

**press box****The (Ongoing) Vitality of Mythical Numbers**

Does ID theft really cost \$48 billion a year?

By Jack Shafer

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Reporters have so much faith in the pure power of numbers that many will inject into a piece any ones available as long as they 1) are big; 2) come from a seemingly authoritative source; and 3) don't contradict the point the reporter is trying to make.

The magic number for journalists covering the identity theft beat has been \$48 billion—the estimated annual losses suffered by identity theft victims—which carries the Federal Trade Commission's imprimatur. Since its arrival in 2003, the number has appeared in hundreds of news stories, including a [May 30 New York Times](#) piece. (See my earlier "Press Box" column "[The Times Hypes ID Theft](#).")

The FTC figure is based on telephone interviews with about 4,000 people in which subjects were asked about their ID theft losses in the last year, and these findings were extrapolated to the nation at large. Shouting "bunk" this week is Dean Foust, whose [July 3 Business Week](#) piece ("ID Theft: More Hype Than Harm") argues that the figure is almost certainly wrong. He writes:

Fred H. Cate, a law professor and director of Indiana University's Center for Applied Cybersecurity Research, notes that if the estimate were accurate, it would wipe out up to half of the banking industry's \$103 billion profits in 2005. "If those numbers were true, we'd have a banking crisis on our hands," he says.

A more realistic figure for losses to identity theft and related fraud may be the \$3.2 billion that consumers say they lost over the prior six months, according to a study of 40,000 households conducted in the second half of 2004 and released this past April by the Bureau of Justice Statistics. Most other studies of card fraud, including an annual survey by The Nilson Report, peg the bank industry's annual losses at about \$1.1 billion—a far cry from \$48 billion.

What accounts for the staying power of the obviously absurd higher number? Max Singer dissected this phenomenon in "The Vitality of Mythical Numbers," for the [Spring 1971](#) issue of *Public Interest*. His subject was drug-crime numbers, specifically the then widely accepted estimate that New York City heroin addicts stole between \$2 billion and \$5 billion worth of property each year and committed about half of all property crimes.

Singer ripped those numbers apart, noting that New York City at the time officially reported a total of only \$300 million in theft, of which \$100 million was auto theft, not a popular junkie crime. Singer devised his own generous estimate of non-auto-theft property crime in the city, including shoplifting, burglary, and stick-ups, and came to \$330 million. So, if you attributed *all* this crime to junkies—not a very likely proposition—you were still billions below the figures embraced by RAND and the attorney general of the United States.

Singer writes:

Obviously, none of these estimated values is either sacred or substantiated. You can make your own estimate. The estimates here have the character that it would be very surprising if they were wrong by a factor of 10, and not very important for the conclusion if they were

wrong by a factor of two.

Singer pondered why "responsible officials, responsible newspapers, and responsible research groups pick up and pass on as gospel numbers that have no real basis in fact" and observed that crime numbers seemed to tend toward the mythic. He writes:

In the early 1950s the Kefauver Committee published a \$20 billion estimate for the annual "take" of gambling in the United States. The figure actually was "picked from a hat." One staff member said: "We had no real idea of the money spent. The California Crime Commission said \$12 billion. Virgil Petersen of Chicago said \$30 billion. We picked \$20 billion as the balance of the two."

Scholar Peter Reuter picked up Singer's topic in a sequel titled "The (Continued) Vitality of Mythical Numbers," which *Public Interest* published in its Spring 1984 issue. Discussing the estimated number of heroin addicts, Reuter writes:

Behind the complex estimating formula is some very questionable, but unquestioned, data collection. There is a strong interest in keeping the number high and none in keeping it correct. In that respect the estimated number of addicts is one of a class of "mythical numbers" that is becoming the routine product of government agencies. *These numbers are generated by the demand that the government appear to know a great deal more than it actually does.* [Emphasis added.]

Mythic numbers are produced, concluded Reuter, when 1) no constituency exists for keeping the numbers accurate, but a large constituency exists for keeping them high; 2) there is a lack of scholarly interest in the topic; and 3) the numbers have little policy consequence.

The \$48 billion estimate qualifies on all three counts, and given the debunking by Foust, the number should be exiled from news stories forever.

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Seen other vital and mythic numbers in the press lately? Send sightings to [slate.pressbox@gmail.com](mailto:slate.pressbox@gmail.com). (E-mail may be quoted by name unless the writer stipulates otherwise. EarthLink folks: Turn off your spam filters if you want me to write back.)

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