

Trust and Swindling on the Internet

Bezalel Gavish

Southern Methodist University,
Dallas, TX 75205
gavishb2000@yahoo.com

Fraud on the Internet is developing into a major issue of concern for consumers and businesses. Media outlets report that online fraud represents "an epidemic of huge and rapidly growing proportions". One area that is particularly of interest is the area of swindling activities related to online auctions. Understanding fraud is especially important because of the "network externality" effect, in which a large number of satisfied users attracts other users to use the commercial services offered through the Internet, this effect is based on the knowledge that satisfied traders induce others to trade on the Internet increasing the trading system efficiency. Headlines that present swindling activities on the internet deter users from using the internet for commercial activities.

We will present and classify methods that swindlers use in order to defraud users, and suggest procedures to reduce the level of successful fraudulent activities on the web. We will also report on a preliminary empirical survey on the magnitude of fraudulent auctions on a large auction site. The empirical results obtained in this survey, invalidate claims by online auction site operators that fraudulent activity is negligible. We will also discuss methods to reduce fraud and the need for extensive research on Internet fraud.