



CRIME, FRAUD AND DECEIT ON THE INTERNET: IS THERE HYPERREALITY IN CYBERSPACE?

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This paper examines the questions of crime, fraud and deceit on the Internet and discusses whether such activities constitute a new type of abusive social behavior, or whether they are classic forms of capitalistic excess appearing in a new medium. Three areas of abuse are investigated, namely: securities law violations using the Internet; crime and fraud in electronic commerce; and deceitful acts by Internet companies. The advent of the Internet has allowed fraudulent schemes to be perpetuated at low cost and distributed to a wide audience. Many of these activities would not be possible without the existence of the Internet. The rapid growth of electronic commerce has been accompanied by an increased number of fraudulent acts facilitated by the unregulated nature of the medium. The rapid growth of Internet companies, often with little economic substance, and lacking traditional management and internal controls, has prompted fears of an economic collapse combined with a desire not to be left out of a potential economic bonanza. Many Internet companies engage in deceitful practices which border on fraud. This paper examines the nature of crime, fraud and deceit on the Internet and discusses the role of the state in controlling and regulating these abuses.

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Introduction

While many believe that the advent of the Internet has been a completely positive event, others feel that there is a dark side to cyberspace. This latter perspective argues that when individuals use technology excessively and eliminate direct connections with other human beings, there is a danger they will retreat from the wider world. The upshot would be that cyberspace, which is prized for its diversity and wealth of information, will foster involvement with virtual communities at the expense of real-world communities (Kaplan, 1999; Shapiro, 1999).

The Internet has the potential to enhance the power of individuals to take control of their lives. At the same time, individual power can be misused through hacking,

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extortion, virus spreading, sending massive e-mail spams, selling pornography, or perpetuating fraudulent securities schemes. To prevent abuses of individual power it may be necessary to curb some of the freedom that has heretofore reigned in cyberspace. The question is whether a balance can be achieved between individual freedom and the needs of the wider community. This paper focuses on crime, fraud and deceit conducted through the Internet. The paper discusses whether such activities constitute a new type of abusive social behavior or whether they are merely an extension of capitalistic excesses previously observed in other media.

The remainder of the paper is organized as follows. The first section presents a review of previous literature discussing cyberspace, fraud, hyperreality and the role of the state in controlling abuses. The second section discusses securities law violations using the Internet. The third section discusses crime and fraud in electronic commerce. The final section discusses deceitful acts on the part of Internet companies. This is followed by a discussion and conclusion.

Review of Previous Literature

Cyberspace

The term "cyberspace" was coined by William Gibson in his novel *Neuromancer* (Everett-Green, 1995; Gibson, 1984). As conceived by Gibson, cyberspace was an artificial environment providing realistic three-dimensional sensory experiences; allowing face-to-face intimacy between people in remote places. In one of Gibson's novels, a woman "meets" a mysterious financier outside a cathedral in Barcelona, Spain, though in fact she is sitting alone in an office in Brussels (Gibson, 1984).

The concept of cyberspace is now more narrowly defined as a network of linked computers, the best known of which is the Internet. The Internet was developed in the 1970s to assist US military and academic research. In 1990 the Internet was virtually unknown to the general public. By the year 2000, the Internet had millions of users throughout the world. For many of these users, cyberspace and the Internet are virtually synonymous terms. It has been predicted that the Internet will absorb radio, television, telephone, and most conventional publishing media within its embrace. Some refer to an "information super-highway" which will constitute a unified, interactive system of electronic communication. The prospect of cyberspace, with the capacity to deliver a wide range of goods and services, has prompted the formation of hundreds of dot.com companies as capitalist interests seek to exploit the potential of new medium¹ (Everett-Green, 1995; Lohr & Markoff, 1998; Hansell, 2000).

The social implications of cyberspace may overwhelm its commercial applications. Unlike radio and television which targets a passive audience, the Internet depends on users to interact with the medium and share its content. Cyberspace can encourage the formation of "virtual communities", without barriers imposed by national, ethnic, racial or geographic boundaries. Moreover, because the Internet gives everyone the tools to become a publisher, cyberspace offers a means of freeing public discourse from the control of media monopolies (Everett-Green, 1995).

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