 2000 for a revision) and have been considered by Krohn et al. (2010) “one of the most important methodological developments for the last ten years” (p. 510). Studies that compare self-reports with official data have consistently found high correlations between these two sources of information (e.g., Farrall, 2005, Thornberry and Krohn 2003). Other studies (e.g., Tourangeau and Smith, 1996), comparing different modes of administration of surveys

(face-to-face, telephone, self-completion questionnaire, computer assisted interview), have consistently found that the self-administered computer-assisted interviews (CAPI) return higher rates of illegal behaviour. Regarding consumer fraud, given the acknowledged bias in official records, there is no way to check the truthfulness of answers. But considering that the ESS (2nd round) mode of administration involves mainly face-to-face interviews and in some countries, ESS teams used CAPI (Belgium, Denmark, Finland, Germany, Iceland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, and UK) there are reasons to think that the validity of answers of the module of economic morality had benefited to be self-administered (Schwartz's Human Values Scale is self-completion).

The measurement validity (Cook & Campbell, 1979; Nunnally & Bernstein, 1994; Reis & Judd, 2000) of the ESS answers was assessed with comparison with other sources of data. The convergent validity of ESS—the degree scores of different operationalizations of the same construct converge—was assessed using external measures of other questionnaires answering the same questions. In the module of economic morality, the questions of “in the past five years, how often have you bribed a public official” was compared with a similar questions drawn from the Global Corruption Barometer (Transparency International). The predictive validity of this question—the extent to which the item can predict a measure external to the scale based on theoretical grounds—was also assessed by looking at its association with cross-national indices such as Transparency International Perception Corruption Index and World Bank's Control of Corruption Index (cf. Table 3 in Paper 1). The correlations are significant and moderate ($\rho(24)=.53/.54$) giving some support for convergent and predictive validity of this question.

Despite the virtues of self-reporting of criminal behavior compared with other methods of obtaining information, response effects pertaining questions involving recall and social desirability should be taken into account. The ESS questions require counting events for a reference period of time (5 years). Tversky and Kahneman (1974) have shown that respondents use an availability heuristic to judge the frequency of events based on the ease that those events come to their minds. The use of this heuristic does not necessarily imply inaccurate answers as more frequent events are indeed easier to retrieve from the memory. However, other factors such as the emotional intensity attached to the event, and the temporal dimension may also influence the easiness to

recall with possible biases in answers (Sudman, Bradburn & Schwarz, 1996). Additionally, respondents may forget events or some details (omission) or even may recall events that did not happen (commission) (Gaskell, Wright, & O’Muircheartaigh, 2000).

A well-documented bias in survey answers is telescoping, i.e., a temporal displacement of an event that it will be reflected into reporting an event as happened earlier than actually did (backward telescoping) or more recently (forward telescoping) (Gaskell, Wright, & O’Muircheartaigh, 2000). The highly salient events as temporal markers used in survey are called “landmark events” and they can assume the form of “how many times has the target event occurred since ___?”. The problem with this question is that the events outside the boundary may be telescoped into the mentioned period (see Gaskell, Wright, & O’Muircheartaigh, 2000 for a revision). However, this bias does not appear to be problematic in a cross-national study aimed at explanation as opposed to description. Considering that telescoping is a psychological phenomenon that does not depend on culture, there are reasons to think that it has a uniform effect across countries either by overestimating or underestimating the answers.

Social desirability is a source of bias in surveys, originated by the preference for answers that conform to the social norms. Social desirability has been studied in a wider range of sensitive topics from drugs-abuse, deviant behavior, sexual behavior or financial behavior (see Wentland, 1996 for a revision). From a cross-national perspective, social desirability is an issue because it stems from cultural differences in response styles. If respondents in some countries are more prone to social desirability compared with other countries, differences in country averages may reflect this tendency rather than actual differences in behaviour or attitudes. Response styles can be defined as “consistent and stable tendencies in response behaviour that are not explicable in terms of question content or what a given question is aimed to measure” (Harkness et al., 2010). Response styles include response patterns characterized by the mid-point of an answering scale (middle category responding), and endpoints of the scale (extreme responding), usually the positive one (acquiescence).

The response styles are believed to be dependent on cultural factors affecting communication and cognition processes. The empirical literature aimed at identifying cultural differences in response styles provides inconsistent findings. Despite the

contradictory results in a large number of studies, some factors affecting the response styles appear to have a robust effect. For example, acquiescence appears to be negatively correlated with education and positively correlated with age (Winkler et al., 1982; Greenlaf, 1992, Watson, 1992). Extreme response categories seem to be picked by respondents who seek clarity and precision and are willing to express their opinions (Johnson et al., 2005). From a societal level, a study from Hemert, Vijver and Georgas (2001) found that the likelihood to lie measured by the Eysenck Personality Questionnaire (Lie Scale) was negatively correlated with the Gross National Product and other wealth indices. Other authors (Baumgartener and Steenkamp, 2001) have pointed to a clear divide between Northern and Southern Europe with higher tendency to acquiescence and extreme responding in the South. Studies employing Hofstede's cultural dimension of individualism *vs.* collectivism (Smith, 2004; Smith and Fisher, 2008) suggested that countries low in individualism show more acquiescence especially in questions addressing personal issues (for a review, see Harkness, 2010).

Response bias cannot be eliminated but it should be taken into account by improving the wording of questions, instructions, and answering scales in order to minimize or even quantify the manifestations of the tendencies to answer in a certain way. For example, acquiescence and extreme response may be detected by balancing positive and negative items or mixing items from non-related topics and middle category responding may be dealt with by using even point scales (De Beuckeleer, Weijters, & Rutten, 2010 for a revision). A desirable option would be to quantify the effect of response styles by developing measures to detect them. For example, social desirability may be measured by introducing some items in the questionnaire related to lying and managing positive impressions, for example drawn from the Lie Scale of the Eysenck Personality Questionnaire (1975) or a Self-presentation scale (Lee et al. 1999). The stylistic response could be in this way quantified and partialled out from the analysis, adjusting the country averages. Certainly more investigation is needed in the field of cross-national variations of response styles to assess the impact of bias and enhance the quality of cross-national data.

The development of cross-national indicators of response styles would be a significant undertaking. However, given the number of cross-national surveys and the range of topics in focus, a collective effort in this direction would have longer term value.

CHAPTER 4: EMPIRICAL STUDIES

The three papers are included in this dissertation:

Paper 1: Crimes of everyday life across Europe.

Lopes, C. A. (2009). Economic morality and crimes of everyday life. In L. Sousa (Ed.) *Ethics, the state and the economy: Attitudes and practices of Europeans*. Lisbon: Institute of Social Sciences (available in Portuguese).

Paper 2: Consumer morality in times of financial hardship: Evidence from the European Social Survey.

Lopes, C.A. (2010). Consumer morality in times of economic hardship: Evidence from the European Social Survey. *International Journal of Consumer Studies*, 34(2), 112-120.

Paper 3 Revisiting the inequality trap: A multilevel model for the acceptance of fraud against the state.

In Table 1, the structure of the empirical work is presented, with the relevant links between the initial questions, the research problems, the social mechanisms, papers and databases used to address the initial questions. The distinction between initial questions and research questions lies in the nature of the problem, as initial questions include description (first three initial questions) and research questions are limited to explanation.

The research questions are linked together in a social mechanism. Specific research problems overlap with the particular mechanism that composes the overall social mechanism. The first research problem is whether the transition to neo-liberal markets was accompanied by a change in economic morality and a rise in consumer fraud. The second research problem questions which country contextual factors affect economic morality and the dissemination of consumer dishonest practices. The third research

problem relates to the identification of a psychological mechanism that explains how a state of market anomie contributes to the emergence of consumer dishonest behaviour.

Table 1: Correspondence between theoretical problems and empirical studies

Initial questions	Research questions	Mechanism	Paper	Database
Who are the consumers that engage in fraudulent practices in the marketplace?	Description	No mechanism	1	ESS
Where are they placed in the social structure?	Description	No mechanism	1	ESS
Which is their distribution across Europe?	Description	No mechanism	1	ESS
Which are their motivations, social values and attitudes towards institutions, social order and the economy?	Research question 3	Psychological mechanism	2, 3	ESS and EVS
Which country characteristics facilitate the emergence of fraudulent practices amongst consumers?	Research question 1 and 2	Contextual mechanism	2, 3	EVS and ESS
How these characteristics interact with specific individual motivations and attitudes to give rise to fraudulent practices?	Research question 2	Contextual mechanism	2	ESS

PAPER 1

Crimes of everyday life across Europe Evidence from the European Social Survey

Abstract

The broad distinction between street crime and white-collar crime leaves unexplored the terrain occupied by crimes committed by common and law abiding citizens in the course of their everyday lives. Our knowledge based in the prevalence of everyday crimes is weak, partly because until recently self-report statistics for the occurrence of everyday crimes in Europe were non-existent and partly because official statistics provided by national bodies and agencies suffer from serious methodological problems. Drawing upon survey data of everyday crimes was available for the first time only in the second round of the ESS (2004), this paper constitutes the first attempt to map the occurrence of crimes of everyday life in Europe based on ESS probabilistic samples of 26 European countries. Comparable figures for the frequency and types of crimes of everyday life in particular countries, clusters of countries (developed *vs* emerging market economies) and social classes are presented. The results indicate that European citizens occasionally engage in crimes such as paying cash in hand to avoid VAT and keeping extra-change from a shop assistant. In the countries considered, nearly half of the population has engaged in any sort of dishonest practice in the last five years. A major distinction between active and passive fraud separating dishonest practices initiated or not by the person emerges for all countries, comprising the same core practices (H8). Cross-country comparisons reveal that passive fraud is more common than active fraud in all countries, albeit countries differ in respect to the prevalence of specific practices. Considering clusters of countries, passive fraud is more common in developed compared to emerging market economies. By contrast, active fraud is more common in emerging compared to developed market economies (H1). A multilevel regression for modelling the likelihood of committing passive and active fraud suggests that passive fraud is linked to higher classes but active fraud does not vary with social class (H5). Directions of research aimed at explaining these patterns are proposed and discussed.

Keywords: crimes of everyday life, consumer fraud, cross-national research, European Social Survey

Introduction

Just as in social and political debate about crime, the focus in criminological theory is often on crimes of the street and crimes of the suite (Karstedt & Farrall, 2006): this focus, on sensational and volume crimes (e.g., murder, burglary, rape) and white-collar crimes (e.g., corruption), leads to a false polarity between law-abiding citizens and criminal offenders. Attention is diverted away from the more complex reality in which we are all capable of committing relatively low-level criminal acts (Karstedt and Farrall, 2006). Practices as ‘padding’ an insurance claim, or paying cash to avoid VAT for services, or illegal downloading are part of everyday lives; they may be committed by respectable citizens that occasionally break the law (Karstedt and Farrall, 2006).

This paper constitutes the first assessment of the patterns of everyday crime in European countries. Relying on data from European Social Survey (ESS, 2nd round, 2004/05), this paper aims to (1) characterize the patterns of occurrence of consumer fraud in European countries; (2) test whether a distinction between active and passive fraud can be generalized across countries (H8); (3) characterize the patterns of occurrence of consumer fraud in clusters of countries with different market economies (H1); and (4) provide cross-country evidence to establish a link between class membership and crimes of everyday life (H5) as suggested by previous studies (e.g., Karstedt & Farrall, 2007). The novelty of this study lies in the attempt to draw inferences—based on random samples of 26 European countries—about the extent to which different social groups, countries and clusters of countries report different levels of offending behaviour.

The results presented here clearly indicate that crimes of everyday life are widespread in Europe. In the 26 countries considered, nearly half of the population has engaged in any sort of dishonest practice in the last five years. The configural equivalence (Fontaine, 2008) of the distinction between active and passive fraud for all countries was established using latent class analysis on items which assess the frequency of everyday crimes in the last five years. Active fraud includes practices where the individual actively initiated the dishonest behavior (e.g., false insurance claim) whereas passive fraud relates to practices where the individual was faced with a situation (e.g., giving extra change) and took advantage from it (keeping extra-change from a shop assistant).

Drawing on results from latent class analyses, three groups/clusters of consumers were identified for all countries. The first cluster corresponds to no/low offenders who show

a low propensity to engage on passive fraud (active fraud is unfeasible); the second cluster groups passive offenders who show a moderate to high propensity to engage in passive fraud, but active fraud is very unlikely; and the third cluster consists of offenders with a moderate propensity to engage in active fraud and a high propensity to engage in passive fraud.

In all countries, the group of low frequency offenders is the largest (between 68.1 and 83.9 percent of population), suggesting that the majority of Europeans only occasionally engage in some type of passive fraud but are very unlikely to engage in active fraud. The group of active offenders is the smallest in all countries (4.1 percent maximum in Ukraine) and it delimits career criminals that commit the heaviest offences repeatedly (e.g. falsely claiming benefits or insurance).

The results also suggest that passive fraud is more common in developed than in emerging market economies. By contrast, active fraud is more common in emerging compared to developed market economies. The results also put in evidence that larger economies, i.e., with a higher GDP, are more vulnerable to passive fraud. Finally, this paper shows that in all countries considered, active fraud is not linked to social class but passive fraud is well disseminated in higher classes.

This paper starts by definitional issues of crimes of everyday life, providing some examples and a typology for crimes. Available figures for everyday crimes drawn from official sources and from the study of Karstedt and Farrall (2007) are compiled. A brief presentation of the ESS (round 2, 2004) and evidence for validity of ESS data based on comparison with other surveys is presented. The results disclose the patterns of everyday life in different countries, clusters of countries (developed vs emerging market economies) and in social classes (service, middle and lower classes). This paper draws for the first time a complete picture of the occurrence of crimes of everyday life in countries across Europe.

What Sorts of Crimes are ‘Everyday-Life Crimes’?

Following Karstedt and Farrall (2006), “crimes of everyday life” are referred to as the type of activities that are part of common people experiences (either as offenders and as victims). As such, they are often treated as mundane or part of the routine in modern societies. These activities are morally dubious, running in some way counter the

expectations of ‘fair play’. Often, but not necessarily, they are crimes, or they are at the very least, on the cusp of criminality.

These class of crimes include—but are not limited to—paying cash in hand to circumvent taxes, selling something faulty in second hand and concealing its faults, speeding whilst driving, illegal downloading, cheating in school, or university coursework. All involve some form of dishonesty. All transgress criminal codes or breach copyright laws. The seriousness of these practices and their criminal relevance justify the classification into active and passive fraud, depending on whether the consumer actively initiated the behaviour or if he/she merely took advantage of a situation faced.

The division into active *vs* passive fraud was inspired on research in the field of consumer ethical judgments by Muncy and Vittel (1992). The authors developed a scale of seriousness of dishonest practices in business and retail—the Consumer Ethics Scale—which was applied to various samples in different countries. The authors have empirically shown that consumer ethical judgments were based on three dimensions: the locus of the fault (consumer *vs* business), the presence of deception from the part of the consumer and the degree of harm caused. From the combination of different levels of these dimensions, the authors proposed a typology of morally dubious behaviours: (1) actively benefiting from an illegal activity; (2) passively benefiting at the expense of the seller (3) actively benefiting from a questionable action and no (4) no harm/no foul.

In the context of the ESS data, keeping extra change from a shop assistant is an example of passively benefiting at the expense of the seller (passive fraud), selling something second-hand and concealed its faults is an example of actively benefiting from a questionable action (active fraud) and offering favour/bribe to public official for service, an example of actively benefiting from an illegal activity (active fraud). The main conclusion of Muncy and Vittel (1992) studies is that consumers judge as more acceptable benefiting passively rather than actively from an illegal activity. The intention determines the condemnation of behaviour: the behaviour is unethical when deliberately initiated by the consumer. The illegality of these practices is also a relevant dimension for judgement: an illegal activity is always seen as more wrong than a “deceptive legal” (Muncy and Vittel, 2005).

What are the figures for ‘Everyday-Life Crimes’?

The costs of crimes of everyday life are commonly underestimated. They tend to be seen as victimless. They also involve small sums of money compared to other types of crimes, but as Karstedt and Farrall (2006) note, while the average ‘law-abiding’ citizens who commit them do not think of them as harmful, such acts stack up to considerable damage. In the UK, the estimations of the extent of fraud suggest that these activities are more common and involve higher costs than other types of crimes.

For example, the UK’s Department of Work and Pensions (which provides UK citizens with social security) estimated that in 2010, 2.1 percent of total expenditure across all benefits are due to fraud resulting in £3.1bn being defrauded from the British taxpayer; for income support alone the figure is £480m which corresponds to 5.7 percent of income support expenditure attributed to fraud (HMRC, 2010). The Association of British Insurers estimated that every day insurers detect 335 fraudulent claims worthing £3.2 million. Dishonest home insurance is the most common with 170 cheating householders caught every day, but fraudulent motor claims are the most costly with £1.12 million exposed every day. The costs for private individuals is a £44 extra added to the average UK’ household’s annual insurance bill to compensate the costs of fraud (ABI, 2010).

Officially recorded data depict an incomplete figure of crimes of everyday life due mainly to the undercoverage of crimes with low consequences that are more likely to be filtered out in detection procedures. The virtues of self-report data on crime have been underlined in several studies (see Thornberry and Krohn 2000 for a revision) by consistently showing higher and more realistic figures of crimes than official records based on conviction and detention. Studies relying on self-report measures of crime in diverse countries are crucial to inform the extent to which European population engage in crimes of everyday life. A study by Karstedt and Farrall (2007), drawing upon data from England, Wales, East Germany and West Germany, stands as the only attempt so far to characterize crimes of everyday life from a cross-national standpoint. This study inspired the ESS module on economic morality which comprises a set of questions of the frequency of committing several crimes of everyday life in the past five years. As such, the present paper appears to be the first attempt to characterize crimes of everyday life from a cross-national perspective.

Who commits ‘Everyday-Life Crimes’?

Prior demographic characterization of offenders and considerations about their placement on the social structure has been based on studies with relatively low quality of data. These studies consistently depart from the assumption that the authors of fraudulent practices belong to middle classes. A prime example is Wilkes (1978) who, in a seminal study in the field, assessed consumer attitudes towards various fraudulent situations and only middle-class respondents were surveyed. The author justified his choice by “indications that certain fraudulent are most associated with middle-class consumers” (p.69). This first study contributed to cast the unfounded belief that middle class consumers were the focal group of crimes of everyday life.

The state-of-the-art on dishonest consumer practices haven’t changed much since Wilkes’s study. The idea of middle-class offenders gained support in a study by Karstedt and Farrall (2006) who surveyed in 2002, 1807 respondents in England and Wales aged between 26 and 65. The evidence provided by Karstedt and Farrall (2006) is that 61 per cent of respondents had committed at least one out of a list of offences against business, government and/or employers at work. This group of respondents was identified as high social strata, well educated, with high incomes and more likely to be employed. But a conclusion in terms of social class is excessive since the distribution of crimes of everyday life across social strata was not addressed directly in Karstedt and Farrall’s study.

In the second round of the European Social Survey (ESS) it is included for the first time self-reported data on the frequency crimes of everyday life in national representative samples of 26 countries. The objective of the “economic morality” module was to describe and explain the consumer involvement as offenders in an array of illegal and unethical practices in different spheres of consumption (include government services). These unethical practices encompass keeping the change from a shop assistant or waiter knowing they had given you too much; paying cash with no receipt to avoid VAT other taxes; selling something second-hand and concealed its faults; misusing/altering card/document to pretend eligible; making an exaggeration or false insurance claim; offering favour/bribe to public official for service; falsely claiming government benefits. The availability of ESS data and their potential to fill the empirical gap about the distribution of crimes of everyday life across Europe and across social structure was the motivation for this paper.

Method

Data

The data used in this study is the rotative module on economic morality available in the second round of the ESS (2004). The ESS is “an academically driven social survey designed to chart and explain the interaction between Europe changing institutions and attitudes, beliefs and behaviour patterns of diverse populations” (ESS, 2002). The biennial survey was established in 2002 and currently covers 30 nations. The methodological excellence is one of the major distinguishing characteristics of this survey achieved by the adoption of uniform methodological standards in all stages of research. All national surveys are based on face-to-face interviews of citizens aged 15 or over and detailed rules are strictly followed by all national teams, such as study-wide targeted response rates of at least 70 per cent and rigorous probability sampling. The questionnaire contains core modules¹³ repeated in every round and rotative modules, round-specific. The questions on frequency of crimes of everyday life (questions E24-E30) were asked of 45681 respondents in 26 European countries. The samples size and average non-response per country are depicted in Table 1.

Table 1: Samples sizes of ESS countries (2nd Round) and average non-response rate (%) of items E24 to E30

Country	N	Non resp.	Country	N	Non resp.	Country	N	Non resp.
Austria	2256	8.5	Hungary	1498	15.1	Slovakia	1512	9.5
Belgium	1778	2.4	Iceland	579	4.1	Slovenia	1442	4.1
Czech Rep.	3026	11.6	Ireland	2286	5.3	Spain	1663	3.8
Denmark	1487	11.1	Italy	1529	51.8	Sweden	1948	3.2
Estonia	1989	34.9	Luxembourg	1635	4.6	Switzerland	2141	2.6
Finland	2022	3.6	Netherlands	1881	0.7	Turkey	1856	17.9
France	1806	0.2	Norway	1760	1.4	United Kingdom	1897	1.3
Germany	2870	8.8	Poland	1716	19.2	Ukraine	2031	18.6
Greece	2406	8.1	Portugal	2052	12.0	<i>Total</i>	<i>45681</i>	<i>10.2</i>

The specific wordings are:

How often, if ever, have you done each of these things in the last five years?

¹³ The themes covered in the core modules are: trust in institutions, political engagement, socio-political values, moral and social values, social capital, social exclusion, national, ethnic and religious identity, wellbeing, health and security, demographic composition, education and occupation, financial circumstances and household circumstances. The other two rotative modules in the second round are “family work and well-being”, and “opinions on health and care seeking”.

...kept the change from a shop assistant or waiter knowing they had given you too much?(E24)

...paid cash with no receipt so as to avoid paying VAT or other taxes?(E25)

...sold something second-hand and concealed some or all of its faults?(E26)

...misused or altered a card or document to pretend you were eligible for something you were not?(E27)

...made an exaggerated or false insurance claim?(E28)

...offered a favour or bribe to a public official¹⁴ in return for their services?(E29)

...over-claimed or falsely claimed government benefits such as social security or other benefits?(E30)

The answering options are (1) never, (2) once, (3) twice, (4) three or four times and (5) five times or more. The additional answer categories “no experience”, “don’t know” and “refuse” are also available in the questionnaire.

These questions were piloted in the UK and Poland as part of the development of ESS round two. These questions tap some of the most common everyday crimes in the market place and deal with situations in which the respondent may have offended against the state (i.e. taxation), private citizens (second hand sales), large firms (insurance claims), as well as smaller firms, with possible consequences for individual members of staff (shop assistants). The forms of crimes referred to include deliberate attempts to conceal (second hand sales), collusion (paying cash in order to avoid paying VAT), ‘good fortune’ (being given too much change), deliberate attempts to derived financial gain (insurance) as well as attempts to gain access to services (misusing cards or documents and paying bribes) which one was not entitled to. In terms of the *modus operandi* of the crimes, these ranged from face to face cheating, to cheating via paper work, to defacing of documents. In short, almost every conceivable form of cheating in the market place and every commonly available technique for so doing was mentioned (Karstedt and Farrall, 2004).

¹⁴ Respondents were advised that “Public officials” refer to government officials, such as custom officers and to local officials and housing/building regulators etc.

Results

Quality of data

Non-response rates by country for items E24-E30 are presented in Table 1 (p.91). Table 2 displays descriptive statistics (mean, standard deviation, minimum e maximum) and confidence intervals for non-response rates discriminated by item in the total ESS sample.

It is clear from Table 1 and 2 that non-response rates vary noticeably among countries. The item E25 displays a higher non-response rate (in average, 12.0 per cent) and the item E27 a lower non-response rate (in average, 9.7 per cent). In Italy, the average non-response rate surpasses 50 per cent what demands some caution in interpretation of results for this country. In other countries (e.g., the Czech Republic and the UK) the answer category “no experience” was not available what may have contributed to increase non-response in those particular countries.

Table 2: Non-response rate (%) for items E24 to E30 in the total sample [N = 45681]

How often, if ever, have you done each of these things in the last five years?	Min	Max	Mean	SD	Conf. Interval (95%)	
					Lower	Upper
E24 kept the change from a shop assistant or waiter knowing they had given you too much?	0.6	52.6	9.9 ^a	2.30	5.1	14.6
E25 ...paid cash with no receipt so as to avoid paying VAT or other taxes?	0.7	53.2	12.0 ^{abcd}	2.46	6.9	17.1
E26 ...sold something second-hand and concealed some or all of its faults?	0.6	53.2	11.2 ^{fgh}	2.38	6.3	16.1
E27 ...misused or altered a card or document to pretend you were eligible for something you were not?	0.5	51.9	9.7 ^{bf}	2.30	5.0	14.4
E28 ...made an exaggerated or false insurance claim?	0.5	52.1	10.7 ^{bi}	2.38	5.8	15.6
E29 ...offered a favour or bribe to a public official in return for their services?	0.5	51.8	9.8 ^{cgi}	2.27	5.1	14.5
E30 ...over-claimed or falsely claimed government benefits such as social security or other benefits?	0.1	31.5	9.8 ^{dh}	2.25	5.1	14.4

Note. Means whose index holds at least one letter in common differ statistically according to Bonferroni test.

In order to assess the validity of ESS data, the question E29 (*How often if ever, have you offered a favour or bribe to a public official in return for their services?*) was

compared against a similar question drawn from Transparency International Global Corruption Barometer (GCB, 2005: “*In the past 12 months, have you or anyone living in your household paid a bribe in any form? Yes/No*”). Additionally, the question was also checked against measures of corruption, namely Transparency International Corruption Perceptions Index (CPI) and World’s Bank Control of Corruption Index (CCI). Table 3 displays the rankings of countries based on these questions and indices.

Table 3: Country rankings of E29 (ESS), P5 (GCB), CPI and CCI

Country	ESS	GCB	CPI	CCI	Country	ESS	GCB	CPI	CCI
Austria	15	13	8	7	Luxembourg	14	13	8	11
Belgium	6	-	14	13	Netherlands	3	-	7	7
Czech Rep	8	18	20	21	Norway	5	18	6	6
Denmark	20	5	3	3	Poland	23	5	23	23
Estonia	24	-	16	17	Portugal	19	-	17	16
Finland	10	11	1	2	Slovakia	17	11	21	20
France	1	9	12	14	Slovenia	12	9	18	17
Germany	16	9	11	10	Spain	9	9	15	15
Greece	18	16	22	22	Sweden	11	16	4	5
Hungary	21	-	19	19	Switzerland	6	-	5	4
Iceland	3	5	1	1	Ukraine	22	5	24	24
Ireland	12	3	12	12	UK	1	3	8	9

ESS, GCB, CPI rankings: 1 (lowest corruption index) – 24 (highest corruption index)
 CCI Ranking: 1 (highest control of corruption index) – 24 (lowest control of corruption index)

These results provide enough evidence for good quality of data of ESS for question E29. Spearman correlation coefficients for testing the association between ESS question E29 and CPI [$\rho(24)=.53$] and CCI [$\rho(24)=.54$] are significant at 0.01 level. However, the Pearson correlation between the ESS question E29 and the corresponding GCB question is not significant [$r(18)=.40$, $p>.05$]. Association of GCB ranking with CPI [$\rho(18)=.46$, $p=.056$] and CCI [$\rho(18)=.45$, $p=.063$] rankings are tendencially significant but with slight lower magnitude than with ESS. The stronger association of ESS question with corruption indexes strengthens the confidence in the quality of ESS question.

Distribution of crimes of everyday life in European countries

The patterns of occurrence of crimes of everyday life are presented in Figure 1 and Table 4 separately for each practice. Figure 1 represents the means for each practice in every country and should be interpreted according to the rule that lighter cells mean lower average values and darker cells higher averages. Table 4 shows the 95 percent

confidence interval of the percentage of respondents in each country who admitted having committed each one of the practices at least once in the past five years. The last two columns in the table show the confidence interval for the percentage of respondents who reported at least one of these crimes at least once in the past five years, having some respondents done all sort of dishonest practices while others committed only one or two once or repeatedly. The complementary percentage of respondents that sums up to one hundred refers to those who have never engaged in these practices in the past five years.

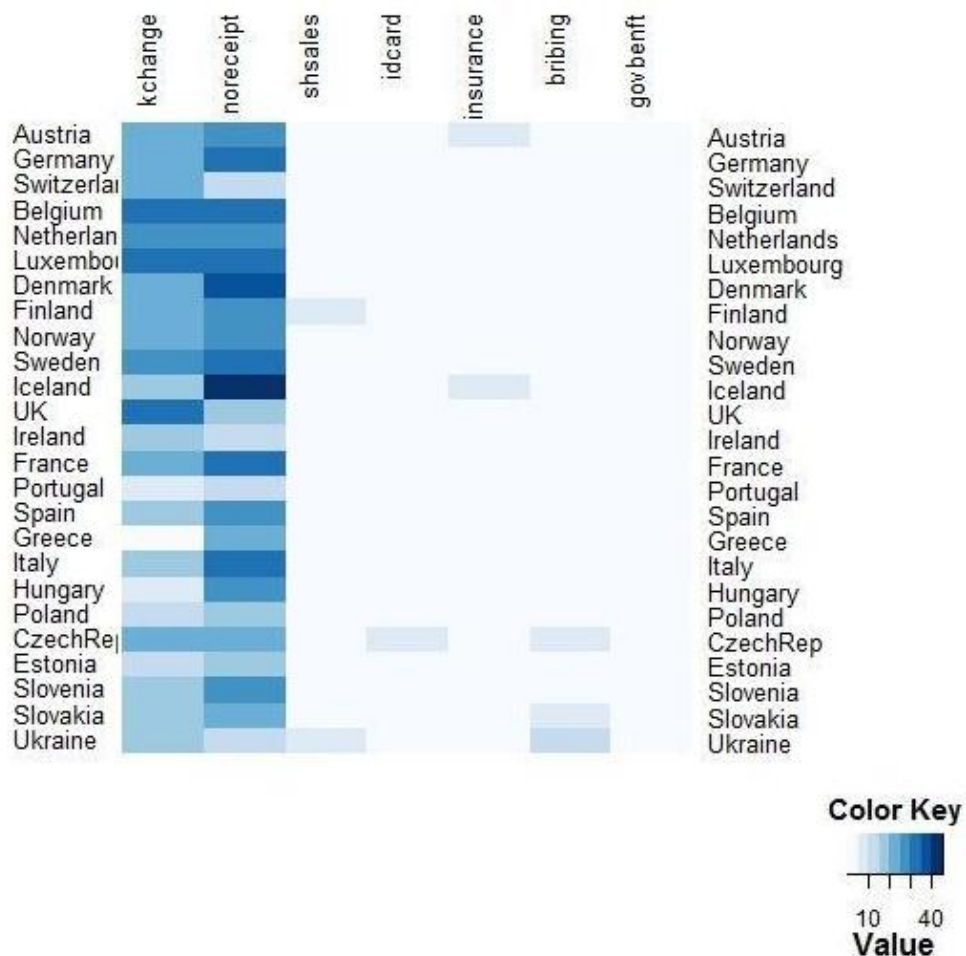


Figure 1: Heatmap representing the countries' means of keeping extra change from a shop assistant (kchange) paying cash with no receipt (noreceipt), cheating on second hand sales (shsales), misused or altered an ID card (idcard), falsely claiming insurance (insurance), bribing a public official (bribing) and falsely claiming government benefits (govbenefit).

The heatmap shows a clear divide between the first two practices and the other five, lending support for the distinction between passive and active fraud based on empirical

grounds. Passive fraud is, in average, more common than active fraud. Both column and row comparisons are allowed, showing the distribution of practice across countries and the country distribution of the seven practices, respectively. For example, paying cash in hand to avoid VAT is the most common offence in the majority of countries. The only exceptions are UK, Ireland and Switzerland, where keeping extra change of shop assistant is the most common, Benelux countries where both passive offences are the most common and Ukraine where keeping the change and bribing public officials are the most common.

Given that the response scale is ordinal in nature, an interpretation in terms of country means may lead to misinterpretations as the scale points are not equidistant (e.g., 2: once and 3:twice and 4:three to four times). A more accurate picture is revealed by taking into account the percentages of people who have committed each one of the offences at least once. This is the boundary that allows the clean distinction between law-abiding citizens and everyday life “criminals”. The results are presented in Table 4.

The most remarkable finding is that, in most of the countries, the percentages of people who have done at least one offence in the last five years are nearly 50 per cent and, in some cases, overpass it (cf. Table 4). In the total ESS sample, nearly half of the population (between 49.8 and 50.6) have committed at least one of these crimes in the past five years. The countries with the highest percentages of population being involved in crimes of everyday life are Italy and Estonia. In Italy, nearly two thirds (between 72.4 and 76.6 percent) of the population have done it in the past five years. A more detailed analysis (not displayed here) revealed that in Italy, these figures are not the result of only one or two specific dishonest practices widespread in the population, but instead the result of acting dishonestly in a wide range of situations. In fact, approximately half of the population in Italy (95% CI: 48.7 to 52.9) have committed all the seven practices in the past five years. Estonia is a country with the same pattern of a high percentage of population have committed crimes of everyday life (95% CI: 55.1 to 79.9) more indiscriminately compared to figures obtained in other countries.

Passive fraud is more frequent than active fraud as it was evidenced in Table 4. Nearly 25 percent of European population have paid in cash to avoid VAT and 20 percent have kept the change from a shop assistant. Active fraud is less frequent as less than 4 percent of European population having done it. Falsely claiming a government benefit is

very uncommon, as only 1.3 to 1.5 percent of population committed it. Bribing public officials is also uncommon, with only 1.8 to 2.1 percent of population having committed it the past five years. However, this figure is biased by Ukraine which stands far from the European average with 11.6 to 15.4 percent. The other active offences are smoothly distributed across countries, with percentages roughly around 2 to 4 percent.

The results for UK follow the general pattern of nearly 50 per cent (95percent CI: 47.4 to 50.2) of population having committed at least once crimes of everyday life but it is clear from the data that “the crime” is, in most of the cases, keeping over-change from a shop assistant (95% CI: 31.8 to 36.1). The percentage of people who have committed all the seven crimes is trifling (95% CI: 0 to 1.8) in the UK.

It is worth comparing the results for UK with those provided by Karstedt and Farrall (2007) from the survey conducted in 2002 in Wales and England, bearing in mind that these figures were obtained from samples with different characteristics. Karstedt and Farrall’s sample comprises individuals aged 25-65 (*vs.* over 17 in ESS sample) in England and Wales (*vs.* UK in ESS sample). All practices in ESS except bribing public officials were asked in Karstedt and Farrall (2007) survey (kept the money when over-changed by a shop assistant, not disclosing faulty goods in second hand sales, paid cash in hand to avoid taxation, wrongly used identity cards for own gain and padded an insurance claim and deliberately misclaiming benefits for own gain). The only result that coincides in the two surveys is keeping extra-change from a shop assistant: in Karstedt and Farrall’s survey, 32 percent reported it, matching the confidence interval of 31.8 and 36.1 percent found in the ESS. In the other practices, Karstedt and Farrall (2007) results reveal consistently higher figures that go far beyond confidence intervals computed from the ESS sample. The non-concordance of samples of Karstedt and Farrall (2007) and possible non-response rates may certainly explain the divergence of results between the two studies.

Table 4. Confidence intervals (95%) of the percentage of respondents who committed crimes of everyday life (E24 to E30) at least once in the past five years (N=45681)

Country	E24		E25		E26		E27		E28		E29		E30		E24-E30	
	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper
Austria	18.7	22.5	25.4	29.6	2.7	4.5	4.1	6.2	4.9	7.1	1.0	2.2	2.0	3.6	52.8	61.2
Belgium	29.3	33.7	31.2	35.8	2.6	4.4	1.6	3.0	1.0	2.2	0.4	1.3	0.3	1.1	50.7	57.9
Czech Rep.	18.8	22.1	21.4	24.9	3.5	5.2	4.9	6.0	3.2	4.8	5.9	8.0	2.8	4.4	50.0	57.0
Denmark	21.3	26.2	34.1	39.7	2.7	4.9	1.5	3.3	3.4	5.9	0.2	1.1	0.3	1.4	57.3	69.1
Estonia	11.5	15.9	16.5	21.6	2.8	5.3	2.1	4.5	0.1	1.2	1.2	3.1	0.4	1.8	55.1	79.9
Finland	21.7	25.6	26.4	30.5	4.5	6.6	1.7	3.1	2.1	3.6	0.0	0.3	1.5	2.8	46.2	55.8
France	19.6	23.4	28.9	33.2	0.9	2.1	1.4	2.7	2.7	3.9	0.4	1.3	0.6	1.6	44.7	47.3
Germany	20.2	23.6	29.6	33.4	2.4	3.9	2.9	4.4	3.3	5.0	0.3	0.9	1.0	2.0	56.5	59.1
Greece	3.8	5.7	20.2	23.8	0.2	0.9	0.2	0.7	0.0	0.5	1.8	3.2	0.1	0.7	34.1	38.7
Hungary	7.8	11.3	25.7	31.1	0.2	1.2	0.0	0.8	1.3	3.0	0.5	1.8	0.0	0.7	48.4	55.4
Iceland	14.7	21.2	41.4	49.8	2.0	5.1	1.5	4.4	3.6	7.5	0.0	0.5	1.8	4.2	35.2	84.0
Ireland	16.4	19.7	13.4	16.5	1.2	2.3	1.3	2.5	0.3	1.0	0.0	0.4	0.5	1.3	31.7	39.5
Italy	14.2	19.8	30.9	38.1	2.3	5.2	1.3	3.6	1.6	4.1	0.7	2.6	1.0	3.1	72.4	76.6
Luxembourg	28.2	33.0	28.9	33.6	2.1	3.8	1.6	3.2	2.2	4.0	0.9	2.2	0.3	1.2	38.8	75.4
Netherlands	24.8	28.9	24.9	28.9	3.1	5.0	1.9	3.3	1.2	2.5	0.2	0.8	0.0	0.2	44.2	49.2
Norway	21.2	25.3	25.2	29.5	1.5	3.0	1.4	2.8	0.8	1.9	0.3	1.0	1.2	2.5	40.8	50.0
Poland	11.0	15.0	14.4	18.8	3.2	5.7	1.5	3.4	1.1	2.7	3.4	5.9	0.9	2.3	53.0	56.8
Portugal	5.0	7.3	12.6	16.1	1.0	2.2	1.0	2.3	1.2	2.6	0.9	2.0	0.4	1.4	35.3	40.3
Slovakia	16.9	21.5	21.6	26.6	3.0	5.3	1.6	3.4	1.0	2.5	6.5	9.7	1.8	3.7	47.9	57.7
Slovenia	14.7	18.8	23.6	28.4	2.0	3.8	1.7	3.4	0.7	1.2	0.5	1.6	0.2	1.1	36.9	49.7
Spain	18.0	22.1	27.4	32.1	2.1	3.9	2.5	4.3	2.3	4.1	0.6	1.7	0.6	1.7	48.9	52.1
Sweden	23.9	28.0	28.8	33.1	2.9	4.6	1.1	2.7	2.0	3.5	0.3	1.1	0.5	1.3	49.4	57.0
Switzerland	18.6	22.1	11.3	14.3	0.6	1.5	2.3	3.8	1.4	2.7	0.0	0.4	0.3	1.0	32.2	37.6
Turkey	3.7	4.8	24.9	29.8	0.8	2.1	0.2	1.2	-	-	0.3	1.3	0.1	0.9	50.3	53.1
UK	31.8	36.1	17.3	20.9	3.2	5.0	2.7	4.4	1.1	2.3	0.1	0.6	1.1	2.3	47.4	50.2
Ukraine	15.0	19.1	9.0	12.4	4.6	7.2	1.7	3.4	1.9	2.6	11.6	15.4	2.7	4.8	55.9	59.5
Total	19.5	20.3	24.7	25.6	2.9	3.2	2.4	2.7	2.2	2.5	1.8	2.1	1.3	1.5	49.8	50.6

Distinction among offenders: low, (moderate) passive and (moderate) active

A detailed analysis of offences suggests that passive and active fraud are associated with particular subsets of countries. For examples, bribing a public official and misclaiming government benefits (active fraud) is more frequent in Eastern countries such as the Czech Republic, Slovakia, Ukraine and Poland. Passive fraud, by contrast, appears to be more frequent in countries such as the UK, Belgium, the Netherlands, Luxembourg, Denmark, Finland, Sweden and Norway.

In order to give some structure to this multitude of results, a latent class model (Lazarsfeld and Henry, 1968) was performed on items E24-E30 to identify segments of consumers who share similar behaviours in terms of frequency and type of dishonest practices committed (if any). It is assumed in these models that statistical associations are a function of a categorical latent variable, underlying the observed survey responses, also categorical. In the cluster model, cases (respondents) are classified into one of the k possible clusters (latent/unobservable groups) based on probabilities of membership to each one of the clusters. The meaning of clusters is given by the loadings of each answer option on the relevant cluster, i.e., the measurement probabilities.

In this model of latent classes (cluster model), country was introduced as a covariate, allowing the distribution of the latent variable to vary between countries, rather than fixing the conditional item response probabilities to be equal between countries (Stares, 2009). The analysis was performed first separately for each country and the same solution of three clusters was obtained for all the countries with some minor variations on item response probabilities. The concordance of this solution across countries legitimated the general classification of ESS respondents into one of the three groups according to item response probabilities, constrained to be equal between countries.

Three clusters were selected on the basis of its interpretability in terms of the distinction between active and passive fraud (Table 1, Annex, p.124): low offenders (cluster one), passive offenders (cluster two) and active offenders (cluster three). These labels enclose two dimensions: type of practice (active vs passive) and frequency (low vs high). Low offenders show a low propensity to engage on passive fraud (active fraud is unfeasible); passive offenders show a moderate to high propensity to engage in passive fraud, but active fraud is very unlikely. Active offenders hold some propensity to engage in active fraud and a high propensity to engage in passive fraud. The classes do not imply any

sort of order between them as they are unordered categorical, but it is possible to assign a degree of increasing severity from class 1 (low offenders) to class 3 (active offenders). In the global sample, the cluster no/low offenders is the most represented. Consumers belonging to this cluster may occasionally keep the change of a shop assistant or pay cash with no receipt but active fraud is extremely unlikely. Passive offenders are likely to keep the change of a shop assistant and pay cash with no receipt but they are also very unlikely to commit active fraud. Active offenders are very likely to engage on all sort of dishonest behaviour. Consumers belonging to this cluster show some propensity to commit active fraud and passive fraud is committed on a regular basis. This cluster is the least represented in ESS sample. Figure 2 displays the percentage of respondents classified in each cluster by country¹⁵.

¹⁵ Cluster size was based on the mean of membership probabilities per country (weighted by design).

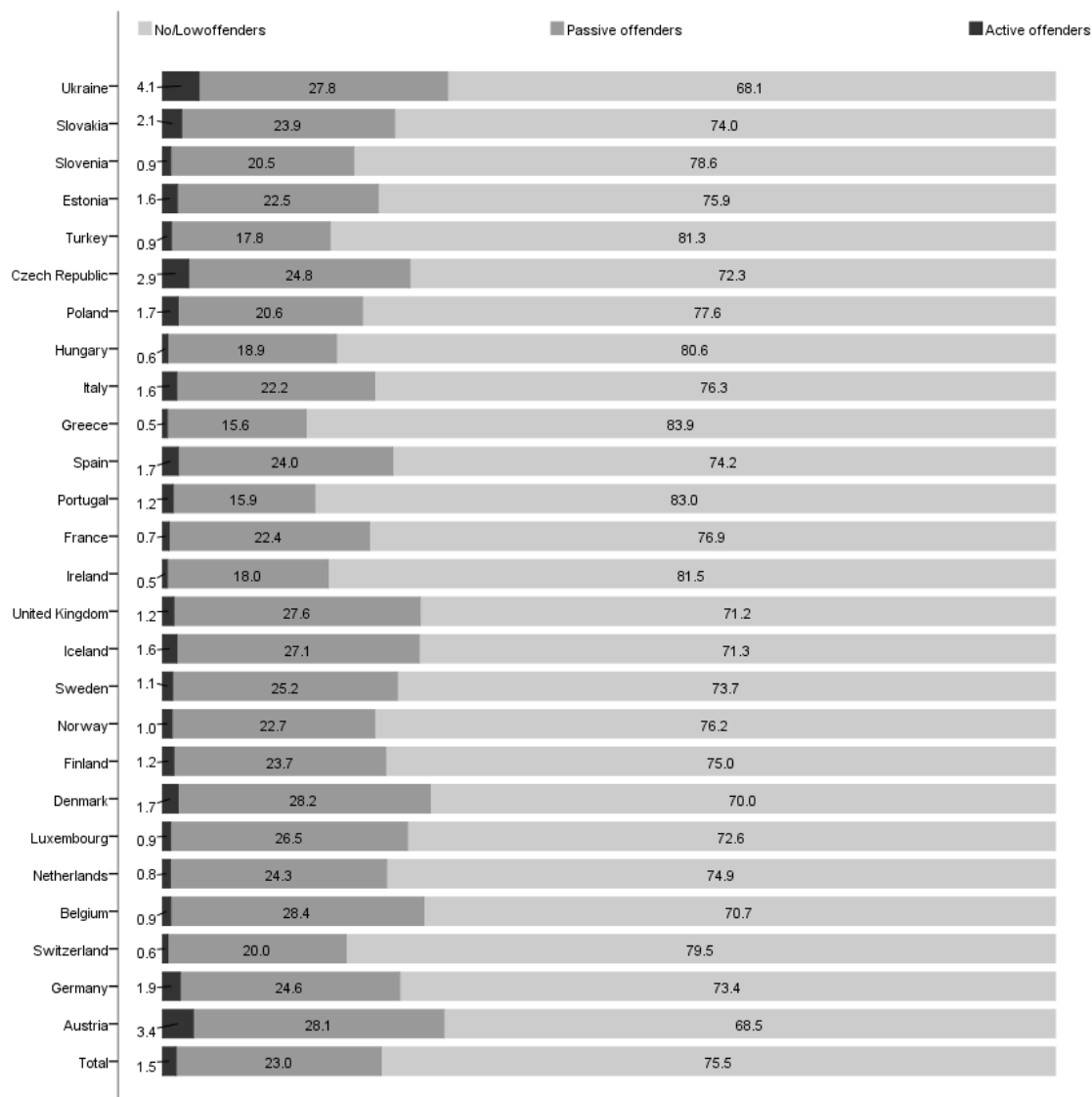


Figure 2: Percentages of respondents belonging to one of three clusters: no/low offenders, passive offenders and active offenders

Combining Table 2 and Figure 2 a clear picture of crimes of everyday life in European countries emerge. Roughly half of the European population have committed crimes of everyday life, but the offences are occasionally paying cash in hand and keeping extra change from a shop assistant. Between 68 percent and 83 percent of the countries' population is law-abiding or commit small offences once in a while. Passive offenders correspond to 15.6 to 28.2 percent of countries' population. Passive offenders are more concentrated in Austria, Belgium and Denmark. Active offenders are a minority, with only 0.5 to 4.1 percent of the countries' population. Higher percentages of active offenders can be found in Ukraine, Austria, the Czech Republic and Slovakia.

Comparison between market economies

The list of countries in Figure 2 is arranged by the type of market (Table 2, Appendix). A major division discriminates between developed markets (Austria, Germany, Switzerland, Belgium, Netherlands, Luxembourg, Denmark, Finland, Norway, Sweden, Iceland, UK, Ireland, France, Portugal, Spain, Greece and Italy) and emerging markets (Hungary, Poland, the Czech Republic, Slovenia and Slovakia). This distinction is based on a gross national income criterion: countries are classified into low income, lower middle income, upper middle income and high income. Low and middle national incomes are classified into emerging economies and higher national incomes are developed economies. The common denominator in emerging economies is the existence of reforms or programmes to boost economic development. However, this classification is not intended to express the economic growth this group as it is based only on the gross national income, but as a general rule, the countries classified in this group experience a rapid economic growth and industrialization in the direction of the developed market economies.

The means of the likelihood of being an active or passive offender in different markets (see Annex) were compared using ANCOVA, controlling for country GDP (average 2000-2005). A first distinction emerges between developed and emerging markets (MSCI/Barra, 2010): consumers from developed markets show a higher propensity to be passive offenders [$F(1, 40283)=12.12, p=.001$] whereas consumers from emerging markets show a higher probability to be active offenders [$F(1, 40283)=21.12, p<.001$]. However, the sizes of these effects are very small [$\eta^2 = 0.0003$ (passive fraud) and $\eta^2 = 0.001$ (active fraud)]. The effect of GDP goes in the direction that passive fraud is more disseminated in countries with higher GDP (*vs* countries with low GDP) [$F(1, 40283)=140.42, p<.001, \eta^2 = 0.003$].

Developed markets are further arranged into three subgroups (Hall & Soskice, 2001): coordinated market economies (Austria, Germany, Switzerland, Belgium, Netherlands, Luxembourg, Denmark, Finland, Norway, Sweden and Iceland); liberal market economies (UK and Ireland); and mixed (France, Portugal, Spain, Greece and Italy). At the basis of the classifications is the way how firms coordinate with stakeholders (employees, suppliers and customers). In LME, coordination is the outcome of market mechanisms, as firms coordinate their activities via hierarchies and competitive market arrangements and the equilibrium outcomes of firm behaviour are usually given by

demand and supply conditions (Hall & Soskice, 2001, p. 8). In CME, the coordination is achieved by institutions (e.g., government, trade unions) that govern and regulate the economy, as firms depend more heavily on non-market relationships to coordinate their endeavors with other actors and to construct their core competencies (Hall & Soskice, 2001, p. 8).

Differences between coordinated, liberal and mixed market economies (Hall & Soskice, 2001) emerges in respect to passive fraud [$F(2, 30551)=96.81, p<.001$], controlling for GDP. Coordinated market economies are more vulnerable than liberal market economies to passive fraud (mean difference= 0.03, $p<.001$) and liberal market economies are more prone to passive fraud than mixed market economies (mean difference=0.03, $p<.001$). Concerning active fraud, there is also differences between the three market economies [$F(2, 30551)=13.91, p<.01$], controlling for GDP. Coordinated market economies are more vulnerable than liberal market economies (mean difference= 0.007, $p<.001$) and mixed market economies (mean difference = 0.004, $p<.05$) to active fraud. These effects however are also weak [$\eta^2 = 0.006$ (passive fraud) and $\eta^2 = 0.001$ (active fraud)].

Emerging markets were listed according to the FTSE (2010) subdivision into advanced emerging (Hungary and Poland), secondary emerging (the Czech Republic and Turkey) and frontier (Estonia, Slovenia and Slovakia). This classification rests in the gross national income and the market infrastructures. Advanced emerging are those countries with middle incomes and with advanced market infrastructures; secondary emerging are those countries with reasonable market infrastructures or upper middle income with underdeveloped market structures.

By comparing developed markets with the different types of emerging markets (advanced emerging, frontier, secondary emerging – FTSE, 2010), it is apparent that advanced emerging markets are less prone to passive fraud compared to other emerging markets and developed markets [$F(3, 41372)=5.91, p<.001$], controlling for GDP. Concerning active fraud, secondary emerging are more exposed than other emerging and developed markets [$F(3, 41372)=15.99, p=.001$], controlling for GDP. These effects are also weak (both $\eta^2 = 0.001$ for likelihood of being passive offender and active offender).

Table 5 summarizes the results of comparisons between markets. In a nutshell, it can be said that (1) more developed markets enclose a higher propensity to commit passive fraud, especially in coordinated liberal economies (2) emerging market economies enclose a higher propensity to commit active fraud, especially in secondary market economies. The logical conclusion is that as more advanced the market, the higher the propensity to commit passive fraud and the lower the propensity to commit active fraud.

Table 5: Comparisons among types of market economies

	MSCI Barra	Hall & Soskice	FTSE
Passive fraud	Developed>emerging	CME>LME>mixed	Advanced emerg.<other emerging
Active fraud	Emerging>developed	CME>LME=mixed	Secondary emerg.>other emerging

Effect of social class membership

The effect of social class on the propensity of being a low offender, passive offender and active offender was tested using multilevel regression (random intercepts), controlling for age and gender of respondents. The response variables are probabilities of group membership (no/low offenders, passive offenders and active offenders) derived from latent class analyses and explanatory variables are at individual level only: age (in years), gender (1=male and 2=female) and social class membership [service, intermediate (baseline), working class].

The social class scheme used was Goldthorpe/Erikson/Portocarrero (EGP, 1992)¹⁶ with major three divisions: service, intermediate and working class (Table 6).

¹⁶ The classes were derived using a SPSS syntax developed by Leiufrud, Biosn, Jensberg (2005) with a modification of Harry Gazenboom, adjusted for ESS variables.

Table 6: EGP social classes scheme (Goldthorpe/Erikson/Portocarrero)

Service	Service class I (higher grade professionals, administrators and officials; managers in large industrial establishments; large proprietors)	I
	Service class II (lower-grade professionals, administrators and officials; higher grade technicians; managers in small industrial establishments; supervisors of non-manual employees). Salaried (top class)	II
Intermediate class	Routine non-manual (routine non-manual employees, higher grade – administration and commerce)	IIIa
	Routine non-manual employees, lower grade (sales and services)	IIIb
	Self-employed with employees (small proprietors, artisans, etc, with employees)	IVa
	Self-employed with no employees (small proprietors, artisans, etc, with no employees)	IVb
	Self-employed farmers, etc. (farmers and small holders; other self-employed workers in primary production)	IVc
	Manual supervisors/Lower grade technicians (lower grade technicians; supervisors of manual workers)	V
Working class	Skilled workers.	VI
	Unskilled workers (not in agriculture, etc.)	VIIa
	Farm labors (agricultural and other workers in primary production)	VIIb

This scheme captures the nature of the employment relationship between type of worker contract (worker vs service contract) and educational skills required for a certain type of occupation. For this reason education and occupation were leaved out of the analysis due to multicollinearity with EGP.

Table 7 shows the result for three separate multilevel model (random intercepts), one for each response variable (likelihood of being a low offender, passive offender or active offender) and social class (two dummies with middle class as baseline) as explanatory variable, controlling for age and gender. The results indicate that service and working classes do not differ from middle class on the likelihood of being a low offender or an active offender. Working and service classes don't differ from each other. However there is statistical evidence that shows that service classes consumers are more likely to be passive offenders than consumers belonging to intermediate or low classes ($b=.007$, $p<.01$). However, this effect is very small as service class consumers have in average a 0.7 percent higher probability of being passive offenders than middle class consumers. Males and younger people are more likely to be passive and active offenders.

Table 7: Multilevel models for the likelihood of being no/low, passive, or active offender (fixed part, N=45681)

	Model 1		Model 2		Model 3	
	No/low offenders		Passive offenders		Active offenders	
	coef	se	coef	se	coef	se
service vs intermediate class	-.006	.003	.007**	.003	-.001	.000
working vs intermediate class	.001	.003	-.002	.003	.000	.001
age	.004***	.000	-.004***	.000	-.000***	.000
gender	.044***	.002	-.036***	.002	-.008***	.000
cons	.494***	.009	.461***	.008	.044***	.002
ICC (empty model)	.020		.015		.010	

*** p<.001 **p<.01 *p<.05

Discussion and conclusions

This study shows that everyday crimes are part of the experience of the majority of European consumer in all countries considered. These practices are widespread in the population as nearly half of the population has engaged in any sort of the practice in the last five years in the 26 countries considered. But this doesn't mean consumers engage regularly in these sorts of practices. The vast majority of the population is law abiding most of the time. In fact, about three quarters of European population can be classified as low offenders what mean that occasionally they may keep the change of a shop assistant or paying cash in hand to avoid taxes. The percentage of population that do not comply with the law in a regular basis is very low, up to five percent of the population.

Between the law-abiding and the criminals there is a considerable percentage of population (roughly one quarter) that engage in passive fraud if they have the chance. The results of this study show dishonest practices can be grouped into active and passive fraud in ESS countries in line with Hypothesis 8. It is not clear from ESSS data whether these passive fraudsters are specialized in one type of fraud (e.g., paying cash in hand) or if they act dishonestly in a wide range situations they face. Certainly opportunity explain why paying cash in hand to avoid taxes is the most common practices among the passive (keeping extra change from a shop assistance and selling something faulty in second hand). Opportunity assumes greater importance in passive than active fraud because in active fraud the individual have control over the actual

situation, whether it will happen or not, while in passive fraud the chance plays the main role.

The results of this paper corroborate Hypothesis 1 of this thesis that considers that CME and LMR differ in respect to patterns of consumer dishonest behaviour. A clear divide between advanced and market economies emerge from ESS data: passive fraud is more common in developed than in emerging countries. This pattern arises even when controlling for GDP what shows that the dimension of the market *per se* does not explain why developed economies are more prone to consumer fraud. We can conclude that different types of markets enclose different economic moralities resulting from specific economic and social trajectories. An additional explanation is the rate of development in emerging markets that is increasingly higher than in developed markets. This idea is reinforced by the finding that developed markets with different characteristics show a different pattern of crimes of everyday life, being coordinated market economies more exposed to passive fraud.

By contrast, active fraud is more common in emerging than in developed markets (controlling for GDP). However, passive fraud is more common than active fraud in all countries showing global moral standards on the illegitimacy of active fraud. Within emerging countries, some differences arise in terms of advanced emerging markets are less exposed to passive fraud (Hungary and Poland) than other emerging and secondary emerging (the Czech Republic and Turkey) which are more exposed to active fraud.

The results of this paper help to elucidate the confusion in the literature around the idea that main offenders belong to middle classes, giving support for Hypothesis 5 which says that the prevalence of consumer fraud varies with class membership. The link between social class and offending behaviour was encountered only in passive fraud. In the ESS samples, passive offenders predominantly belong to higher classes. The group of passive offenders is the one of the most interest in this dissertation because they are the ordinary consumers who take advantage of the situations and whose moral boundaries between right and wrong seem to be blurred, as they occasionally engage in active fraud. They are the main authors of crimes of everyday life as they differentiate from the real criminals (a minority of active offenders) and the law abiding (most of the time) majority (no/low offenders). As the most common passive offence consists on paying cash to avoid VAT, one possible interpretation for this results is that those who are wealthier shop more often and purchase more valuable goods what increases the

opportunity to face situation where they can pay cash in hand. A more fine-grained analysis on the motivation of consumers to engage in fraud would offer more clear results whether there is a moral economy specific to higher classes.

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Appendix

Table 1: Latent class analysis (cluster model) of items E24-E30: ESS global profile (N=45681)

	Cluster1	Cluster2	Cluster3
Cluster Size	0.7625	0.2254	0.0121
E24 : Keeping extra change from a shop assistant			
Never (1)	0.8960	0.5065	0.3232
Once (2)	0.0832	0.1910	0.1742
Twice (3)	0.0182	0.1696	0.2212
3 or 4 times (4)	0.0024	0.0906	0.1689
5 times or more (5)	0.0003	0.0422	0.1125
Mean (measurement prob. x category values)	1.1278	1.9709	2.5733
E25: Paying in cash without receipt			
Never (1)	0.8069	0.5749	0.2849
Once (2)	0.0810	0.0953	0.0730
Twice (3)	0.0583	0.1133	0.1342
3 or 4 times (4)	0.0327	0.1050	0.1922
5 times or more (5)	0.0211	0.1116	0.3157
Mean (measurement prob. x category values)	1.3800	2.0831	3.1809
E26 : Selling something faulty in second hand			
Never (1)	1.0000	0.8916	0.4880
Once (2)	0.0000	0.0819	0.1613
Twice (3)	0.0000	0.0213	0.1505
3 or 4 times (4)	0.0000	0.0042	0.1059
5 times or more (5)	0.0000	0.0010	0.0943
Mean (measurement prob. x category values)	1.0000	1.1411	2.1574
E27: Misusing or altering a card or document			
Never (1)	0.9999	0.9074	0.5921
Once (2)	0.0001	0.0675	0.1257
Twice (3)	0.0000	0.0175	0.0930
3 or 4 times (4)	0.0000	0.0050	0.0753
5 times or more (5)	0.0000	0.0026	0.1139
Mean (measurement prob. x category values)	1.0001	1.1279	1.9933
E28: Falsely claiming insurance			
Never (1)	1.0000	0.9218	0.4701
Once (2)	0.0000	0.0701	0.2426
Twice (3)	0.0000	0.0075	0.1773
3 or 4 times (4)	0.0000	0.0005	0.0831
5 times or more (5)	0.0000	0.0000	0.0268
Mean (measurement prob. x category values)	1.0000	1.0868	1.9539

E29: Bribing a public official

Never (1)	0.9982	0.9341	0.7095
Once (2)	0.0018	0.0434	0.0808
Twice (3)	0.0000	0.0135	0.0617
3 or 4 times (4)	0.0000	0.0062	0.0690
5 times or more (5)	0.0000	0.0029	0.0789
Mean (measurement prob. x category values)	1.0018	1.1003	1.7269

E30: Falsely claiming government benefit

Never (1)	1.0000	0.9569	0.6355
Once (2)	0.0000	0.0368	0.1267
Twice (3)	0.0000	0.0053	0.0944
3 or 4 times (4)	0.0000	0.0009	0.0857
5 times or more (5)	0.0000	0.0001	0.0578
Mean (measurement prob. x category values)	1.0000	1.0506	1.8035

Table 2: Classification of European markets (Hall and Soskice, MSCI Barra and FTSE)

COUNTRY	HALL & SOSKICE	MSCI BARRA	FTSE GROUP
Austria	Coordinated Market Economy	Developed market	Developed market
Belgium	Coordinated Market Economy	Developed market	Developed market
Czech Republic	-	Emerging market	Secondary emerging
Denmark	Coordinated Market Economy	Developed market	Developed market
Estonia	-	-	Frontier
Finland	Coordinated Market Economy	Developed market	Developed market
France	Mixed	Developed market	Developed market
Germany	Coordinated Market Economy	Developed market	Developed market
Greece	Mixed	Developed market	Developed market
Hungary	-	Emerging market	Advanced emerging
Iceland	Coordinated Market Economy	Developed market	Developed market
Ireland	Liberal Market Economy	Developed market	Developed market
Italy	Mixed	Developed market	Developed market
Luxembourg	-	Developed market	Developed market
Netherlands	Coordinated Market Economy	Developed market	Developed market
Norway	Coordinated Market Economy	Developed market	Developed market
Poland	-	Emerging market	Advanced emerging
Portugal	Mixed	Developed market	Developed market
Slovakia	-	-	Frontier
Slovenia	-	-	Frontier
Spain	Mixed	Developed market	Developed market
Sweden	Coordinated Market Economy	Developed market	Developed market
Switzerland	Coordinated Market Economy	Developed market	Developed market
Turkey	Mixed	Emerging market	Secondary emerging
Ukraine	-	-	-
United Kingdom	Liberal Market Economy	Developed market	Developed market

PAPER 2

Consumer morality in times of economic hardship Evidence of the European Social Survey

ABSTRACT

This paper tests attempts to analyze empirically the association between economic hardship and crimes of everyday life in different cultural settings (H6) and examine the role that economic growth and cultural factors play in shaping this relationship (H4). A cross-national analysis of consumers' fraudulent practices was carried out, using data from European Social Survey (Round 2), that focuses on economic morality and socio-economic variables in 23 countries. A formative measure of crimes of everyday life was modelled separately for each country, based on relative deprivation and socio-demographical variables. The country-specific regression coefficients are mapped onto the broader economic and normative context of 23 European countries, given by the gross domestic product, the rate of economic development and the country level of consumer fraud. The results reveal that crimes of everyday life are driven by feelings of economic hardship only in countries where normative factors dictate their deviance. In countries where the consumer fraud is uncommon, relative deprivation plays a role: relatively deprived individuals are more likely to engage in fraudulent practices. In countries where fraudulent behaviour is more generalized, inner motivations to offend play a secondary role as the better-off consumers are more likely to commit fraud. One of the possible explanations rests in the opportunity to offend as better-off individuals interact more often with the market and face more opportunities to behave dishonestly. Normative context constrains or facilitates the impact of relative deprivation on consumer fraud, with normative contexts being determined by the interplay of cultural and economic factors. As the economy grows faster, the tendency to offend the market becomes more visible, but only in countries whose GDP stands above European average (developed markets). In countries with low GDP (emerging markets), normative landscape is shaped by cultural factors that seem to obfuscate the power of economic factors favourable to consumer fraud.

Keywords: Economic morality; Crimes of everyday life; Market anomie; European Social Survey

Introduction

The transformations in the European economy in the late twentieth century, particularly the transition to neo-liberal markets and the emergence of consumer society, gave rise to a “cornucopia of new criminal opportunities” (Shover et al., 2003, p. 490). A new range of crimes—such as ripping software, making false insurance claims, or paying cash in hand to circumvent taxes—has burgeoned as a result. Albeit they are collectively regarded as morally dubious, these crimes of everyday life are part of people’s experience. They tend to be committed by citizens who see themselves and are seen as the “law-abiding majority” (Karstedt & Farrall, 2007).

The existing figures for everyday crimes are not exhaustive; they also suffer from some significant methodological weaknesses. It has been estimated, based on personal interviews to experts in the UK, that 4 percent of social security payments made in 2002 are based on false claims (Karstedt & Farrall, 2006) and 4 percent of household insurance claims made in 2000 were also fraudulent (ABI, 2000) (cf. Introduction, p.16,17). An extensive study lead by Levi et al. (2007) for the Association of Chief Police Officers, captured data on fraud in the UK from various public sources of information, gathered both from administrative record-keeping and sample surveys. It was estimated that the overall losses of fraud in 2005 amounted to: £1.0 billion for business in financial services sector; £0.9 billion for business in the non-financial services sector; £2.8 billion for private individuals; £6.4 billion for public bodies at the national level (excluding income tax fraud); and £6.4 billion for public bodies at the local level (p.38). According to the KPMG Forensic Fraud Barometer which measures fraud cases in UK coming to the court¹⁷, the number of cases of fraud increased by 300 percent from 2007 to 2008, mainly due to the augment of fraud committed by individuals (KPMG, 2009). These figures suggest that everyday crimes have been mounting, occur more regularly, and involve higher costs than other types of crimes. To illustrate this, it can be said that the annual losses for business in the non-financial services alone parallel the combined costs of burglary in dwellings, theft, robbery of individuals and common assault (Dubourg & Hamed, 2005).

¹⁷ These figures refer to charges of £100,000 or more.

Despite the economic relevance of the topic, the occurrence of crimes of everyday life in a particular society is a valuable indicator for social and political analysis. The idea that victims of fraudulent practices in the marketplace become offenders when the trust on business was undermined is a commonplace in the literature (Karstedt & Farrall, 2006). But as the roles of citizen and consumer are intertwined, the scepticism about economic organization may intrude social and political life. The lack of confidence in business and the noncompliance with market regulations may extend to social and political institutions, including the government. Consumer discontentment and negative attitudes towards the institutional framework of society lie at the core of fraudulent behaviour (Karstedt, 2007). Along these lines, crimes of everyday life are indicators of the moral stage of a particular society, perhaps much more than violent or other street crimes (Karstedt & Farrall, 2007).

This paper constitutes an attempt to frame theoretically and empirically the crimes of everyday life standing from a multilevel perspective that integrates theories stemming from political science, sociology and social psychology. Two hypotheses are tested in the empirical part of this paper. The first hypothesis states that relatively deprived individuals are more likely to engage in fraudulent practices, especially in countries where dishonest practices are uncommon (H6 of this thesis). The second hypothesis considers that countries with market economies which higher rates of growth show higher prevalence of consumer dishonest practices (H4 of this thesis). I start by exploring the link between the market and social institutions, followed by the elaboration of anomie from a classical sociological perspective, that accounts for social organization and locates motivations for deviance in the social structure, to finally step down to the examination of the correspondence between social attitudes and behaviour, as postulated by the Theory of Planned Behaviour (Beck & Ajzen, 1991).

The structure of this paper follows the four levels of analysis in social psychology proposed by Doise (1986) — ideological, positional, interpersonal and intra-personal. A guiding motivation of this study is the idea that crimes of everyday life can be understood through different processes articulated at different levels of analysis. At the ideological level, the emergence of unfair practices in the marketplace is facilitated by a syndrome of market anomie comprising distrust of business and market institutions, fear of victimization and cynical attitudes towards the law (Karstedt & Farrall, 2006),

resulting from the disembeddedness of market with the surrounding cultural environment and social institutions. The positions that individuals hold in the social structure also has an impact on the approval of fraudulent practices: individuals in disadvantaged positions, especially in anomic societies, are more likely to experience the deprivation feelings that are believed to fuel deviant behaviour. As such, economic context, institutional landscape and social structure are macro-level factors that either prevent or facilitate fraudulent behaviour in the marketplace. The behaviour materializes when attitudes and social norms towards it were favourable, when individuals perceive business as an unfair game and opportunity arises.

The empirical study draws upon on micro data from European Social Survey (Round 2), modelling separately for 23 European countries a formative measure of crimes of everyday life based on socio-demographical variables and the subjective household financial situation. The resulting country-specific regression coefficients are mapped onto the broader economic and cultural context of the European countries. This procedure is mainly exploratory; it relies on graphical representation of data. But Bowers and Drake (2005) suggest that, complementary to multilevel regression, researchers should look at variations in slopes and intercepts for separate ordinary least squares regressions. The technique allows inferences about level two effects and cross-level interactions when level two sample is small (i.e., less than 30 units) and/or the sample is non-representative of population. This seems to be the case in the current study, since it employs samples from 23 European countries.

The results reveal that crimes of everyday life are driven by feelings of economic hardship only in countries where normative factors dictate their deviance. In countries where fraudulent behaviour is more generalized, inner motivations to engage in everyday crimes play a secondary role: the more advantaged consumers are more likely to commit fraud as they interact more often with the market. In turn, normative aspects result from a dynamic interplay of cultural and economic factors. As the economy grows faster, the tendency to commit fraud becomes more visible, but only in countries whose GDP stands above the European average. In countries whose GDP is low, normative landscape is shaped by cultural factors that seem to obfuscate the power of economic factors that favourable to consumer fraud.

Economic morality and institutions

Economic morality is a vital component of society that has been defined as a particular set of justice perceptions and the moral order of the economy (e.g., Arnold, 2001; Bates & Curry, 1992; Booth, 1994; Karstedt & Farrall, 2004). Economic morality should ideally be approached from different levels of analysis as it is shaped by economic contexts, constrained by cultural forces and expressed through individual behaviour.

The idea of economic morality was first coined by Thompson (1963, 1971) in order to explain corn riots, in eighteenth century Britain, formed by peasants battling for surplus and fair prices of basic provisions. Food riots have been regarded as manifestations of grievance, resulting from a clash in expectations framed in an embedded economy, submerged in social relations and reciprocity principles and the demands of a more autonomous and advanced market (Booth, 1994). This historical moment was recognized by some authors (e.g., Trentmann, 2004) as the first step towards the recognition of consumer authority in economic and political realms. The moral indignation of pre-market people when faced a different economic order was then expressed through opposition and conflict. Accordingly, crimes of everyday life imply resistance to comply to business norms and regulations whose importance is neglected or not fully understood (Karstedt & Farrall, 2004).

Public policies and institutions shape economic morality through a process of normative feedback that passes on citizens the message of which rights and responsibilities are expected from them as members of a wider community (Svallfors, 2006). Given that a definite shift on citizens' minds does not occur as a direct result of the implementation of new regulations, it can be assumed a certain degree of stability on beliefs of economic fairness in a particular society. A transformation presupposes an extensive and slow-moving mechanism of socio-cognitive adjustment to the new ideas, in which psychological processes intervene, such as information's diffusion and management, cognitive assimilation and accommodation and feedback loops based on consumers' experience and expectations. A gradual change on perceptions of the economy would emerge from the dialogue between the new inputs and existing collective attitudes, systems of beliefs and values embedded in culture.

The distinction between slow moving and fast moving institutions proposed by Roland (2004) may shed some light on this matter. This author developed a framework for

understanding institutional change, illustrating the limitations associated with the transplantation of best-practice institutions. North's (1990) broad definition of institutions is adopted, referring to "any form of constraint that human beings devise to shape human interaction" (p. 3). Slow-moving institutions progress at a slow, incremental and continuous pace. An example of a slow-moving institution is culture, understood as a constellation of values, beliefs and social norms. Conversely, political institutions (e.g., regime type, electoral rules, degree of federalism) may change more quickly, even abruptly. They are classified as fast moving institutions. This approach to institutions is macrosystemic in a sense that institutions are interdependent and function in a complementary way.

Along these lines, successful institutional change depends on the degree of congruence of new and existing institutions. Incremental changes in culture will gradually generate inconsistencies in fast moving institutions creating pressures towards change. By the same token, a reform in a fast-moving institution is condemned to failure if it does not respect the stage and specificities of slow moving institutions. Therefore, the cultural milieu is a fundamental determinant of whether a new input will succeed or fail. It may be legitimately concluded that the more irreconcilable the new and old ideas appear to be, the less receptive society members would be towards change, regarded as unfair and inappropriate and the more non-compliance and grievance manifestations may be expected.

Moral economy of class

Taking a strict positional perspective, Svallfords (2006) elaborated on the notion of moral economy of class to refer to ideas held by different classes about the way market operates and the fairness of a certain distribution of resources. These ideas are anchored in common experiences, goals, attitudes, norms and interests of individuals sharing the same socio-structural position. Regarding this point, McFadden (2006) observed that "it is no coincidence that the support for market solutions is concentrated among the economically successful and opposition among the less successful" (p.6).

There is a widespread belief in the literature that fraudulent consumers belong to middle-classes. For example, Wilkes (1978), in one of the most cited studies on this topic, sought to assess consumer attitudes towards various fraud situations surveying

only middle-class respondents. The author justified his choice by the “general community orientation and indications that certain fraudulent are most associated with middle-class consumers (p.69)”. Intuitively, the idea that main offenders would be those at the centre of consumer societies seems appealing. Indeed, Karstedt and Farrall (2004) used the expression “moral maze of the middle class” to refer to fraudulent behaviour in the marketplace. Nevertheless, studies that examine directly the link between social class (Wright, 2003) and crimes of everyday life are scarce. Certainly the sensitivity of the topic poses some difficulties in obtaining representative samples.

Anomie and deviant behaviour

Anomie theories offer a rationale for explaining the occurrence of different rates of deviant behaviour both among cultures and across socio-structural positions within the same culture. The central dissertation is that anomie or normlessness is assumed to lead deviant behaviour.

Merton (1938) classified a social organization as strong if the social structure allows individuals to achieve culturally approved goals through normative means. If this condition was not met, disjuncture between cultural and social components of society would be obtained, setting the stage for anomie. Thus, a strained social structure explains why some societies are more prone to deviant behaviour than others. It is worth noting that the social and cultural components of society combine in an interactive way to produce anomie: certain structural conditions (e.g., income inequality) under certain cultural conditions (e.g., egalitarian value orientations) seem to explain deviant behaviour (e.g., Caruana, 2001; Chamlin & Cochran 1995). Merton (1938) believed that within the same society, the groups more exposed to deviant behaviour are those that faced restrictions in their way to reach social goals, such as economic success.

Institutional Anomie Theory (Messner & Rosenfeld, 1994, 2007) offers an extension of Merton’s anomie theory, by specifying the characteristics of culture that originate a state of anomie. It maintains that anomie is driven by structural forces derived from the economic dominance in the institutional structure. Drawing on Institutional Anomie framework, Karstedt and Farrall (2006) refer to a syndrome of “market anomie” characterized by distrust, fear and cynical attitudes towards law and business that increases the willingness of respectable citizens to engage in illegal and unfair practices

in the marketplace. In a market society, it is assumed that the power of economic institutions surmount the power of non-economic institutions (family, educational, religious and political institutions). This creates a cultural ethos where the competition and materialism values are overemphasized. As a result, the normal functioning of non-economic institutions is disrupted, especially in what refers to social control. The uneven distribution of opportunities in social structure encourages illegal ways to achieve success, because the disembedded social institutions fail to provide the normative links to attain those ends (Bernburg, 2002).

However, the mechanism underlying the motivation to behave against the rules is not clearly stated in anomie theories that offer a rather simplistic explanation based on feelings deprivation and frustration. Messner (1988) clearly recognized that “a more rigorous articulation of the linkages between Merton’s system-level processes and individual motivations and behaviours is required for the development of a truly comprehensive explanation of the phenomenon of deviance¹⁸” (p.50).

Relative deprivation and deviant behaviour

Merton’s anomie theory suggests that the relative deprivation is the motivational element that fosters deviant behaviour. Relative deprivation may be defined as a psychological state expressed by feelings of dissatisfaction or even anger that result from the perceived discrepancy between current and expected economic situations (Brown, 1996).

Relative deprivation is recognized in social psychology literature at being at the core of psychological explanations of militant collective phenomena and civil protest (Gaskell, 1990). Ruciman (1966) differentiated between individual/egoistic relative deprivation and social/fraternalistic relative deprivation whether the comparison is directed to another person or to the outgroup, respectively. Relative deprivation may be considered the motivational aspect of deviant behaviour that, under certain conditions, may

¹⁸ The type of crimes Messner and Rosenfeld (1994) are trying to explain with the anomie framework was the criminal behaviour with an instrumental character, e.g., behaviour that offers monetary rewards (pp. 68, 85).

materialize in actual behaviour. But the question of how relative deprivation translates into actual behaviour was not addressed within this framework.

From a social psychological point of view, Theory of Planned Behaviour (Beck & Ajzen, 1991) may contribute to clarify the antecedents of the behaviour based on concepts of attitude, subjective norm, perceived behavioral control and intention. The subjective norm is closely linked to social influence. It refers to the beliefs of what important others would think of projected behavior. The subjective norm assumes a particular importance in the context of crimes of everyday life, as the belief that many others exposed to the same opportunities would behave in the same way contributes to normalize illegal behaviour and to inhibit the impact of social disapproval. As such, “everybody does it” constitutes a strong justification when it comes to reduce possible cognitive dissonance associated with dishonest behaviour (Gabor, 1994). In turn, perceived behavioral control is related to the existence of psychological or physical barriers to engage in dishonest behaviour. It includes the avoidance of trouble and opportunity which facilitates fraudulent behaviour.

Perceived unfairness is not considered in the original Theory of Planned Behaviour but it was mentioned by Fukukawa (2002) as an important determinant of ethically questionable behaviour. The author states that perceived unfairness refers to “the extent to which an actor is motivated to redress an imbalance between firms and costumers that is perceived as unfair” (p. 105). In these terms, the balance could be restored if the consumer behaves in ways that benefits him/her at the expense of the market.

In sum, consumer deviant behaviour could be understood through different processes articulated at different levels. From a societal level, grievance manifestations may occur if market expansion doesn't take into account the surrounding cultural environment and the characteristics of other institutions. From a positional level, the characteristics of social structure and the placement of the individual within that structure also determines the extent to which individuals experience the deprivation feelings that energize fraudulent behaviour. Inter and intrapersonal theories add that fraudulent consumer behaviour may be accounted by positive attitudes and favorable social norms.

The theoretical integration exposed so far demands for the clarification of the link between economic hardship and consumer fraud and the nuances that it assumes in

different economic and cultural contexts. The next section offers an attempt to address empirically this issue guided by the following research questions, schematized in Fig. 1:

Are deprived consumers more likely to engage in fraudulent practices in the marketplace (H6a)?

- a) Is this relationship stable across different economic and social contexts (H6b)?
- b) Which are the normative orientations and economic conditions that sustain this relationship (H4)?

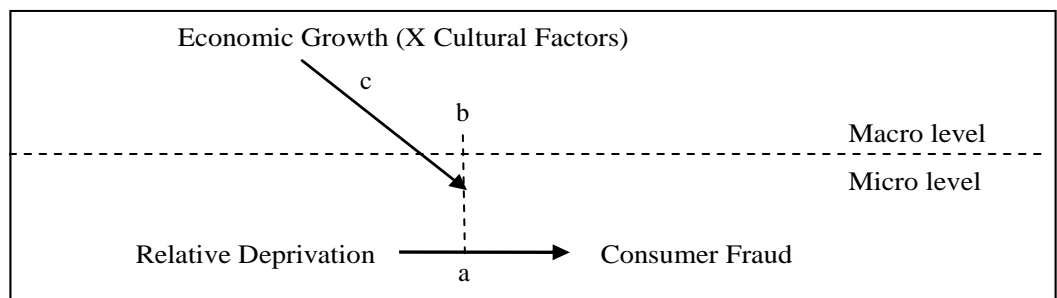


Figure 1: Research problem considering a cross-level interaction to explain consumer fraud

Method

The nature of this study is comparative in a way that “problems, questions and phenomena are studied in two or more cultures with the specific aim of comparing their manifestations in different contexts, using similar research tools” (Hantrais & Mangen, 1996, p.1). According to the typology of cross-national studies proposed by Van de Vijver and Leung (1997), this study can be classified as “structure oriented” since it focuses on the relationship between variables and attempt to identify similarities and differences in these relationships across cultures.

A cross-national analysis of fraudulent practices was carried out, using data from the European Social Survey (ESS) that focus on fraudulent practices and socio-economical variables. The ESS is an academically driven social survey designed to chart and explain the interaction between Europe changing institutions and attitudes, beliefs and behaviour patterns of diverse populations (Jowell, 2005). The biennial survey was established in 2002 and currently covers 30 nations. The methodological excellence is one of the major distinguishing characteristics of this survey achieved by the adoption of uniform methodological standards in all stages of research. All national surveys are

based on face-to-face interviews of citizens aged 15 or over and detailed rules are strictly followed by all national teams, such as study-wide targeted response rates of at least 70 percent and rigorous probability sampling. The questionnaire contains core modules¹⁹ repeated in every round and rotative modules, round-specific. This study uses data from economic morality module that is one of the rotative modules of the second round (2004/05). The other rotative modules in this round are “family work and well-being”, “opinions on health and care seeking”.

The total sample for the second round (N=42203 units) comprises representative samples of 23 European countries (Table 1). Two countries considered in the second round of ESS were not included in this analysis because data for some of the variables was not available (France and Ukraine). It is also worth noting that in two other countries (Estonia and Italy) the non-response rate for at least one of the questions (outcome variables) is extremely high. (i.e., 34.9 percent) what demands caution in the interpretation of results for those particular countries.

Table 1: List of countries and sample sizes (ESS, Round 2)

Country	N	Country	N	Country	N
Austria	2256	Iceland	579	Slovakia	1512
Belgium	1778	Ireland	2286	Slovenia	1442
Denmark	1487	Italy	1529	Spain	1663
Estonia	1989	Luxembourg	1635	Sweden	1948
Finland	2022	Netherlands	1881	Switzerland	2141
Germany	2870	Norway	1760	Turkey	1856
Greece	2406	Poland	1716	United Kingdom	1897
Hungary	1498	Portugal	2052	Total	42203

This study involves variables considered at different levels of analysis, individual and country levels. The response variable consists of an individual score of consumer fraud. This score was developed through factorial analysis based on the answers to items E24 to E30 which refer to several fraudulent practices committed by consumers. The practices targeted consist of: “kept the change from a shop assistant knowing they had given you too much” (E24), “paid cash with no receipt to avoid VAT or other taxes” (E25), “sold something in second hand and concealed some or all of its faults” (E26),

¹⁹ The themes covered in the core modules are: Trust in institutions, political engagement, socio-political values, moral and social values, social capital, social exclusion, national, ethnic and religious identity, well being, health and security, demographic composition, education and occupation, financial circumstances and household circumstances.

“misused or altered a card or document to pretend you were eligible for something” (E27), “falsely claimed a government benefit such as social security” (E28), “made an exaggerate or false insurance claim” (E29) and “offered a favour or bribe to a public official in return of their services” (E30). The answer scale ranges from one (never) to five (four times or more). The additional answer categories “no experience”, “don’t know” and “refuse” are also available in the questionnaire.

Non-response rates vary noticeably among countries what may be partially due to a differential country use of non-response categories. For example, in the Czech Republic and in the UK, the answer category “no experience” was not available. Overall, item E25 contains a higher non-response rate (in average, 12.0 percent) and E27 a lower non-response rate (in average, 9.7 percent).

A factorial analysis based on the pooled country samples (weighted for national sample sizes) was performed and a bifactorial solution (according to scree test criterion) was found. Together the two factors retained explain 77.1 percent of the variability of items: 65.7 percent and 11.4 percent for first and second factors, respectively. The first dimension points to an overall score of consumer fraud whereas the second directs to the active vs passive dimension of consumer fraud, differentiating situations where the individual has deliberately initiated the behaviour or he/she merely took advantage of a situation he/she faced (Muncy & Vittel, 1972, 1992²⁰). Factor loadings and communalities are displayed in Table 2.

Table 2. Loadings in first two factors and communalities for fraud items (N=42203)

		Factor 1	Factor 2	h ²
E24	Kept change from shop assistant/waiter when given too much	.604	.596	.720
E25	Paid cash with no receipt to avoid VAT or tax	.628	.534	.679
E26	Sold something second-hand and concealed its faults	.822	.007	.676
E27	Misused/altered card/document to pretend eligible	.888	-.162	.814
E28	Made an exaggeration or false insurance claim	.899	-.188	.843
E29	Offered favour/bribe to public official for service	.888	-.220	.836
E30	Falsely claim government benefit: social security or other	.885	-.219	.831

²⁰ The authors proposed a scale to assess consumer moral judgments (Consumer Ethics Scale, 1972) that allowed to draw a typology of consumer ethical judgments grouped into four categories: actively benefiting from an illegal activity, passively benefiting at the expense of the seller, actively benefiting from a questionable action and no harm/no foul.

Only the scores for the first factor are used in the subsequent analysis. The first factor corresponds to a general score of consumer fraud and its equivalence across country samples was tested. A procrustean procedure for testing cross-country equivalence of scores was used (Van de Vijver & Leung, 1997). To this aim, the pooled bi-factorial loadings were compared to the specific bi-factorial loadings found in each country through an index of factorial similarity. For the first factor, Tucker's *Phi* coefficient assumed values over 0.9, in all country-samples, showing that factor loadings are equivalent across countries (Van de Vijver & Leung, 1997). Thus, it was concluded that this measure of consumer fraud exhibited metric equivalence (Fontaine, 2005, 2008), justifying comparisons of slopes and correlations found in different national samples. Factorial scores for the first factor were then saved and used in subsequent analysis.

The main individual-level explanatory variable is economic hardship, assessed by the "feeling about household income" [hincfel]. The corresponding question is "Which of the descriptions comes closest to how you feel about your household's income nowadays?". The response options are the following: (1) "living comfortably on present income" (2) "coping on present income"; (3) "living is difficult on present income"; and (4) "living is very difficult on present income". Answers to this question may express a general state of (dis)satisfaction with the present economic circumstances and measure the distance between actual and desired financial situations.

It was assessed whether the measure of economic hardship evoked the same construct in different countries, by examining the web of associations between this variable and relative income measures available or derived from ESS data. The variables used are: level of income [hinctnt] within a country which is the salary level harmonized for different countries and level of income relative to social class (using Erikson, Goldthorpe Portocarrero scheme, 1992) measured by the distance between the income and the social class median the individual belongs to. The several within countries analysis performed lead to the conclusion that in all countries, the "feeling about household income" was moderately and inversely correlated with the two relative income measures. Thus, functional equivalence (Fontaine, 2005, 2008) of the measure was assumed, allowing equivalence of meaning of the question in terms of comparison of the current financial situation with the financial situation of other people from the same social class. The label "economic hardship" can thus be used to refer to the same

construct across countries. Other variables considered at individual level were age [age], gender [gndr], education [eduyrs], income [hinctnt] and degree of religiosity [rlgdg].

The explanatory variables at the macro-level are the aggregate index of consumer fraud (explained in detail in the next section), gross domestic product (GDP) and growth in GDP. Gross domestic product (GDP) is a measure of the results of economic activity in purchasing power standards that permits comparisons between economies of different sizes (Guio, 2005). Growth in GDP was measured through the difference between GDP per capita between two time points—2005 and 2000—i.e., the five years period mentioned in ESS questions.

Results

The purpose of this study is to investigate the relationship between financial hardship and consumer fraud in 23 European countries and explain how this relationship is sustained by normative and economic contexts. In the first step, 23 separate regression analysis were carried out within each country. In the second step, the association between the obtained estimates and macro-level variables (normative orientations, GDP and economic growth) was analyzed. Individual scores of consumer fraud were obtained through factorial analysis, combining items drawn from the scale of fraudulent behaviours (items E28 to E30). These scores were modelled separately for each country using the following regression equation:

$$y_i = \beta_1 + \beta_2 x_{1i} + \beta_3 x_{2i} + \beta_4 x_{3i} + \beta_5 x_{4i} + \beta_6 x_{5i} + \beta_7 x_{6i} + \varepsilon_i \quad (1)$$

where y_i is the index of consumer fraud for the i^{th} consumer in a particular country, x_{1i} is the corresponding financial hardship score, x_{2i} to x_{6i} the scores for the i^{th} consumer on variables gender (dummy for male), age (in years), education (in years), equivalised income (12 levels) and degree of religiosity (0-10) respectively and β_1 is the country specific intercept and β_2 to β_6 the country specific slopes for explanatory variables. The estimates were stored and used in subsequent analysis.

Figure 2 shows the slopes of financial hardship on consumer fraud and corresponding 95% confidence intervals in the 23 countries. The overall picture indicates that the impact of financial hardship on consumer fraud is negligible in the vast majority of

countries. In fact, 20 out of 23 regression coefficients are not significantly different from zero what means that this effect is, loosely speaking, non-existent. However, the three countries that do not obey to this general pattern (Germany, Italy and Portugal) are of most interest since they may contribute to improve the understanding of the conditions under which financial hardship matters on consumer fraud.

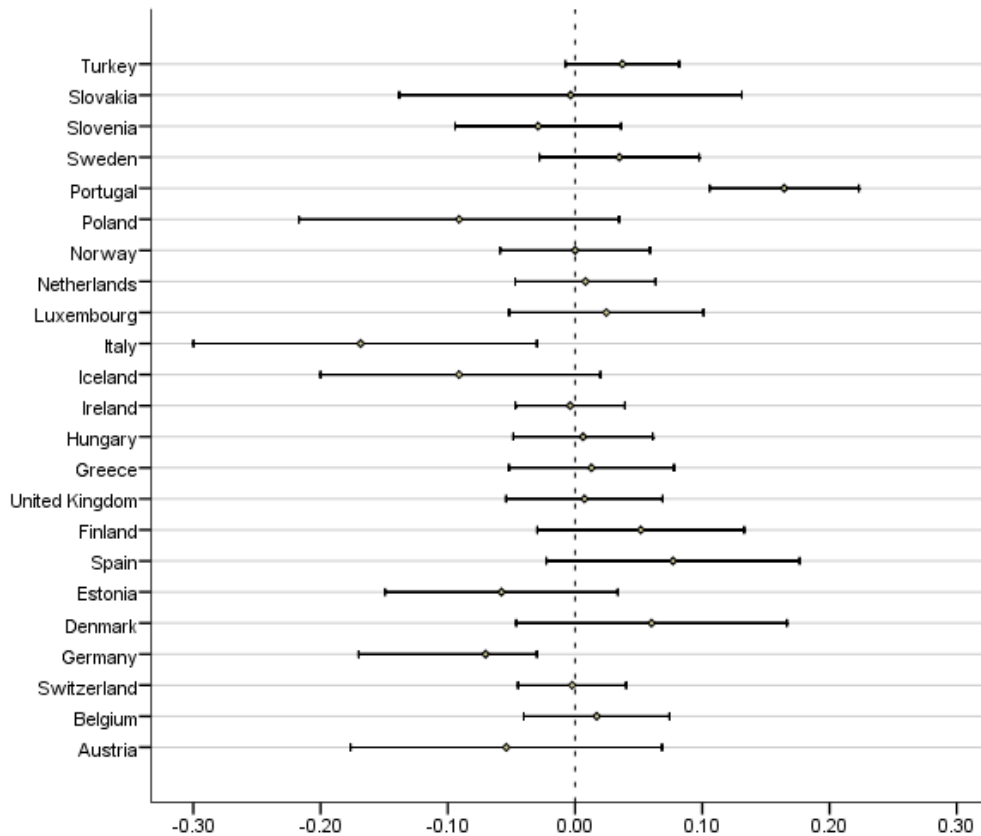


Figure 2: Slopes (Financial hardship → Consumer Fraud)

Based on the obtained estimates, individual scores of a hypothetical consumer were computed for each country, fixing values of socio-demographical variables at ESS sample means and scale mid-points (male, aged 45, with 12 years of education, level 6 of income and level 5 of religiosity). The individual scores were converted into a scale of 0 to 100 (0=lowest fraud and 100=highest fraud) and taken as an approximate index of consumer fraud in each country.

Figure 3 displays the scatterplot for the association between expected level of consumer fraud and effect of financial hardship on consumer fraud. Descriptive statistics for these estimates can be found in Table 3.

Table 3: Descriptive statistics for levels of fraud and slopes in the 23 countries (N=42203)

	Mean	Std. Dev.	Min	Max
Slopes	0.00	0.07	-0.17	0.16
Level of Consumer Fraud	62.23	22.11	6.60	99.3

As previously noted, the overall effect of financial hardship on consumer fraud tends to be zero. But some variation in these slopes is noticeable, not only in terms of strength (e.g., Germany and Italy) but also in terms of the sign (e.g., Portugal and Italy). For example, in Portugal (top left). The slope is positive which means that people who experience financial hardship are more likely to initiate fraudulent behaviour in the marketplace. Conversely, in Germany and Italy (bottom right in Figure 3), the effect goes in the opposite direction, that is, people who feel that they live comfortably are more likely to commit crimes of everyday life.

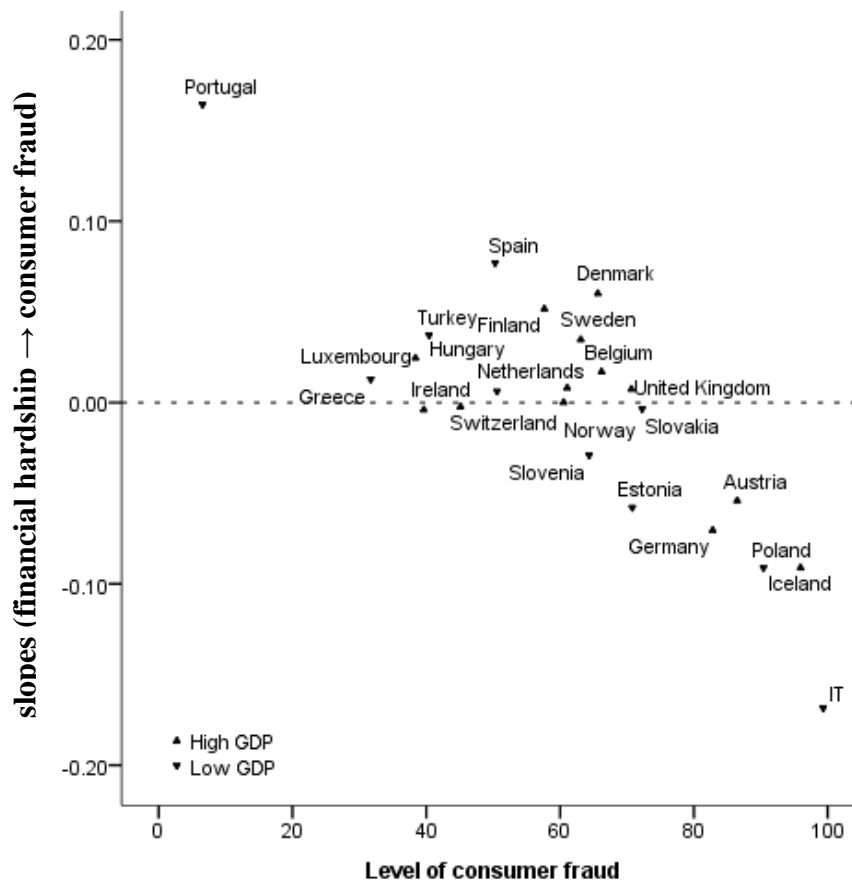


Figure 3: Scatterplot for the association between levels of consumer fraud (0-100) and slopes (financial hardship → consumer fraud)

Figure 3 depicts a negative trend between level of fraud and slopes ($r = -.82^{21}$, $p < .001$). This association is not dependent of values that socio-demographic variables were fixed, being present in all possible combinations of values for socio-demographic variables.

At the first sight, it seems that financial hardship has an effect on consumer fraud only at extremely high and low country levels of consumer fraud. At middle levels, the relationship between financial hardship and consumer fraud tend to be trifling or even inexistent as the slopes converge around zero. Second, the relationship between financial hardship and consumer behaviour holds an opposite sign whether the level of consumer fraud is high or low. This finding suggests that, on the one hand, in countries where the tendency to commit fraud is more marked, people who consider living more comfortably are more likely to engage in fraudulent practices. On the other hand, in countries where the tendency to offend is less evident, those who find very difficult to live on present income are more likely to engage in such practices. At middle levels of consumer fraud, others factors may foster or hamper the tendency to commit fraud. For example, degree of religiosity appears to inhibit fraud in some of these countries (Austria, Luxembourg, Ireland, The Netherlands, Poland, Switzerland, Turkey and the UK) while age and being male have a negative effect across all countries considered²².

Figure 3 also differentiates countries whose GDP (in 2005) is high (above 100) and low (below 100) and it becomes apparent that the relationship between level of fraud and effect of financial hardship on consumer fraud remains when controlled for GDP ($r = -.83$, $p < .001$). For countries with a high GDP, this relationship is less evident ($r = -.65$, $p < .01$) as Germany being the only instance where fraud is facilitated specially among the less deprived, while for countries with low GDP, the association is stronger ($r = -.92$, $p < .01$), with Portugal and Italy stretching this relationship at the two opposite poles.

Finally, one question remains unanswered: what drives levels of fraud? The answer is not straightforward, as combines cultural and economic factors. It can be said that in countries with high levels of GDP, economic growth do play a role. For countries that belong to this group (high GDP), the increase in GDP per capita between 2000 and

²¹ The association holds even when Italy and Portugal were removed from the analysis ($r = -0.69$, $p < .001$).

²² Education and level of income have a residual positive effect only in a very few countries.

2005 is positively associated with a tendency to offend the market (the relationship between GDP growth and level of consumer fraud is $r=.75$, $p<.001$, controlled for GDP in 2000). Iceland, Austria and Germany are examples of countries with a remarkable growth in GDP in the period between 2000 and 2005 and a high tendency to offend the market. Conversely, Ireland and Luxembourg whose GDP increased at a slower pace during that period show a lower tendency towards consumer fraud.

For countries with low GDP, economic growth is not associated with tendency to offend ($r = .067$, $p=.864$). The results may suggest that within this group, cultural factors surmount economic factors. One prime example is Italy that, despite the low growth in GDP—GDP is actually declining for that period—exhibits a high tendency to offend the market. A country with a comparable low GDP growth is Portugal, but the tendency to offend is dramatically lower than Italy. Additionally, countries with emerging markets, namely Hungary, Slovenia, Estonia, Slovakia and Poland the tendency to offend is similar albeit the group differ considerably in terms of growth rate in GDP for that period (Slovakia is one of the countries with greatest GDP growth from 2000-2005).

Discussion and conclusions

This paper brings support for Hypothesis 6 in this dissertation which considers that relatively deprived individuals are more likely to engage in fraudulent practices especially in countries where dishonest practices are uncommon. This result may lead to several interpretations. The worst empirical scenario would be that the opportunity to perform fraudulent behaviour is confounding the relationship between financial hardship and consumer fraud. Logically, people who said living more comfortably may interact more often with the market, facing more opportunities to behave dishonestly. As such, the frequency of fraudulent behaviours would be higher among them. This could explain the negative slopes encountered between financial hardship and consumer fraud. But fails to explain why in some countries, with particularly low levels of consumer fraud, people that are struggling with finances offend more.

At the very best, this empirical pattern points to normative forces that guide the behaviour. In countries where fraudulent behaviour is more likely to occur, social norms that are favorable to consumer fraud (descriptive norms) drive the behaviour. The justification “everybody does it” (Gabor, 1994) acquires here a great relevance as a

rational for fraudulent behaviour. Fraudulent behaviour becomes less dependent on idiosyncratic motivations and hence less informative about the actor. Thus, it can be assumed that opportunity plays a determinant role in facilitating fraudulent behaviour especially in countries where this type of behaviour is more common.

By contrast, in countries where the overall frequency of consumer fraud is very low, fraudulent behaviour is not rooted in shared norms. Thus, fraudulent behaviour becomes closer to its deviant nature and the social forces that regulate it amount to general forces that compel individuals to disrespect social norms. In this particular context, deviant consumer behaviour may be explained through a syndrome of market anomie (Karstedt and Farrall, 2006). The motivational aspect that impel deviant behaviour is believed to be the perceived discrepancy of current and desired economic situation, captured in this study by the feeling about household's finances. Accordingly, respondents who said living very difficult on present income are more likely to engage in deviant consumer behaviour, but only in countries where the fraudulent behaviour is uncommon.

An additional result reveals that citizens of countries with a high GDP, growing at a slow pace, display a lower tendency to commit fraud, suggesting that sustained economic growth plays a crucial role in shaping morality in the market. This result offers partial support for Hypothesis 4 which states that countries with market economies which higher rates of growth show higher prevalence of consumer dishonest practices. This issue was only partially addressed in this study due to its cross-sectional nature, but it is believed that longitudinal studies that analyze economic trajectories and associated changes in economic morality would provide better insights of crimes of everyday life as indicators of the interplay between economy and culture.

This paper puts in evidence the macro-level association between economic growth and the prevalence of consumer fraud. Countries with market economies with higher rates of growth show higher prevalence of fraud, as predicted in hypothesis 4. However, this effect only applies to countries with GDP above the EU average, coincidentally all market and coordinated market economies (Hall and Soskice, 2001). It is suggested that in countries with GDP below EU average (mixed economies and emerging markets), other factors may play a role. In the next paper (paper 3) the role of the perception of corruption in the government and income inequality in acceptance of fraud is explored using multilevel modeling.

This paper also clarifies the third research question that relates to the identification of a mechanism that explains how a state of market anomie contributes to the emergence of consumer dishonest behaviour (psychological mechanism). The hypothesis tested in this paper is that relatively deprived individuals are more likely to engage in fraudulent practices (H6). The hypothesis was not confirmed as this effect does not hold across countries. It seems that country variables such as descriptive norms related to fraud moderate this relationship. However, the effect of relative deprivation seems trifling for the vast majority of countries. In the next paper (paper 3), the additional hypothesis that trust in individuals that distrust in political institutions are more likely to engage in fraudulent practices is tested with EVS data.

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PAPER 3

Revisiting the “inequality trap” A multilevel model for the acceptance of fraud

ABSTRACT

This article explores the individual and national characteristics that may explain country variations in the reports of acceptance of fraudulent acts such as cheating on taxes, accepting bribes, paying with cash in hand to avoid taxes, and falsely claiming state benefits. Drawing on data of 34 European countries from the fourth wave of the European Values Study (2008) and country-level variables, namely, the Gini coefficient, the Corruption Perception Index (CPI), and Gross Domestic Product (GDP) a theoretical multilevel model is tested in this article providing evidence for the impact of distrust in political institutions (H7), income inequality (H2), and perception of corruption on the acceptance of fraud against the state (H3).

The “inequality trap” hypothesis (Uslaner, 2008) is used to explain the social mechanism whereby income inequality and corruption in the government trigger fraud against the state. This theory considers that income inequality drives distrust in citizens—including interpersonal trust and trust in institutions—which in turn facilitates corruption. High levels of corruption in companies and in the public sector lead to more inequality, in a vicious cycle. Based on previous studies (Marien and Hooghe, 2011), and on the notions of market anomie (Karstedt and Farrall, 2006) and legitimacy of authority (Tyler, 2010), a psychological mechanism is advanced to explain the impact of distrust in institutions on acceptance of fraud. Fraud is seen as a way to restore balance when citizens perceive the government and the economy as operating in morally questionable ways.

The impact of macro and micro variables on the acceptance of fraud is tested using a random-intercept multilevel regression. The results show that distrust in political institutions is associated with acceptance of all of the types of fraud under consideration. At the country level, paying cash to avoid taxes finds greater approval in countries where government is perceived as more corrupt and cheating on taxes is more acceptable in countries with higher income inequalities, controlling for GDP. These results offer empirical support to extend the “inequality trap” to the acceptance of fraud against the state.

Introduction

Consumers differ on the perceptions of fairness of economic transactions and practices of different economic actors. Cultural forces and social norms shape judgements of fairness and dictate what constitute acceptable practices in the marketplace. Some authors adopt the expression “economic morality” to refer to collective ideas about the fairness of the way the economy works (Arnold, 2001; Booth, 1993; Karstedt and Farrall, 2006). In this light, economic morality is seen as a cultural dimension expressed by the acceptance or condemnation of specific practices in the economic sphere. As such, the acceptance of dishonest practices is expected to vary across countries.

The aim of this article is to advance a social mechanism (Hedström and Ylikoski, 2010) explaining cross-country variations of the acceptance of fraud against the state such as cheating on taxes, paying in cash to avoid VAT, bribing public officials, and falsely claiming government benefits. As pointed out by Karstedt and Farrall (2006, 2008), the idea of economic morality can also be applied to interactions of citizens with the state by accepting that the distinction between citizens and consumers is somewhat blurred in present days market societies. The social mechanism advanced in this article combines the societal and the individual level of analysis (Doise, 1986) to account for how country level characteristics (cultural and economic factors) impact on citizens’ perceptions of fairness of dishonest practices. The question of whether acceptance of fraud may lead to actual behaviour depends on a number of other behavioural determinants such as the opportunity to behave dishonestly, the social norms, and the perceived costs of the behaviour (Beck and Ajzen, 1991).

It has been assumed that in market societies, market values have come to govern consumers’ lives playing a role in non-economic domains of their lives. The market economy has become a market society. This market-oriented thinking revolves around the idea that everything has a price and individuals weight costs and gains when it comes to make decisions. As Sandel (2012) puts it, “the reach of markets and market-oriented thinking, into aspects of life traditionally governed by non-market norms is one of the most significant developments of our time” (p.7). As the values embedded in the market seep into all spheres of life traditionally governed by non-market values—health, education, procreation, environmental protection—the values of other institutions such as the government, family, religion, and education (Messner and Rosenfeld, 1997, 2010) lose their power to regulate behaviour (Sandel, 2012). By the

commodification of traditionally non-exchangeable goods, market promotes certain values and inevitably impacts the moral framework of society that sustains economic morality. Karstedt and Farrall (2004, 2006), refer to a syndrome of market anomie comprising distrust in business and governments, fear of victimisation from business and cynical attitudes towards the law. Anomie is used here to describe the idea that social institutions have failed to regulate the behaviour of individuals in the prescribed direction (Bernburg, 2002). This constellation of attitudes was shown to be associated to consumer dishonest behaviour.

This article explores the link between distrust in political institutions and the acceptance of fraud against the state. These practices are more or less observable in all European countries, (Karstedt, 2006; Lopes, 2010), and their occurrence interferes with the effectiveness of the economy and the ability to implement legislation (Dalton, 2005). Two studies suggest that citizens with high levels of distrust in political institutions show, on average, higher tolerance for fraudulent practices. The link between distrust in the government and illicit behaviour in the marketplace has been empirically demonstrated by Karstedt and Farrall (2004, 2006) in England, Wales, West Germany and East Germany. The impact of distrust in political institutions on legal permissiveness has been demonstrated by Marien and Hooghe (2011), who used data of previous waves of the EVS (1999–2001). The limitation of these studies is that they didn't consider the contextual factors drive market anomie and acceptance of fraud in European countries. This study fills this gap by offering a model that combines individual and societal explanations of acceptance of fraud by looking at contextual characteristics that trigger feelings of distrust in the government and in the market, pushing them to not comply with the rules of the game.

This article presents a theoretical model and statistical analysis—by looking at the literature on trust and democracy, and economic morality—constructing an argument based in the positive effects of institutional trust on democratic performance and acceptance of fraud. With this article, we aim to add a milestone to the existing literature on the topic, by considering the existing theories on market anomie. We assume that trust in market and political institutions work facilitators or inhibitors of attitudes towards fraud.

This paper aims to (1) examine the relationship between distrust in political institutions and acceptance of fraud (H7 in this thesis) across 34 European countries using data from the fourth wave of the European Values Study (2008) and (2) explore the country-level factors that are associated with the acceptance of fraudulent acts toward the state, namely, the perception of corruption in the public and private sectors (H3 in this thesis) and income inequality (H2 in this thesis). The results confirm, on the individual level, an association between the acceptance of fraud and distrust in institutions such as the parliament, the government, political parties and the social security system. More specifically, fraud against the state may be explained through a compensatory mechanism intended to restore moral balance when citizens perceive the government as operating in morally questionable ways.

The link between the acceptance of certain types of fraud and country-level variables, such as corruption in the public and private sectors and income inequality, is also supported. Distrust in political institutions is higher in countries with large income disparities and high levels of corruption, in line with the “inequality trap” hypothesis formulated by Uslaner (2008). This hypothesis considers that income inequality drives distrust in citizens—including interpersonal trust and trust in institutions—which in turn facilitates corruption. High levels of corruption in companies and in the public sector lead to more inequality, in a vicious cycle. Under such conditions, fraud may be seen as more acceptable. Because of the non-experimental nature of this study, no assumptions were made about the causality of the relationship among fraud, trust, corruption and income inequality.

This paper is organised into three sections. The introduction covers the theoretical approaches of the concept of trust, with an emphasis on the syndrome of market anomie (Karstedt & Farrall, 2006), legitimacy of authority (Tyler, 2010) moral foundations of trust (Uslaner, 2008). A social mechanism to explain fraudulent practices against the state is proposed. The second section offers a description and results of an empirical study based on data of 34 European countries available in the fourth round of the European Values Study. The final section offers a discussion of the results and presents some concluding remarks.

Trust in institutions and acceptance of fraud

A growing body of literature agrees that the emergence of an effective democracy and a prosperous economy implies that citizens trust their fellow citizens and, more importantly, trust their social institutions (Fukuyama, 1995; Offe, 1999; Newton, 2003; Sztompka, 1999; Uslaner, 2002). Sztompka (1999) emphasised that distrust has been the common denominator in most formerly communist societies. Thus, to establish a social and economic order, it is crucial that citizens identify with their political system and trust their institutions.

The impact of trust in economic success and democratic performance is well documented in the literature (Fukuyama, 2005; LaPorta et al., 1999, Rothstein and Uslaner, 2006). Low levels of trust in political institutions makes citizens more prone to break the law as demonstrated by Marien & Hooghe (2011) using data of EVS (1999-2001). If individuals perceive institutions (e.g., the government or the economic system) not to be trustworthy, they may view dishonest practices in the civic and market arenas as more tolerable.

This article adopts the definition of trust proposed by Francis Fukuyama (1995): “Trust is the expectation that arises within a community of regular, honest and cooperative behaviour, based on commonly shared norms, on the part of other members of that community.” (p. 26). Trust in other people can assume two basic forms: (1) trust embedded in social relationships with particular individuals, including family and friends, and (2) general trust in fellow citizens. Different authors use different labels to refer to these two types of interpersonal trust. For example, Putnam (1993) refers to thin and thick trust, and Uslaner (2002) to strategic and moralistic trust. However, they all agree on the core idea that trust is based in the expectation that the trustee will act in the way that the person who trusts expects in a given situation.

Trust may also refer to entities that are not necessarily individuals or groups. Discussions of diverse forms of trust have proliferated in the literature. Institutional trust may refer to legitimate power (e.g., in the Parliament), authority (e.g., in the government) or the economy (e.g., in the mode of production). Institutional trust is related to procedures and basic practices more than in expectations towards reciprocity.

Interpersonal trust is assumed to form the basis of trustworthy political institutions (e.g., Offe, 1999) in a way that facilitates social interaction, and promotes collective action

(Luhmann 1979, p.28). Citizens need to trust one another to ensure representation and resistance to non-democratic forms of governance (Inglehart, 1999). By engaging in community and civic affairs, citizens attempt to establish public interest and build the institutions on which democracy depends (Zmerli & Newton, 2008). In this way, interpersonal trust lies at the basis of institutional trust.

Citizens start to trust institutions when they extend the trusting ties from those individuals that they know personally to other who they don't necessarily know. A further step towards institutional trust happens when individuals learn how to trust not only people they don't personally know but also they trust interpersonal entities, as a set of practices and procedures (Zmerli and Newton, 2008), such as institutions, or the individuals who personify them (Offe, 1999).

Common to the various definitions of institutional trust is the idea that shared norms and expectations are guided by ethical principles that protect the community against the self-interest of certain agents. For example, Hosmer (1995) defines trust as "the expectation of ethically justifiable behaviour, that is, morally correct decisions and actions based upon ethical principles of analysis" (p. 399). Thus, trust and ethics are intertwined. Under this light, Uslaner (2002) views trust as a moral foundation.

On the basis of his idea, Uslaner (2002) considers that trust in others cannot be based on direct experience with other people because trust can be also directed to strangers. Therefore, presuming that strangers are trustworthy implies that individuals share with them fundamental principles and rights. In other words, trusting others imply that individuals believe that all human beings share the same core moral principles. From this perspective, trust is seen as an egalitarian ideal. Uslaner (2008) considers that this moralistic trust is acquired early in life during the socialization process.

Seen as a moral foundation, trust alludes to ethical principles that guide all spheres of life. Trusting others implies creating expectations about future interactions founded on ethical principles that people endorse and believe they share with others. When these expectations are contradicted, these ethical standards are violated, and distrust in specific others may follow. The same rationale may also be applied to groups or institutions. Distrust in particular institutions or groups may arise from the violation of expectations of good practices based on more or less shared ethical principles. For

example, Catterberg and Moreno (2005) found that political trust is tied to government performance, and it is undermined by corruption and permissiveness.

This article advances a psychological mechanism (Hedström and Ylikoski, 2010) explaining the link of distrust and fraudulent behaviour based on the idea of market anomie (Karstedt and Farral, 2006) and legitimacy of authority (Tyler, 2010). The syndrome of market anomie is expressed through distrust in the market and in the economic agents, cynical attitudes towards the law and detachment from the economy and it is shown to drive dishonest practices in the marketplace (Karstedt and Farral, 2006, Lopes, 2010). Karstedt and Farral (2006) advanced that this constellation of negative feelings and attitudes towards the market result from the transition to neo-liberal economies that was observed in the late twentieth century in European countries. Neo-liberal policies re-balanced the weights between governments and markets (through the de-regulation of markets) and distributed responsibilities and risks between consumers and business. Some authors have noted that the neo-liberal reforms were accompanied by a “cornucopia of new opportunities” (Shover, Coffey, & Hobbs, 2003, p. 490) that has facilitated dishonest practices by economic agents (see Ericson, Barry, & Doyle, 2000). Karstedt and Farral (2006) claim that new opportunities are related to the changes in economic morality that accompany the transition to neo-liberal markets.

These opportunities were created because, on the one hand, consumers are sovereign in making decisions and balancing the risks and on the other hand, they can be an easy prey for illegal and unfair business practices if they lack important skills such as financial knowledge and legal information (Karstedt & Farral, 2006). Situations where consumers may feel defrauded by business include small print clauses, charges for unordered items and concealing of relevant information about products or contracts. The perception of consumers about the fairness of the economy is inevitably affected by those experiences in the marketplace. Empirical evidence (Karstedt & Farral, 2006, Lopes 2010) gives support to the idea that consumers who are victims of unethical experiences in the marketplace show a lower confidence in economic agents and cynical attitudes toward the law. In the scenario of generalized dishonest business practices, consumers may choose not to cooperate with market rules and regulations. Consumers may also take advantage of situations they face. From this angle, consumer fraud appears a feasible outcome of market anomie.

The consequences of market anomie may be extended to the political sphere. If economic agents or governments behave in illegitimate ways, trust in the economy and in the government will be undermined with negative effects on law enforcement (Marion and Hooghe, 2011). From a criminological perspective, Tyler (2004, 2010) advanced the idea that citizens are more likely to comply with the law if they respect and recognise the legitimacy of the law and authority, rather than simply fearing punishment. For Tyler (2010), the legitimacy of an authority (person or institution) is a “property that entitles the authority to have its decisions and rules accepted and followed by others” (p.34). If citizens realise that companies and governments act in their self-interest, trust will be undermined and the recognition of the legitimacy of the political and economic system will be affected. The rule of law may be distorted, and non-compliance with the rules that those authorities aim to enforce will arise. Fraudulent activities find support and moral standards in the economic sphere may shift. This rationale does not preclude the possibility that the relationship between distrust and the acceptance of fraud operates in the opposite direction. The toleration of fraud may also be seen as a rationalisation for dishonest behaviour. The incongruence that arises when individuals behave in dishonest ways is experienced by a feeling of cognitive dissonance (Festinger, 1957), especially by those individuals who endorse strong moral principles. The way this dissonance can be eliminated is adding or strengthening justification to the dishonest behaviour. For example, if someone does not pay their taxes, he/can may add some justification to their behaviour by reinforcing the belief that the government is corrupt and does not act in the citizens’ best interests. In this light, political institutions may be seen as more illegitimate for individuals who engage in fraud against the state. As such, the relationship between distrust in political institutions and acceptance of fraud toward the state is assumed in this article to be operating in both directions.

This psychological mechanism is only part of a broader social mechanism that account for differences in the acceptance of fraud across countries. The explanation should move one level of analysis up to look at macroconditions that generate different levels of trust in political institutions. In this article, country characteristics such as perception of corruption in the government and income inequality are considering, providing an empirical test of the “inequality trap” (Uslaner, 2008).

Perception of corruption and acceptance of fraud

It has been shown that corruption in government and business is the major obstacle for the attainment of the *Millennium Development Goals*, which aspire to combat poverty, promote universal education, and achieve gender equality by 2015 (TI, 2010). The notion that economic morality underlies the behaviour of different actors suggests that corruption, such as accepting or asking for bribes, misappropriation of public funds, and kickbacks in public procurement practices, undermines the legitimacy of the government and promotes the acceptance of fraudulent behaviour among citizens.

This article explores the relationship between the perception of corruption, political trust and acceptance of fraud. Corruption refers to the misuse of public power for private gain and it is measured in this article by the Transparency International Corruption Perception Index (CPI), which provides a country's level of corruption based on the opinions of experts on several types of corruption.

The levels of perceived corruption affect fraudulent behaviour on a number of ways. First, if the misuse of power by members of the political class or by officeholders becomes publicly known, and there are no noticeable legal penalties imposed on those who abuse their position, the rule of law will be perverted. In such a scenario, the perception of the effectiveness of the criminal justice system will be negatively affected, and citizens might believe that they are unlikely to be caught and prosecuted if they engage in fraudulent acts or corruption.

Second, the ethical line between acceptable and unacceptable practices may be blurred if corruption is the norm. If these acts are simply seen as part of life, citizens become more tolerant of fraudulent acts. Karstedt & Farrall (2007) found in samples of UK and Germany that those who engage in fraudulent acts such as avoiding taxes are not seen as criminals by themselves or others.

Third, corruption in the government undermines the distrust in the institutions that perpetuate it. Putnam (1993) explains that corruption of the government reduces the level of political trust among the citizenry. Considering that political and interpersonal trust go hand in hand, corruption in the government is associated with low levels of interpersonal trust. A society where citizens do not trust each other is a segmented society with informally delimited social groups living and working together within their

boundaries to achieve groups' common goals and interests. In such a society, dishonest behaviour finds fertile soil in which to grow.

The results of this article corroborate the relationship between perceived corruption in the public and private sectors and the general acceptance of tax evasion. By impacting the level of trust in institutions, shifting a society's moral boundaries or by perverting the rule of law, higher levels of corruption in the government seem to foster citizens' tolerance for fraud. As economic and cultural factors sustain corruption, it makes it difficult to eradicate. This position is in sharp contrast with other positions suggesting that changes in government structures (such as the electoral system) or the strengthening of the sanctions against corruption, would deter corruption (Uslaner, 2008). These arguments ignore the moral foundations of corruption and treat corruption as an outcome of a system that needs to be fixed rather than as a value ingrained in a citizen's economic morality.

Income inequality and acceptance of fraud

The distribution of resources in the economy has been related to general trust. Using data from the European World Survey, Brown and Uslaner (2002) found lower average levels of interpersonal trust in countries with higher levels of inequality. This finding indicates that the roots of trust are not only institutional but embedded in the values that societies hold and in the fair distribution of resources (Uslaner, 2002).

The link between equality and trust has been explained by Uslaner (2002) through the idea of social identification. Achieving an equal distribution of wealth in a society causes citizens to develop a sense of common destiny and optimism that ties people together reinforcing social bonds. In turn, trusting societies have more efficient governments and institutions, leading to more spending on welfare services and more even income redistribution. Thus, trust and equality are in this way intertwined.

Uslaner (2008) refers to the "inequality trap" to explain the interrelated effects of inequality, corruption and distrust. High inequality fuels low levels of general trust, which in turn nurture corruption. Widespread corruption leads to more inequality, which then closes the vicious circle. The trustworthiness of others can hardly be directly reshaped by new policies but this can be achieved by reducing income discrepancies in a society with positive effects for government transparency and economic morality.

This article extends the inequality trap beyond corruption to fraudulent practices (Figure 1). The solid lines refer to the “inequality trap” (Uslaner 2008) and to the relationship between distrust and the tolerance of fraud as demonstrated by Marien and Hooghe (2011). Income inequalities and facilitate fraudulent behaviour are mediated by low levels of trust. Tax evasion and benefit fraud unequivocally hamper welfare services and redistribution mechanisms that contribute to the reduction of the inequality gap, but as this relation is not approached directly in this article, a dashed line is presented. Societies with higher levels of trust tend to have a more equal distribution of wealth and are also less corrupt and legitimate institutions. As a result, fraud would be more tolerable in countries with higher levels of inequality and corruption in the public sector.

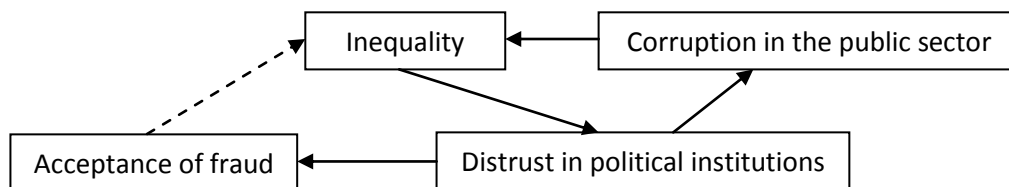


Figure 1: Theoretical model considering the extension of “inequality trap” (Uslaner, 2008) to acceptance of fraud.

The main objective of this article is to explore the characteristics of individuals and countries that tolerate fraud and corruption. The empirical work is guided by the following hypotheses:

- 1) There is a positive association between distrust in political institutions and the toleration of fraud (H7).
- 2) Fraud is accepted to a greater extent in countries that have higher levels of income inequality (H2).
- 3) Fraud is accepted to a greater extent in countries that have higher levels of corruption in the government and business (H3).

Method

Sample

This empirical study relies on individual and aggregate data gathered from various sources. Individual data regarding the toleration of fraud and level of trust in institutions were taken from the fourth wave of the European Values Study (2010). Data for the following 34 countries are available: Albania, Armenia, Austria, Belgium, Bosnia-Herzegovina, Bulgaria, Cyprus (and Turkish Cyprus), the Czech Republic, Denmark, Estonia, France, Georgia, Germany (with two independent samples for East and West Germany), Greece, Hungary, Ireland, Kosovo, Latvia, Lithuania, Luxembourg, Malta, Moldavia, Montenegro, Poland, Portugal, Romania, Russian Federation, Serbia, the Slovak Republic, Spain, Switzerland, the Netherlands and Ukraine. The sampling strategy was a multi-state sampling with several steps of stratified random sampling based on regional units. In France a quota sampling was also used in combination with a random sampling and in East Germany a stratified disproportional sampling to allow inclusion in the sample of particular groups (EVS, GESIS, 2010). The number of respondents (valid interviews) was around 1500 for every country except Northern Cyprus and Northern Ireland (with 500 interviews each), Iceland (808), Cyprus (1000), Ireland (1013), Norway (1090), Finland (1134), Sweden (1187), Switzerland (1272) France (3070), Germany (East: 1004, West: 1071). Respondents are 18 or over in nearly all countries except Armenia where respondents are aged 15 or over and in Finland where respondents are aged between 18 to 74 years.

Questionnaire and variables

The method of data collection was face-to-face interview in nearly all countries except Finland (internet panel) and Sweden (postal survey). Data was captured using computer assisted data interview (CAPI) and pen or pencil questionnaire interview (PAPI).

Trust in institutions was assessed using a four-item Likert scale. The wording of the statement is the following: *“Please look at this card and tell me, for each item listed, how much confidence do you have in them: a great deal (1), quite a lot (2), not very much or (3) none at all (4)?”* The list consists of a wide variety of institutions, including the parliament, the social security system, major companies, the church, the police, the army, and the system of justice. From that list, following certain methodological procedures to assure measurement equivalence across countries (cf. results section), the

institutions included in the analysis are the parliament, the civil service, the social security system, political parties and the government.

The acceptance of fraud is measured by a series of statements contained in the EVS questionnaire. A list of dishonest practices is shown on a card, and for each of them, respondents are asked to choose a level of justification on a scale from 1 to 10, where 1 is never justifiable, and 10 is always justifiable. The wording of the question is: *“Please tell me for each of the following whether you think it can always be justified, never be justified or somewhere in between, using this card.”* The list of acts ranges from euthanasia, adultery and homosexuality to behaviours such as avoiding paying the fare on public transportation, cheating on taxes and disposing of trash in places other than designated sites. For this analysis, fraudulent acts towards the state have been selected, namely paying cash to avoid taxes, accepting a bribe, cheating on taxes and claiming state benefits that one is not entitled to.

At the country level we used a measure corruption from Transparency Internacional—Corruption Perception Index—and a measure of income inequality from the Eurostat—Gini coefficient.

As a subjective measure focusing on the perception of corruption by businesspeople and country-specific analysts, CPI is a solid assessment of perceived corruption. Unlike the objective measures of corruption (e.g., number of cases coming to the court), this index does not depend on the effectiveness of the criminal justice system. Because it combines different types of information from different sources, CPI captures various interrelated dimensions of the same broad phenomena (e.g., incidence of corruption, government accountability, prosecution of corruption, existence of anti-corruption initiatives and perception of the impact of corruption on the business environment). A higher CPI means that more corruption at the country-level.

Income inequality captures income distribution in particular countries by looking at the gap between higher compared to lower incomes. Eurostat defines Gini coefficient as “the relationship of cumulative shares of the population arranged according to the level of equivalised disposable income, to the cumulative share of the equivalised total disposable income received by them” (Eurostat, 2008). A higher value of this coefficient means that more income disparities.

Results

This section is divided into three parts. In the first part, descriptive results are presented and discussed. A nationwide overview of attitudes towards fraud (paying cash for services to avoid taxes, claiming state benefits to which one is not entitled, accepting a bribe in the course of one's duties, cheating on one's taxes) is provided by boxplots and by careful examination of the descriptive statistics. In the second part, the equivalence of distrust in political institutions is examined. Distrust in political institutions is studied with respect to five institutions (the parliament, the civil service, social security, political parties and the government) and generated by multigroup structural equation modelling. Measurement equivalence of the category that was examined is presented in part two. In the third part, the hypotheses under scrutiny are tested. A multilevel analysis is performed to analyse the impact of trust and macro variables (Gini coefficient, GDP and national level of corruption) on the justification of fraud.

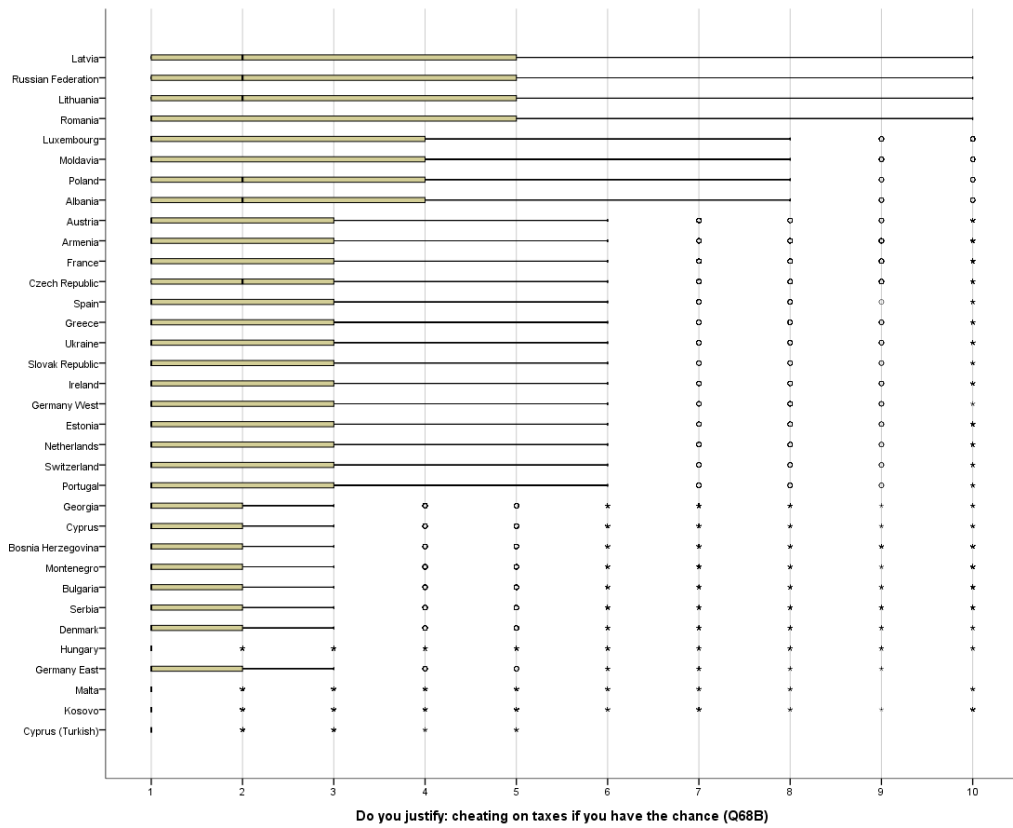
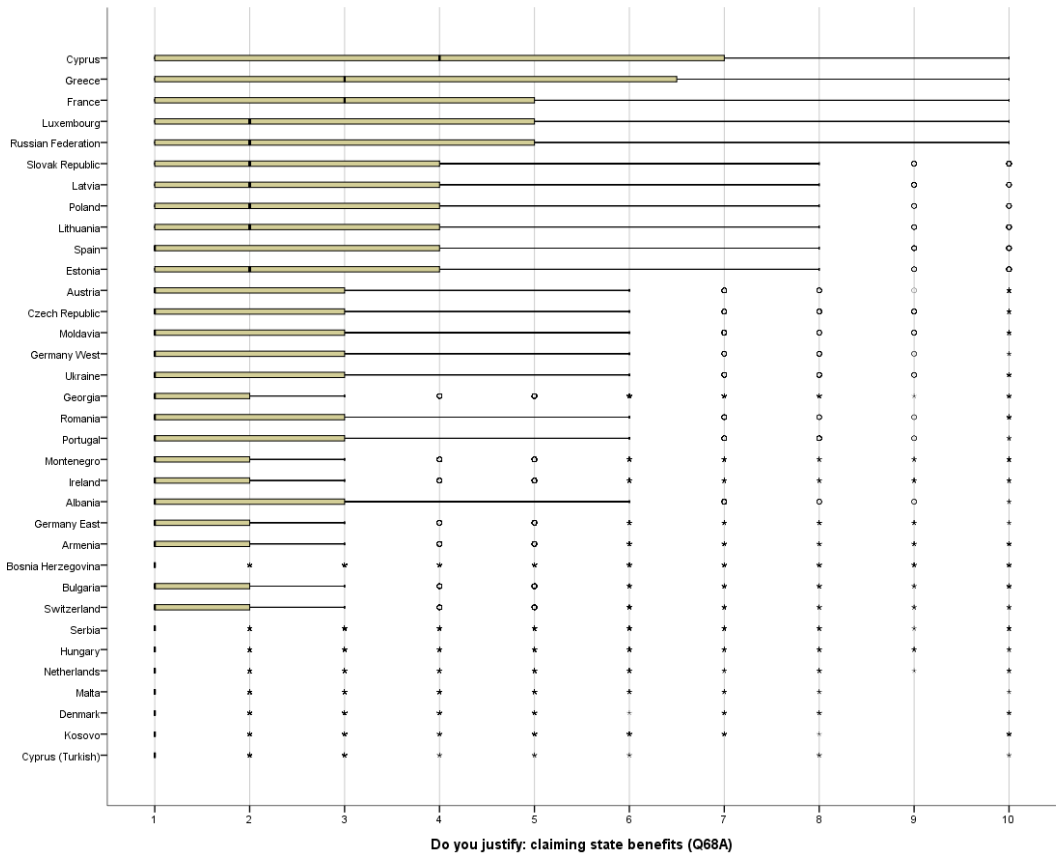
Descriptive analysis

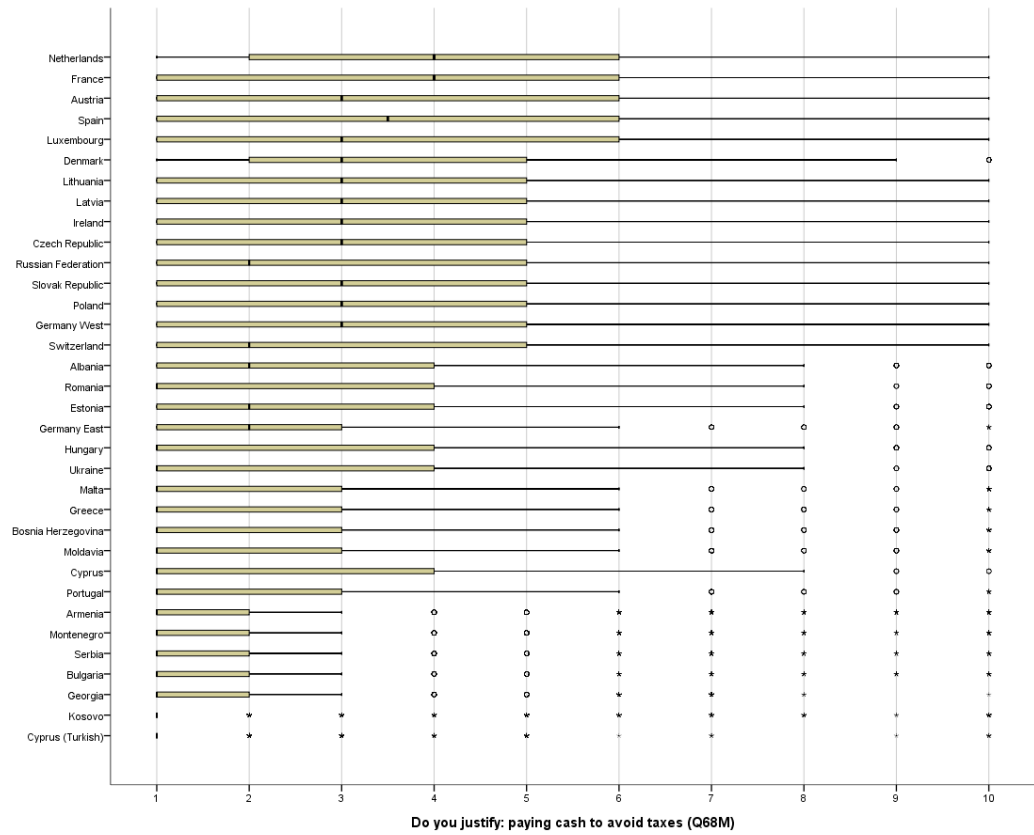
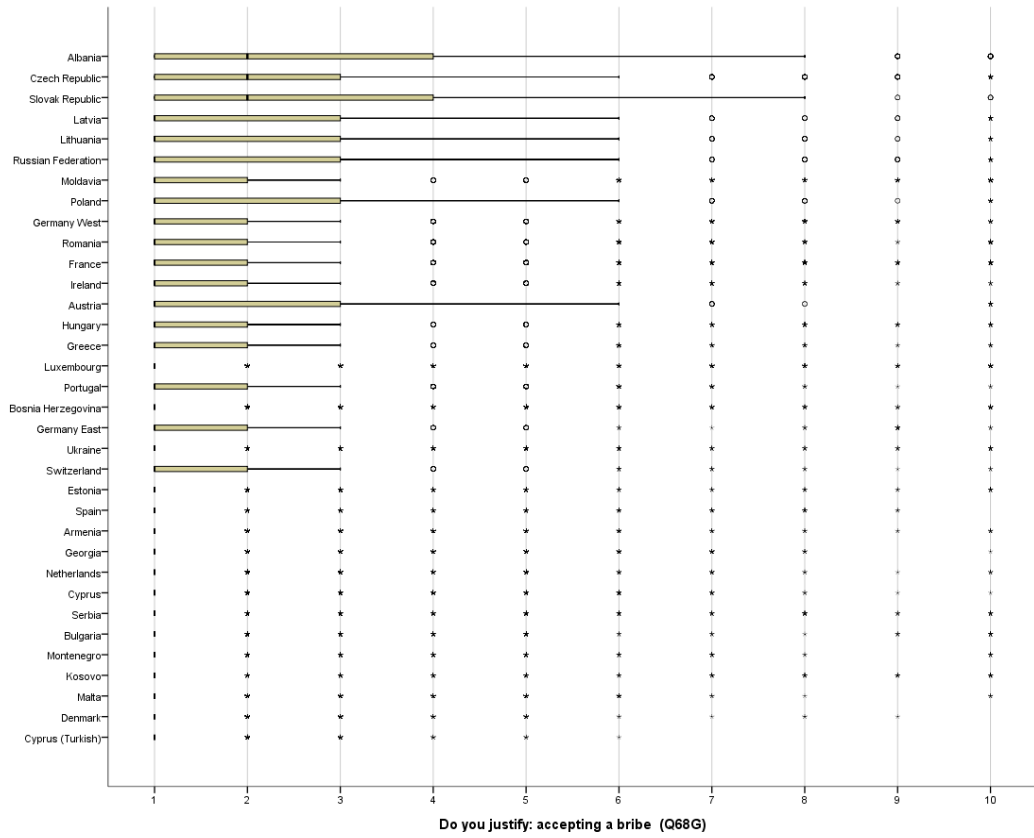
Descriptive statistics, such as mean values and standard deviations, indicate that in all of the studied countries, fraud towards the state on average is not seen as justifiable. The average values across the four statements range between 1.29 for Turkish Cyprus (95% C.I.: 1.23 to 1.34) and 3.05 (95% C.I.: 2.99 to 3.10) for France on a 10-point scale. Countries that are more extreme in their condemnation of fraud are Malta, Bulgaria, Serbia and Montenegro, whereas in France, Lithuania, Latvia and the Russian Federation, the condemnation of fraud is less extreme on average.

The responses to the four statements on fraud range between 1 and 10 for the majority of countries, and the standard deviation also varies considerably across countries (cf. Table 1). The results show more variability in the Russian Federation, Lithuania and Latvia and less variability in Cyprus, Denmark, Malta, and Kosovo. Figures 2 through 4 present the overall representations of the justification of fraud in all EVS (2010) countries, as given by the boxplots (displaying the overall distribution, median, quartiles and outliers). It is clear from the boxplots that the distribution of the acceptance of the four types of fraud against the government is positively skewed putting in evidence that fraudulent behaviour is socially condemned across European countries.

Table 1: Descriptive statistics [mean, standard deviation, standard error, 95% confidence interval for the mean and non-response rate (%)] across the items of acceptance of fraud (EVS, 2008).

Country	N	Mean	Std. Dev.	Std. Error	95% Confidence Interval		Non-response
					Lower bound	Upper bound	
Albania	1533	2.61	1.72	.04	2.52	2.69	3.13
Armenia	1493	1.99	1.33	.03	1.92	2.05	3.87
Austria	1505	2.73	1.75	.05	2.64	2.82	2.48
Bosnia Herz.	1509	1.98	1.59	.04	1.90	2.06	1.07
Bulgaria	1499	1.73	1.24	.03	1.67	1.80	2.77
Cyprus	999	2.52	1.44	.05	2.43	2.61	4.85
Cyprus Turkish	498	1.29	0.62	.03	1.23	1.34	1.95
Czech Republic	1803	2.71	1.78	.04	2.62	2.79	3.87
Denmark	1503	2.04	0.98	.03	1.99	2.09	1.06
Estonia	1517	2.27	1.42	.04	2.20	2.34	2.78
France	3070	3.05	1.62	.03	2.99	3.10	0.50
Georgia	1478	1.88	1.48	.04	1.80	1.95	6.53
Germany East	1003	1.92	1.21	.04	1.84	1.99	1.99
Germany West	1069	2.43	1.53	.05	2.34	2.53	0.68
Greece	1496	2.71	1.59	.04	2.63	2.79	1.62
Hungary	1511	1.92	1.40	.04	1.85	1.99	0.66
Ireland	1009	2.43	1.58	.05	2.33	2.52	4.00
Kosovo	1589	1.43	1.08	.03	1.37	1.48	2.83
Latvia	1500	2.99	1.78	.05	2.90	3.08	2.49
Lithuania	1484	2.94	1.89	.05	2.85	3.04	9.95
Luxembourg	1608	2.84	1.68	.04	2.75	2.92	2.64
Malta	1499	1.65	1.09	.03	1.60	1.71	1.42
Moldavia	1536	2.36	1.61	.04	2.28	2.44	4.71
Montenegro	1504	1.88	1.37	.04	1.81	1.95	3.81
Netherlands	1554	2.33	1.14	.03	2.27	2.38	0.74
Poland	1507	2.67	1.74	.04	2.58	2.76	3.28
Portugal	1548	2.04	1.38	.04	1.98	2.11	2.77
Romania	1456	2.52	1.61	.04	2.44	2.60	7.07
Russian Fed.	1497	2.93	1.94	.05	2.83	3.02	6.55
Serbia	1501	1.73	1.31	.03	1.67	1.80	2.79
Slovak Rep.	1499	2.76	1.63	.04	2.68	2.84	3.58
Spain	1497	2.61	1.55	.04	2.53	2.69	4.93
Switzerland	1267	2.14	1.20	.03	2.07	2.20	1.48
Ukraine	1502	2.12	1.52	.04	2.04	2.20	7.96
Total	50043	2.34	1.58	.01	2.33	2.36	3.28



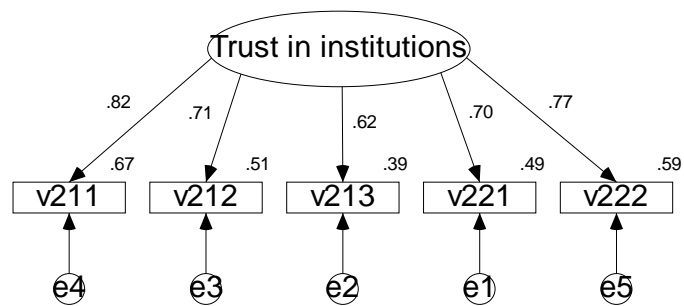


A comparison of the results across countries based on correlations and regression coefficients assumes that the same latent construct defined by the same set of indicators is used in the analysis. This notion is addressed by the concept of measurement invariance and assumes three basic forms: configural, metric and scalar invariance (Johnson, 1998). From a statistical point of view, configural invariance implies that latent variables are determined by the same indicators in multiple samples, metric invariance assumes that the same factor loadings of the indicators are the same across samples and scalar equivalence requires invariance of indicator intercepts across samples (Fontaine, 2008). These three basic forms of equivalence are inclusive, that is, the presence of the strictest invariance implies all of the previous ones. In other words, configural invariance per se does not allow comparisons across countries, metric invariance allows comparisons of correlations/effects and scalar invariance allows comparisons of means and correlations/effects.

The equivalence of factor loadings across samples—metric invariance—was chosen to test for the variable trust in institutions by making use of multigroup structural equation modelling with the 34 countries studied (AMOS, v.19 was used). The same structure—one latent variable with five indicators—was found for all of the countries/groups. When the factor loadings of the indicators on the latent variable trust were held equal across countries, the adjustment of the model to data across countries was good, as given by the fit indices (CFI=.914, RMSEA=.023 and $pclose=1$). The comparative fit index (CFI) indicates the ratio of the improvement of the overall fit of the model to a model in which the observed variables were assumed to be uncorrelated. It is generally assumed that a CFI greater than 0.90 indicates a good overall fit (Kline, 2010). The root mean square error of approximation (RMSEA) calculation is based on the difference between the observed and the model covariances: the covariance residuals (correcting for the complexity of the model). As a rule of thumb, values of RMSEA less than 0.05 (and $pclose$ greater than 0.05) indicate a good adjustment of the model to the data. The results of fit indices confirm the establishment of measurement invariance.

This result suggests that people in different countries perceive distrust in political institutions related to the same set of institutions and to the same degree. The factor loadings (standardised) are depicted in Figure 6, and all are significant ($p<.05$). Trust in the parliament (v211) and the government (v222) are the best indicators of trust in

institutions. Because the model shows a good overall fit, comparisons of correlations and regression coefficients across countries may be undertaken.



chi-square=15876.820 df=293 p-value=.000
Cfi=.914 rmsea=.023 pclose=1.000

Figure 6: Multi-group SEM for distrust in political institutions [The parliament (v211), civil service (v212), social security system (v213), political parties (v221) and the government (v222)] (AMOS output)

Multilevel model

A multilevel regression (random intercepts) was performed on the data of 32 countries to test the impact of trust or distrust and macro variables (GDP, Gini and CPI) on attitudes towards fraud, taking into account the hierarchical structure of the data (individual scores nested in countries).

In this step, different models were used, one for each of the response variables, that is, the acceptance of different types of fraud, controlling for age and gender (Model 1-4). The results (Table 2) indicate that distrust in political institutions has an impact on the toleration of all types of fraud, the Gini coefficient has a significant positive effect on the acceptance of cheating on taxes, and the perception of corruption in the government has a significant positive effect on the acceptance of paying cash to avoid taxes, controlling for all the other variables in the model. However, these effects (standardised coefficients) are small, ranging from .011 to .088 at the individual level and .048 to .183 at the national level. The marked positive skewness in the distribution of the dependent variables contributes to the limitation of the impact of the independent variables. Certain conclusions can be drawn, however, even with the small effects as observed above.

Table 2: Regression coefficients, standard errors and p-values for multilevel regression of justification of fraud (four separate models) (N=50043)

	Claiming state benefits		Cheating on taxes		Accepting a bribe		Paying in cash to avoid taxes	
	coef	se	coef	se	coef	se	coef	se
Fixed part								
age	-.017***	.001	-.017***	.001	-.012***	.000	-.021***	.001
gender	-.085***	.020	-.277***	.021	-.164***	.016	-.248***	.024
distrust inst.	.030***	.005	.063***	.005	.011***	.004	.088***	.005
Gini index	.039	.030	.048***	.017	.004	.017	.017	.024
CPI	.018	.072	-.007	.040	-.040	.040	.183***	.058
GDP	.043	.073	.013	.040	.014	.040	.096	.059
cons	.587	1.885	1.178	1.040	2.286	1.050	-.402	1.522
Random part								
sd(cons)	.702	.088	.384	.049	.388	.049	.565	.072
sd(res)	2.048	.007	2.083	.007	1.620	.006	2.359	.008
Log likelihood	-87986.347		-88995.095		-78844.74		-92926.049	
N obs	40776		41316		41430		40776	
ICC (empty model)	.113		.052		.061		.091	
	*p<.05	**p<.01	***p<.001					

Discussion

The central hypothesis of this paper is that people are more tolerant of fraud in countries where there is greater distrust in political institutions (H7). Two additional hypotheses considered country factors—the perception of corruption in the government (H3) and business and income inequalities (H2)—were considered to have a negative impact on the acceptance of fraud. These hypotheses were corroborated in the present study.

The results show that contextual factors at the national level (economic and cultural) are associated with the toleration of certain kinds of fraud. More specifically, paying cash to avoid the VAT is more acceptable in countries where corruption in the public sector is more common. Cheating on taxes is more acceptable in countries with higher income inequalities. At the individual level, distrust in political institutions is associated with acceptance of fraud in all countries.

The mechanism that explains how trust in institutions has an impact on toleration of fraud is based on a reciprocity principle. As long as other people and social institutions behave in expected ways, citizens comply with the “rules of the game”. They behave in accordance with the law and contribute to the common good. However, when citizens

are deceived in their expectations, political institutions are seen as less legitimate, trust is undermined and dishonest practices are perceived as more acceptable. Additionally, distrust in the political institutions and in the economy is associated with cynical attitudes towards the law. These results are consistent with the framework of market anomie (Karstedt and Farrall, 2006) and legitimacy of authority (Tyler, 2010) but do not preclude the possibility that other mechanism linking distrust in institutions and acceptance of fraud can be in place.

Hypotheses 2 and 3 are corroborated in this study as perceived corruption in the government and income inequalities are associated with citizens' greater acceptance of fraud, and these variables have an effect, even if the countries' average levels of trust remain constant. An explanation based on trust and legitimacy of the government is advanced, as in countries with higher levels of corruption, citizens trust less in public officials and government (TI, 2010). But as the effect of perception of corruption on acceptance of fraud holds when controlled by trust, one additional explanation of the main effect should be advanced. Corrupt governments shift the society moral boundaries and fraudulent behaviour become more accepted and possibly more common. This effect is consistent with the idea of an economic morality on the perception of fairness about the way economy (and governments) work that shape judgments of fairness and behaviours. Additionally, other contextual factors, such as the inefficacy of legal systems or an individual's perception of being caught, should also be taken into account. The perception of corruption in the government contributes to weaken the legal effectiveness of the criminal justice system (Kaufman, 2004). If the perceived likelihood of being caught is low and/or the sanction is not severe enough to deter crime, fraudulent behaviour spreads.

The relationship between corruption and acceptance of fraud can also be in the other direction. Citizens who engage in fraudulent practices may be more likely to perceive the government as more corrupt as a way to reduce the dissonance that had been arisen by the immoral behaviour. Reinforcing the idea that the government is also behaving in dishonest ways may contribute to restore the cognitive balance in citizens' minds. However, as shown in Paper 1, dishonest practices against the government are uncommon across Europe, showing that although this rationale may apply to some situations do not fully explain the generalized effect on corruption on acceptance of fraud.

Overall, the results of this paper reinforce the idea that economic morality is affected by governments and market performance. This additional information would help to clarify the contextual mechanism whereby the perception of corruption and income inequality influence the toleration of fraudulent behaviour. This article shows that a high level of perception of corruption in the public sector and income inequality go hand in hand with fraudulent behaviour against the state. These results allow extending the “inequality trap” (Uslaner, 2008) to acceptance of fraud. This theory considers the self-sustained effect of inequality and corruption where one leads to the other. In turn, low trust and inequality sustain fraudulent behaviour, impacting back on inequality in a spiralling mechanism.

Conclusion

The general conclusion is that equality, trust and justification of fraud are strongly related in all countries studied. As mentioned throughout the theory, social and institutional trust are important prerequisites for complying with what the so called rules of the game. Distrusting the rules, norms, procedures and practices of political institutions have a clear effect on individual’s willingness to comply with the law, or at least with their attitudes to justify not complying with the law.

The results show that in all countries studied distrust on institutions has a clear impact on justification of fraud. On the other hand, inequality tends to be higher in those countries where institutions are more distrusted. Inequality is clearly related to a higher justification of fraud. Finally, it is shown that perceived corruption has a positive effect on justification of fraud. Even if this effect is found significant for one of our four dependent variables (paying with cash), this is a very relevant finding since it provides innovative evidences from data at the aggregate level that contextual aspects matter when it comes to explaining attitudes of fraud against the State.

It may be the case that this mechanism only works in specific economic and cultural settings. Other studies that apply this mechanism outside Europe borders would be needed to test its universality.

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CHAPTER 5: CONCLUSIONS

This dissertation presented a social mechanism to explain the phenomenon of consumer fraud. The theoretical foundations and the hypotheses were explored in chapter 2 and the empirical hypotheses derived tested in the three papers. This conclusion summarizes the papers and the empirical results that offer support for parts of the mechanism; articulates the mechanism for consumer fraud; discusses the theoretical and methodological implications of these results.

5.1 Summary of the papers

Paper 1 provides an overview of consumer fraud in European countries. The empirical basis for the social mechanism of consumer fraud can be found in papers 2 and 3. In the following paragraphs, a summary of each paper is provided.

Paper 1 describes the normative patterns of dishonest practices in Europe and sets the stage for papers 2 and 3 which provide answers to the research questions. The central finding that emerges from this study is striking: nearly half of the European population occasionally engages in crimes such as paying cash in hand to avoid VAT and keeping extra change from a shop assistant. Moreover, passive fraud is more common than active fraud in all European countries and in developed compared to emerging market economies. By contrast, active fraud is more common in emerging compared to developed market economies. Passive fraud is more common among higher class citizens but active fraud is not linked to social class.

Taken together, the results from paper 1 suggest that markets comprise a morality and different opportunities to behave dishonestly. It is assumed throughout this thesis that actual practices shape and are shaped by economic morality. More opportunity generates more fraudulent practices, and as the number of people who engage in those practices increases, the boundaries of what is considered right or wrong will move accordingly.

It was empirically shown in paper 2 that countries with a rapid economic growth have high levels of consumer fraud. This result offers incomplete support for Roland's (2004) macrosystemic approach to institutional change as well as Messner and Rosenfeld's (1994) Institutional Anomie Theory, which considers that a rapid expansion of the economy results in the desimbedness of social institutions. In this scenario, the values of the market prevail over the values of the other institutions. Materialism values derived from business are endorsed by consumers; in extreme cases— where the social and political institutions are not robust enough to compete with materialism values—a situation of market anomie may arise. Due to the cross-sectional nature of the present research, Roland's theory was not fully tested in this thesis: longitudinal data would be needed; and to test the effect of the economic growth on the prevalence of consumer fraud, the independent variable should be the economic growth in a certain period (for one or more countries) rather than levels of different countries' economic growth. The limitations of the cross-national approach are obvious, arising from the impossibility of isolating the main effects of cultural and economic factors.

Paper 3 shows that a high level of perception of corruption in the public sector and income inequality go hand in hand with consumer fraud. In countries with more (perception of) corruption by government and public officials, fraud is seen as more acceptable. An explanation based on trust and legitimacy of the government is advanced, as in countries with higher levels of corruption, citizens trust less in public officials and government (TI, 2010). But as the effect of perception of corruption on acceptance of fraud holds when controlled by trust, one additional explanation of the main effect of perception of corruption on acceptance of fraud is that corruption diminishes the legal effectiveness of the criminal justice system (Kaufman, 2004). If the perceived likelihood of being caught is low and/or the sanction is not severe enough to deter crime, fraudulent behaviour spreads. The findings of paper 3 provide evidence for including fraud in the "inequality trap" (Uslaner, 2008) that considers a self-sustained effect of inequality and corruption where one leads to the other. Inequality fosters low trust that underlies corruption. Low trust and inequality sustain consumer fraud, impacting back on inequality, in a spiralling mechanism.

5.2 Empirical evidence for hypotheses and answers to the research questions

The papers presented in this dissertation are motivated by three research questions with appropriate hypotheses for each research questions advanced and tested in the three papers. Next the questions, hypotheses and results that support or do not the hypotheses are presented.

First research question: Was the transition to neo-liberal markets accompanied by a change in economic morality and a rise in consumer fraud (macro-level association)?

The corresponding hypothesis is H4:

H4: Countries with market economies with higher rates of growth show higher prevalence of consumer dishonest practices (tested in paper 2, ESS data).

This hypothesis was partially verified in paper 2, as only in the group of countries with a high GDP (above European average), is the growth in GDP positively associated with a rise in consumer fraud. Countries with a higher development rate and a high GDP display a higher tendency to commit fraud, suggesting that sustained economic growth plays a crucial role in shaping morality in the market. For countries with low GDP, economic growth is not associated with the tendency to commit fraud. The results may suggest that in the low GDP group, cultural factors surmount the effect of economic factors. Given the limitations of using cross-sectional data rather than longitudinal data, the macro-association between economic growth and consumer dishonest practices was only weakly established.

The second research problem questions which country contextual factors (social, economic and cultural) affect economic morality and the dissemination of consumer dishonest practices (contextual mechanism). The corresponding hypotheses are H2 and H3:

H2: There is higher acceptance of fraud in countries with greater income inequalities (tested in paper 3, EVS data).

This hypothesis was verified in paper 3. The results show that countries' context (economic and cultural) is associated with acceptance of certain types of fraud. Cheating on taxes is more acceptable in countries with higher income inequalities.

H3: There is higher acceptance of fraud in countries with higher levels of perceived corruption among the government (tested in paper 3, EVS data).

This hypothesis was verified in paper 3. The results show that contextual factors at the country level (economic and cultural) are associated with acceptance of certain types of fraud. More specifically, paying cash in hand to avoid VAT is more accepted in countries where corruption in the public sector is more generalized.

The third research question relates to the identification of a mechanism that explains how a state of market anomie contributes to the emergence of consumer dishonest behaviour (psychological mechanism). The corresponding hypotheses are H6 and H7.

H6: Relatively deprived individuals are more likely to engage in fraudulent practices, (tested in paper 2, ESS data)

This hypothesis was partially verified in paper 2. Crimes of everyday life are driven by feelings of economic hardship only in countries where these practices are deviant. In countries where fraudulent behaviour is more generalized, internal motivations to behave dishonestly play a secondary role: higher class consumers are more likely to commit fraud as they interact more often with the market.

H7: Individuals who distrust political institutions are more likely to engage in fraudulent practices (paper 3, EVS data).

This hypothesis was verified in paper 3. Distrust in political institutions is associated with the acceptance of fraud in all countries considered.

Economic growth not sustained in social and political institutions impacts consumer fraud through market anomie which comprises distrust in those attitudes, fear of being victimized and cynical attitudes toward the law (Karstedt and Farral, 2004). Corruption in government and income inequality generates distrust in government and markets. (Uslaner, 2008). Trust seems to be the common denominator of the impact of macro-variables in economic morality. If levels of trust in state and market institutions are low, the legitimacy of the authority of government and business legitimacy is not recognized (Tyler, 2004). As a result, the rule of law may be distorted and non-compliance with rules enforced by those authorities will be more common. Fraudulent activities appear as more legitimate and moral standards in the economic sphere are relaxed, impacting in turn the moral framework of society and the tolerance of such practices. The impact of relative deprivation on consumer fraud may be explained using this mechanism.

Relatively deprived people are more likely to experience market anomie as they are more affected by the effects of economic inequality and the levels of trust in government and in business will be lower among this group. Consequently, they are more likely to engage in consumer fraud as they have the chance.

Three additional hypotheses (H1, H5 and H8) that do not directly test the social mechanisms for consumer fraud, but are suited to descriptive purposes, are:

H1: CME and LME differ in respect to patterns of consumer dishonest behaviour (tested in paper 1, ESS data).

This hypothesis was verified in paper 1. Passive fraud is more common in developed than in emerging market economies. By contrast, active fraud is more common in emerging compared to developed market economies. Among the developed market economies, passive and active fraud is more common in CME compared to LME.

H5: The prevalence of consumer fraud varies with class membership (paper 1, ESS data).

This hypothesis was partially rejected in paper 1. In all countries considered, active fraud is not linked to social class but passive fraud is well disseminated among the higher classes (opportunity is increased).

H8: Consumer dishonest practices can be grouped into passive and active behaviour in all countries (paper 1, ESS data).

This hypothesis was verified in paper 1 and 2. The structural equivalence of the distinction between active and passive fraud for all countries was established. Active fraud includes practices where the individual actively initiates the dishonest behavior (e.g., false insurance claim) whereas passive fraud relates to practices where the individual is faced with a situation (e.g., receiving extra change) and took advantage of it (keeping extra change from a shop assistant).

5.3: A social mechanism for consumer fraud

The results of the three papers were integrated in a social mechanism of consumer fraud (cf. Figure 5). European Social Survey and European Values Study data predict that the emergence of unfair practices in the marketplace is facilitated by the transition to neo-liberal markets, if these changes are not accompanied by a parallel evolution of social institutions.

This idea is supported by Roland (2004) and Messner and Rosenfeld (2010), who assert that a rapid economic development promotes the disembeddedness of the market with social institutions. Gradual economic development is built on existing cultural values, as materialistic market values are progressively absorbed by values from social institutions. If the changes are too quick, they cannot be accommodated by existing cultural values and market values will prevail. This leads to an overemphasis on materialistic values in society. Sanctions for dishonest behaviour are usually imposed by non-economic institutions. As non-economic institutions lose power, moral restraints related to dishonest behaviour are lifted by market values. This situation may configure a state of market anomie (Karstedt & Farrall, 2006), characterized by distrust in the economy and in economic agents, fear of being victimized, and cynical attitudes towards the law. A rapid economic development also brings a cornucopia of opportunities of unethical behaviour that encompass neo-liberal markets (Karstedt & Farrall, 2006; Shover, et al., 2003). An over-emphasis on materialistic values—coupled with augmented opportunities to cheat—triggers dishonest practices (both from business and consumers).

A general level of perception of corruption amongst the public sector may also lead to changes in economic morality. Corruption in public sector is associated with lower judicial/legal effectiveness (Kaufman, 2004). By relaxing legal barriers, law compliance regarding fraud diminishes. Fraudulent behaviour will be more common in all sectors, and perceptions of the unfairness of the economy will be fostered in society. Thus, there is higher acceptance of fraudulent practices in countries with higher levels of corruption, because economic morality is poor and law is not effectively enforced.

Besides the rapid transition to neo-liberal policies and a higher level of corruption, a high level of social inequalities may also have an impact on the perception of fairness of

the economy. The “inequality trap” (Uslaner, 2008) suggests that in unequal societies, individuals trust less in the economy and in economic agents, and distrust generates corruption and fraud. As a result, consumer fraud is more approved in unequal societies.

The common denominator of the effect of macro-level factors (disembeddedness of the market with social institutions, corruption in the public sector and social inequalities) is that by impacting economic morality, the syndrome of market anomie may arise. Not all individuals hold this constellation of negative feelings towards the market to the same extent, and those who feel victimized by unethical business practices are more likely to experience anomie. Market anomie sets the stage for dishonest practices by impacting individual morality and attitudes towards dishonest behaviour.

Social inequalities signal a strained social structure with deep boundaries between social classes. Lower class individuals are more likely to feel relatively deprived, especially in unequal societies (Merton, 1957). Relative deprivation fuels illegitimate ways (such as dishonest/criminal behaviour) of achieving material success. This psychological mechanism is particularly suited to societies where consumer fraud is uncommon, as it applies to behaviour of a deviant nature (Merton, 1938). Relative deprivation offers an account for the emergence of fraudulent behaviour, especially in societies where social norms dictate its deviance. The perceived legitimacy of governments and regulations is maximized in equalitarian societies and transparent and accountable governments help to hamper fraud and corruption.

In societies where consumer fraud is widespread, social norms of behaving dishonestly dictate practices in the marketplace. To explain the process of expansion of fraudulent behaviour, a critical mass mechanism (Schelling, 1978) explains that consumer fraud may be self-sustained once the number of fraudsters passes a certain number.

As individuals perceive that more individuals are engaging in fraud, the more the likelihood that they also commit fraud. First, this may be explained by the power of social norms to impel individuals to adopt the behaviour of the majority, especially if this behaviour can bring material gains. Second, because as more people are engaged in fraud, the perception of the ineffectiveness of the law is stronger. Third, as more people are engaging in fraud, the feeling of moral obligation and the expected societal return of behaving according to the law loses its effect. This may happen only if a certain

threshold for the number of people committing fraud is achieved, and above which the economic and social costs of one additional fraud act is negligible. Consequently, as more people are perceived to engage in fraud after a certain limit (that for the sake of simplicity only may be fixed at 50 percent of the population), the more people will be pushed into fraud, and the higher the perception of widespread fraud that in turn will generate even more fraud.

Relative deprivation and social conformism offer an account for the motivation of dishonest practices. Opportunity and psychological characteristics such as human values (Schwartz, 1992), attitudes (Beck & Ajzen, 1991) and perception of moral obligations (Beck & Ajzen, 1991) determine the extent to which motivation materializes in dishonest behaviour. A critical mass model (Schelling, 1978) explains how fraud disseminates in society. If people believe that others are doing the same, subjective obstacles for initiation behaviour such as damage on social image or fear of being caught loose power. Neutralization processes in the form of “Everybody does it” (Gabor, 1994) and “business is unfair” legitimate and help individuals to integrate dishonest behaviour and determine its continuation.

The Coleman boat picturing the social mechanism of consumer fraud may be read in two directions (Fig. 6). Consumer fraud may be the result of cold thinking as postulated by the Theory of Planned Behaviour (Ajzen, 1985; Beck and Ajzen, 1991; Fishbein and Ajzen, 2010) combined with trust in fellow citizens and in social and political institutions. Alternatively, consumer fraud may also be initiated through the suggestion of a collective action derived from a critical mass process (Schelling, 1978). The link between action and trust is also bidirectional as the actual behaviour is rationalized through post-justification that includes distrust and negative attitudes toward the market and the economy. Distrust impacts back on income inequality and corruption in government as postulated by the inequality trap (Uslaner, 2002).

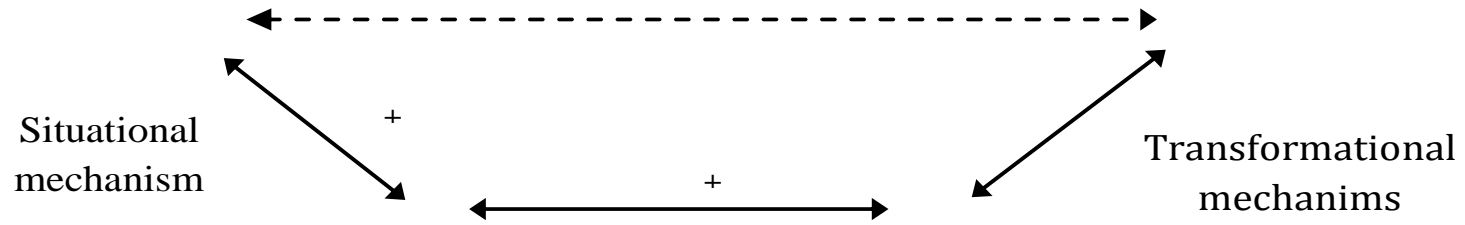
Paper 2 Rapid economic development

Paper 3 Corruption in the government

Paper 3 Income inequality

Patterns of fraud in European Countries

Paper 1



Distrust in the economy and political institutions

Paper 3

Relative deprivation

Paper 2

Consumer fraud

Figure 6. Social mechanism for consumer fraud

5.4: Methodological implications

This dissertation departed from the idea that cross-national research based on secondary analysis of data lacks theoretical foundations on how social and psychological factors combine to give rise to societal phenomena. Cross-national data are nowadays widely available, cross-national methodologies are rigorous, and statistical tools are disseminated. But as shown in Chapter 3 (p.61), a more theoretically founded approach to link micro and macro factors is sought.

The so-called bridge assumptions—the effect of macro on micro variables and vice versa—has been disregarded in cross-national research, more specifically the micro-macro link. The societal manifestations of individual behaviour, desires or opinions (Hedström, and Bearman, 2009) rely mainly on aggregation rules of averaging individual scores per country but can also include network effects. The types of transformational rules, their impact and their usefulness have not been carefully considered in cross-national literature. As noted by Opp (2011), “there are no methodological rules in the literature that explicitly specify in a general way possibilities of aggregating micro-variables” (p.222).

In this dissertation, the collective manifestation of individual fraudulent behaviour was the rate of consumer fraud, but the limitations of summing up or averaging the frequency of individual fraudulent practices to provide country patterns of fraud are well acknowledged. The transformational mechanism was not well-articulated in this dissertation due to the lack of methodological tools and data to test it, but it is suggested that individual fraudulent practices contribute to change individual and societal perceptions, about the economy which may in turn contribute to facilitate or sustain fraudulent practices.

A critical mass model is advanced to be one possible transformational mechanism, but this was not tested empirically. The transformational mechanism in the social mechanism of consumer fraud is analytical rather than empirical, but there is no agreement in the literature as to whether the bridge assumptions of a social mechanism should be empirically tested, or formulated only in analytical terms, as simulation studies seem to be the rule (see Opp. 2011). A future agenda of research on consumer fraud should look for additional methodologies, such as longitudinal analysis, experiments or even simulation studies to test whether a critical mass model is suitable to explain the dissemination of consumer fraud.

5.6: Final considerations

This dissertation brings valuable insights for the explanation of different levels of consumer fraud across Europe. Departing from some core ideas on the literature that consumer fraud results from a syndrome of market anomie (Karstedt and Farral, 2007) arising from the desimbeddedness of the market from social institutions (Messner and Rosenfeld, 2001), this dissertation puts together a social mechanism by expanding and integrating different theories from the social sciences (p.169). The social mechanism results from the combination of linkages between variables taken at different levels of analysis and tested with cross-national data (ESS and EVS) using multilevel techniques.

The results of this dissertation point to the influence of (1) income inequality, (2) perception of corruption in the government, and (3) rapid growth in the economy on the initiation and perpetuation of consumer fraud. These effects were shown empirically with cross-national data and explained through a psychological mechanism involving relative deprivation and trust in political institutions as triggering consumer fraud.

This dissertation constitutes a piece of societal psychology (Himmelweit and Gaskell, 1990). The psychological approach to dishonest behaviour endorsed here views the consumer as a citizen whose behaviour is linked to the societal context in which it takes place rather than the rational agent that seeks to maximize gains and minimize losses. The idea that the individual and the collective are inseparable encompasses all the empirical work and theoretical reflections in this dissertation. Variations in the prevalence of consumer fraud across European countries were explained by differences in socio, cultural and economic variables that shape the societal contexts. This approach demands the development of conceptual models rather than the search of invariant laws. The social mechanism of consumer fraud encapsulates those ideas.

The work presented here constitutes the first step of a programme of research on economic morality employing different methodologies to explore the interplay of psychological and societal variables. This research programme would inform policies aimed at “nudging” consumer morality in the market sphere with clear repercussions on the arenas of the social and political life.

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Annex: Testing social mechanisms with ESS data: A systematic literature review

A study consisting of a systematic literature review of articles using ESS data is briefly presented in this Appendix. This study was carried out in the context of this dissertation, with the objective of examining how social mechanisms are addressed and generated by cross-national survey research. The results suggest that social mechanisms tend to be overlooked in ESS studies. Most of the articles do not consider any type of mechanism and when they do, psychological mechanisms (micro) are the most common. Transformational (micro-macro) mechanisms were not encountered in the ESS studies.

Method

A random sample of 70 articles (proportionally stratified by year and academic discipline) out of a total of 230 that used ESS data²³ was analyzed. All the articles were published in international journals between January 2003 (when the ESS began) and December 2009. The selected articles are substantive oriented and they were classified as cross-national research in line with Hantrais and Mangen (1996) who consider that crossnational research “studies particular issues or phenomena in two or more countries with the express intention of comparing their manifestations in different socio-cultural settings, using the same research instruments” (p.1). The articles were classified according to:

a) The academic discipline;

The following social sciences were considered: sociology, psychology, political science, economics and methodology of social sciences. The classification took into account the journal’s main scientific area (given by the journal title), the theme of the article and the main author’s academic affiliation (*Curriculum Vitæ*, field of PhD and/or University department he/she belongs).

²³ The articles were selected from the ESS Bibliography Archive (110 articles) and other bibliographic databases (B-On, ISI-Web of Knowledge, EBSCO, EconLit, InformaWorld, IngentaConnect, International Political Science Abstracts, Ovid, Proquest, PsycINFO, PubMed, Science Direct and Scopus).

b) The topic within academic discipline

The articles were classified in one or more topics chosen from different lists maintained by scientific organizations or bibliographic datasources. For psychology, the PsycInfo content classification was used, for political science, the American Political Science Association sections were used and for sociology, an extended list was developed based on the sections of the International and the European Sociological Associations..

c) The number of countries included in the analysis;

The minimum number of countries has to be two to be a comparative study and the maximum number is the number of countries available in the specific round.

d) The typology of crossnational studies proposed by Van de Vijver & Leung (1997);

the studies were classified as belonging as one of the four methodological categories: generalizability study (exploratory studies without testing hypotheses and without taking into account country-level variables), psychological differences (studies that test hypotheses but without taking into account country variables), theory-driven (studies that test hypotheses about with individual and country-level variables) and external validation (exploratory studies without testing hypotheses but with country variables);

e) The nature of social mechanisms captured:

The theoretical and empirical material of the articles were scrutinized bearing in mind the three individual mechanisms proposed in Coleman's (Coleman, 1986) micro-macro scheme. The articles were considered to test one or more mechanisms if there is an explicit concern to explain the predicted/observed associations between variables alluding to existing theories (hypothesis deriving from the theories) or original theoretical approaches that contain one or more than one mechanism. Articles focused on testing only macro-level associations were not considered as testing mechanisms unless the theoretical account make reference to the individual or interindividual levels of analysis. Articles were classified as testing one or more of the following mechanisms: psychological mechanisms (purely psychological), situational mechanisms (how macro level conditions affect the behaviour of individuals), or transformational mechanisms (how isolated individual actions generate collective outcomes);

f) The statistical technique(s) employed;

The statistical technique(s) used to test hypotheses was also considered. The analysis of cross-national data can use a limited number of statistical techniques, varying according to popularity and complexity. The techniques encountered are: analyzing only country-level data, by aggregating individual level variables (and looking at associations between these aggregated variables, or testing mean differences); using individual-level data and treating countries as dummy variables in the (multiple) regression; using individual-level data clustered by country employing multilevel regression; and using individual-level data grouped by country and testing individual and/or cross-level effects using multi-group structural equation modelling.

Results

In this sub-section, the results of the systematic literature review of the ESS articles are presented by means of graphs describing particular features of the ESS' articles. When seeking the description of a more general classification, the population of the 230 articles was used (e.g., year of publication, or social science domain), but more detailed classifications were restricted to the sample of 70 articles (e.g., statistical analyses, type of mechanisms). Additionally, several correspondences analysis between the type of mechanism and characteristics of the articles were performed, in order to elucidate the methodological choices underlying each one of the social mechanisms covered.

Figure 1 displays the number of articles per year. There is an ascending progression of between 9 and 15 articles per year between 2003 and 2009 and a decrease of 3 articles in 2009. The last figure may not be very accurate because the articles were gathered at the beginning of 2010 and some of the most recent articles (last months of 2009) were possibly not available in the bibliographic datasets.

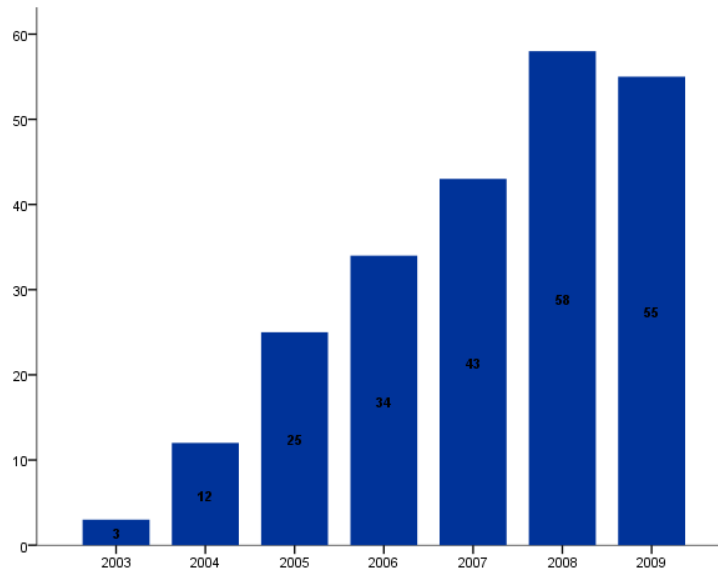


Figure 1: Number of ESS articles per year (N=230)

In total, 59.7 percent of the 231 articles were classified in sociology, 15.6 percent in political science, 11.7 percent in methodology, 11.7 percent in psychology and 2 (0.8 percent) percent as medical sciences and 1 (0.4 percent) in economics (cf. Figure 2).

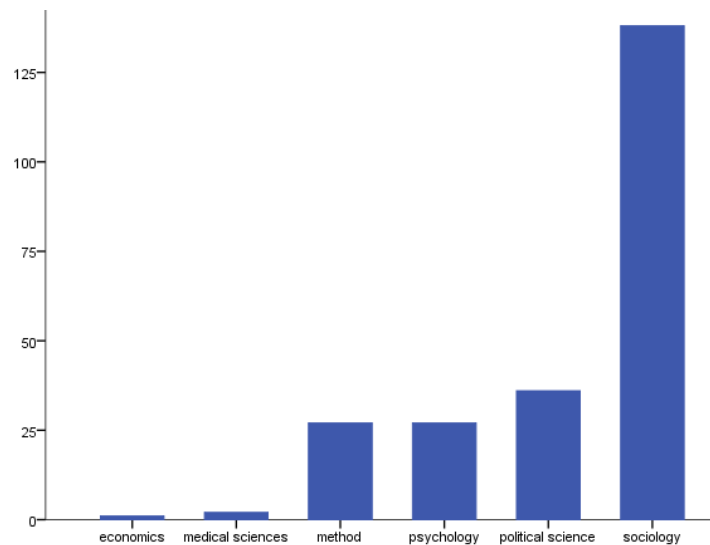


Figure 2: Number of articles by academic discipline (N=230)

Figure 3 presents the number of articles per topic grouped by the most represented academic disciplines (sociology, political science and psychology). Within the sample of 70 articles analysed, the topics most covered in Sociology are Social indicators (25.7 percent), Migration, racism, nationalism and ethnic relations (24.3 percent); and Health (20.0 percent). Within psychological articles, social psychology is the most

representative topic (22.9 percent) and in Political Science, Elections, public opinion and voting is the most frequent (15.7 percent).

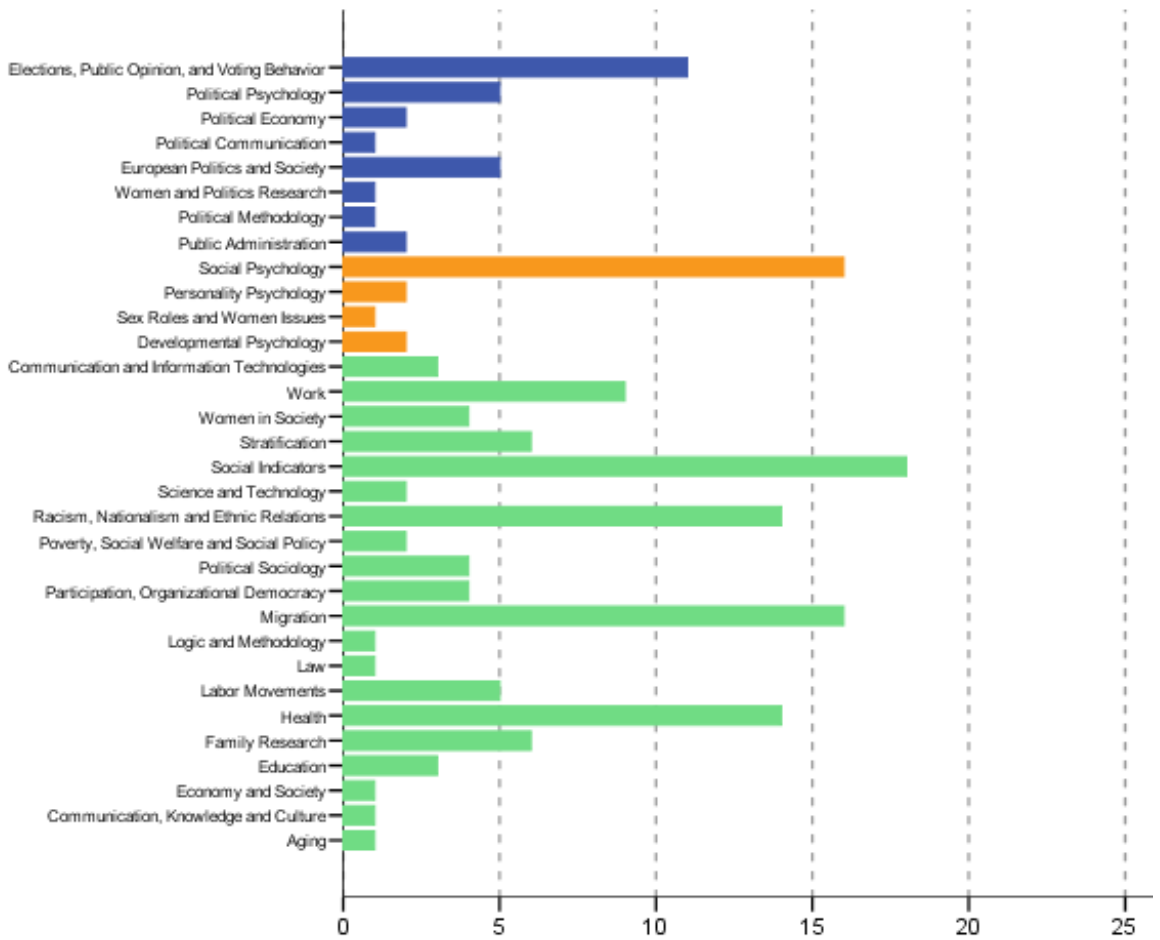


Figure 3: Number of articles by topic and academic discipline (N=70)

Note: green= sociology, orange=psychology, blue=political science

Most of the articles (52 percent) analyses 10 to 15 countries (cf. Figure 4) and only less than 10 percent analyses 20 countries or more, being including here, studies that analyse the whole ESS dataset.

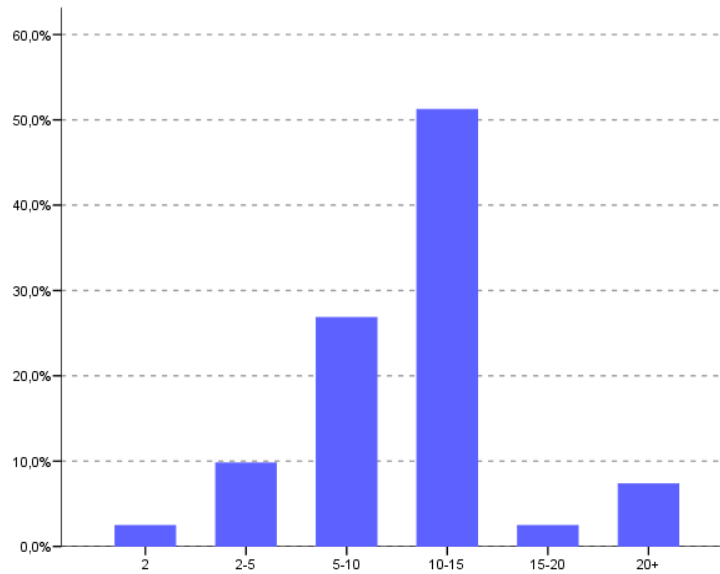


Figure 4: Number of countries covered in the analysis (percentage, n=70)

Regarding the methodology, 22 percent of the studies are non-comparative (not considered for analysis), 36 percent are theory driven, 20 percent are generalizability studies, 18 percent external validation and 2 percent psychological differences (cf. Figure 5).

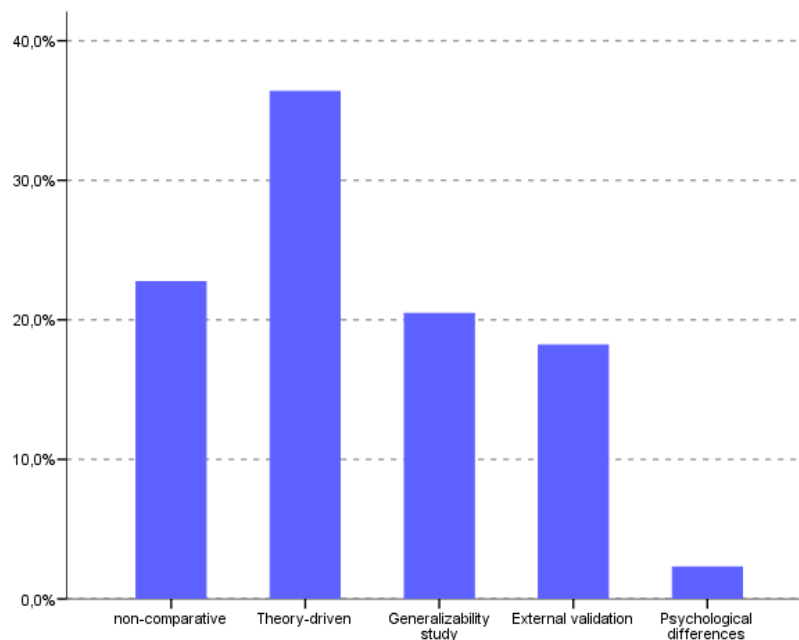


Figure 5: Type of methodology (percentage, n=70)

The statistical analysis most common in ESS studies is multilevel regression (27 percent) and separate country analysis to compare effects (25 percent). Using country

as dummies was employed in 21 percent of the studies and 11 percent employ country level analysis. Only, 3 percent of the articles use multigroup structural equation modeling and in 13 percent of cases, there is not any comparison explicit (Figure 6).

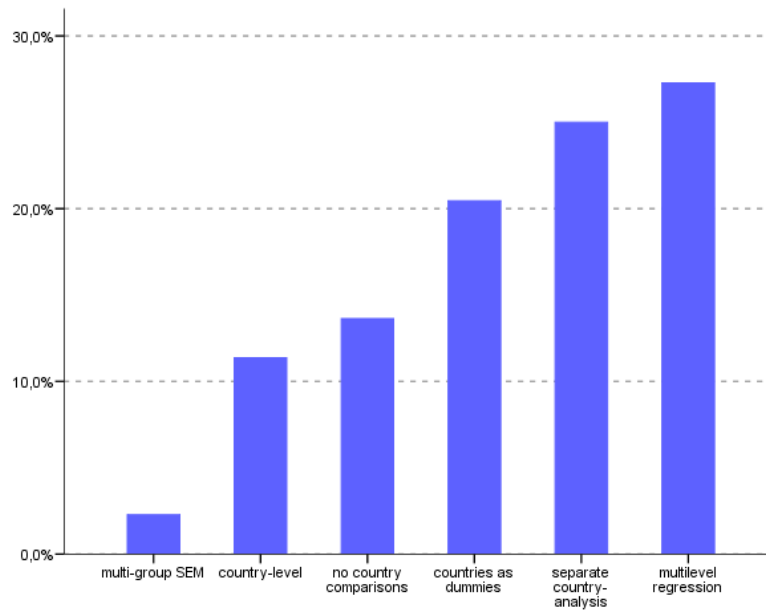


Figure 6: Type of statistical analyses (percentage, n=70)

Most of the articles (59 percent) don't test any mechanism, 21 percent test a micro-mechanism, 10 percent test a situational mechanism and 10 percent test a micro combined with a situational mechanism (cf. Figure 7).

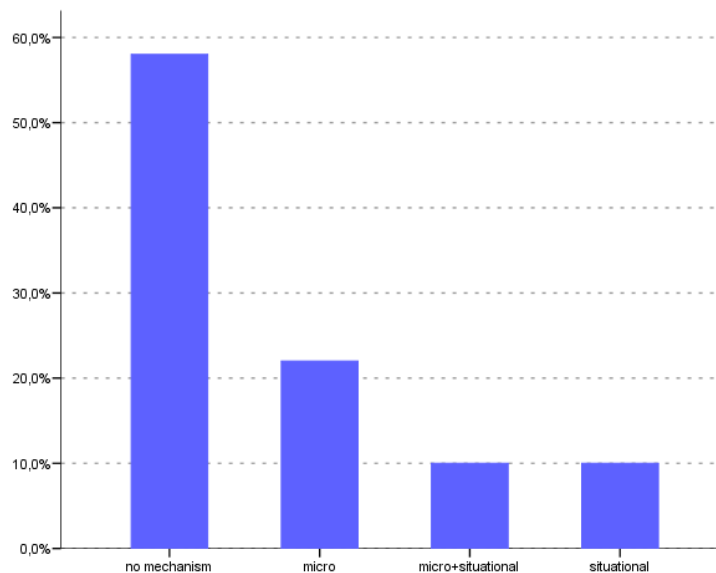


Figure 7: Type of mechanism (percentage, n=70)

Additionally, several correspondence analyses were performed between the type of social mechanism tested (if any) and the characteristics of the study (cf. Figure 8). The

results show that contextual mechanisms combined with psychological mechanisms are used in political science. Psychological studies have a higher tendency to not cover any type of mechanism being confined to associations between variables. This tendency is visible in studies relying on the Theory of Human Values (Schwartz, 2002) that associate values to attitudinal or behavioural variables with no further theoretical elaboration.

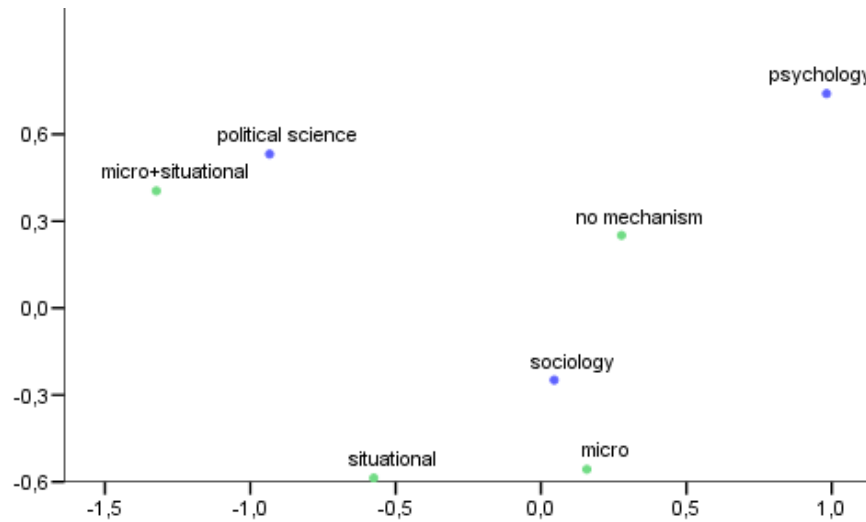


Figure 8: Correspondence analysis between type of mechanism and scientific discipline

A correspondence analysis between the type of mechanism and the type of cross-national study clearly shows that only theory-driven studies deal with social mechanisms, as would be easily predicted as the dependence of the social mechanism approach on theory (cf. Figure 9).

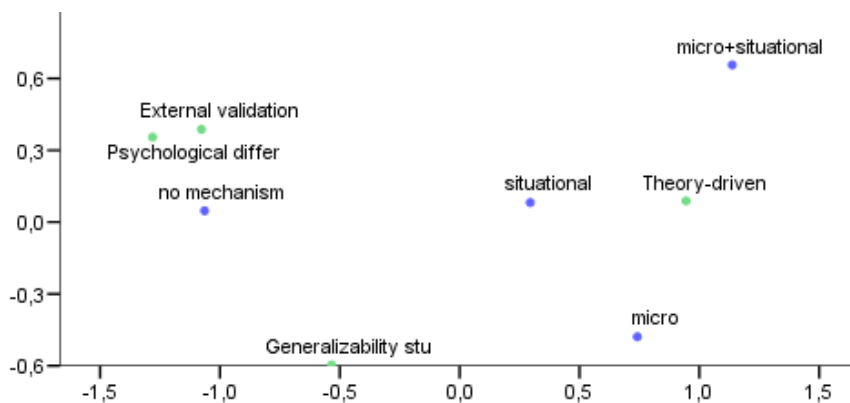


Figure 9: Correspondence analysis between type of mechanism and type of study

Regarding statistical techniques used to test social mechanisms, multilevel regression and using countries as dummy variables in the regression are more likely to be used to

test situational mechanisms whereas, analysis by country seems to be chosen to test psychological mechanisms (Fig. 10).

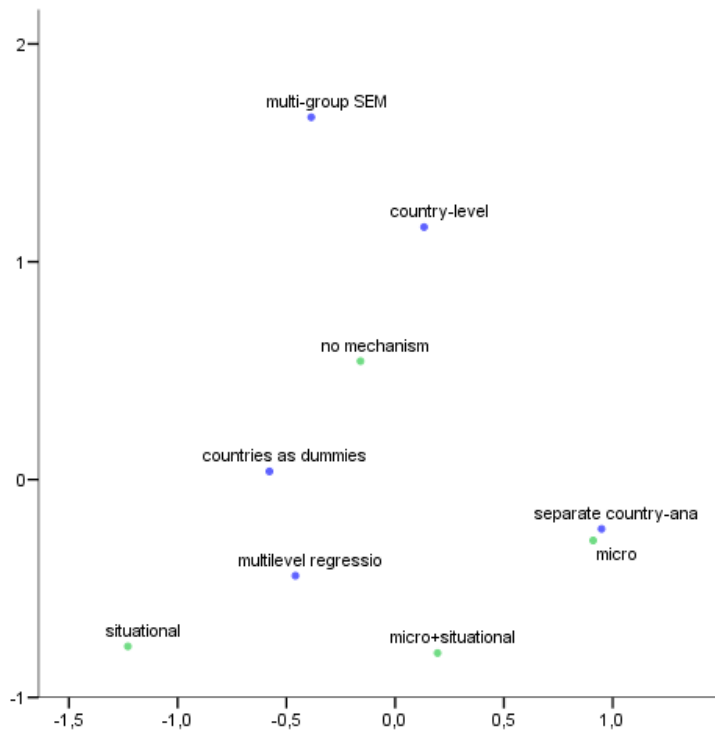


Figure 10: Correspondence analysis between type of mechanism and statistical analyses