

RATIONALLY FOOL FRAUD: DISGUISE OF LATENT ATTRIBUTES OF PRODUCTS

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ABSTRACT. Disguise of products disgusts consumers, since camouflaging producers try to make them believe that their products are labeled genuine. They are not, however, authentic, because disguisers attempt to maximize their profit or market share of their product. They commit a fraud, so that consumers must protect themselves from it. Camouflagers have to be charged with product fraud. Consumers are cheated by appearance on the price of the disguised products, since some of their attributes are latent, not sensible. Disguisers commit the crime of deceiving consumers so as to get money illegally by resorting to fraud. The theme of this paper is to provide an analytical framework based on the theories and concepts *à la* Gorman/Lancaster/Sen. The paper presents the model for the goods with the price and color attributes. Optimization problems are solved by individuals and disguising producers. It is verified that any consumer maximises his/her happiness function, by selecting an individually optimal selection of goods. It is also shown that consumers' demands can be manipulated by producers' advertisements.

Key Words: camouflage, disguise, fraud, latent and sensible attributes *à la* Gorman-Lancaster, price and color attributes, rational foolishness, Sen's capability, functionings, and happiness function,

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