

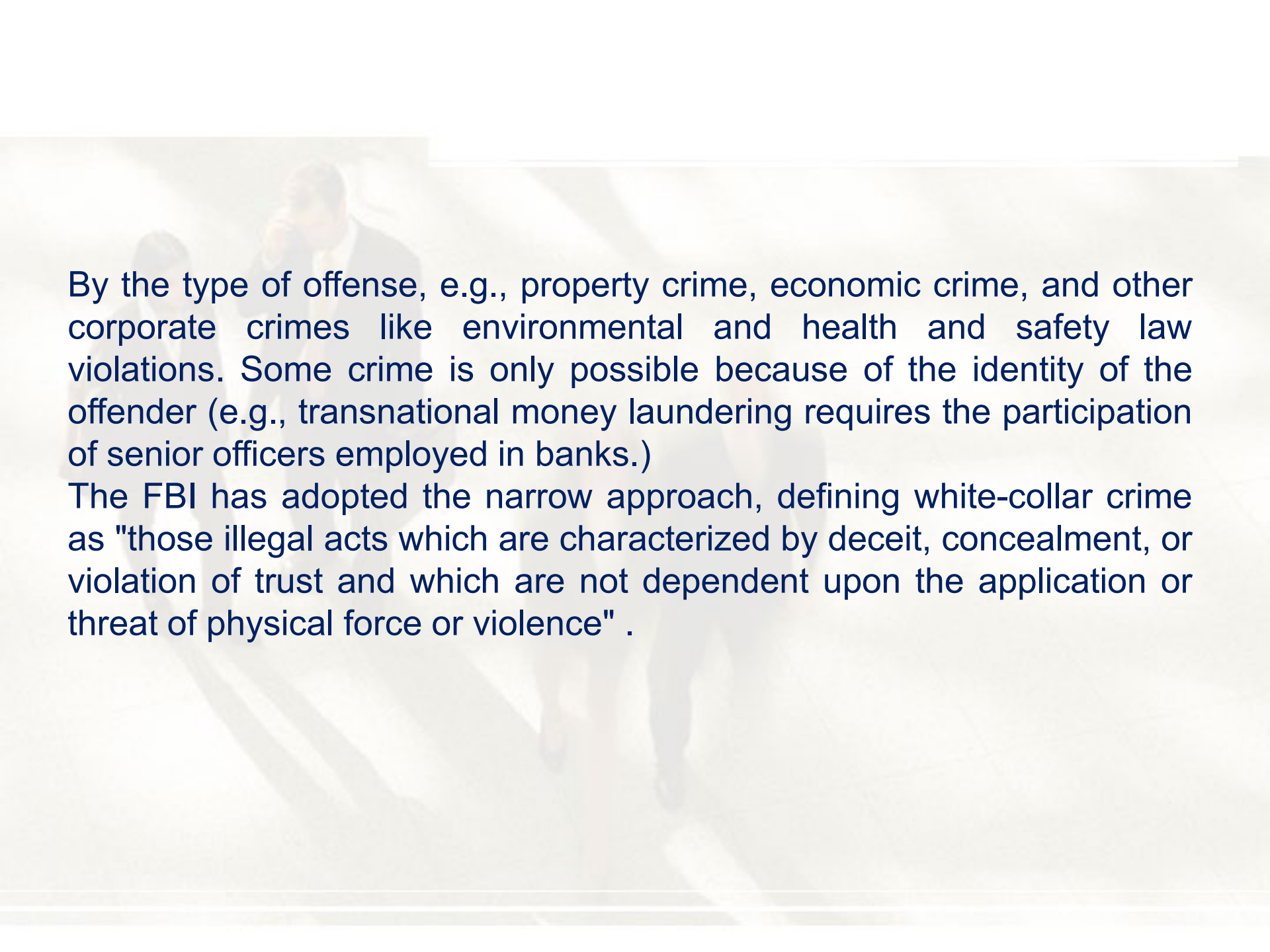
# White Collar Crime



# WHITE COLLAR CRIME

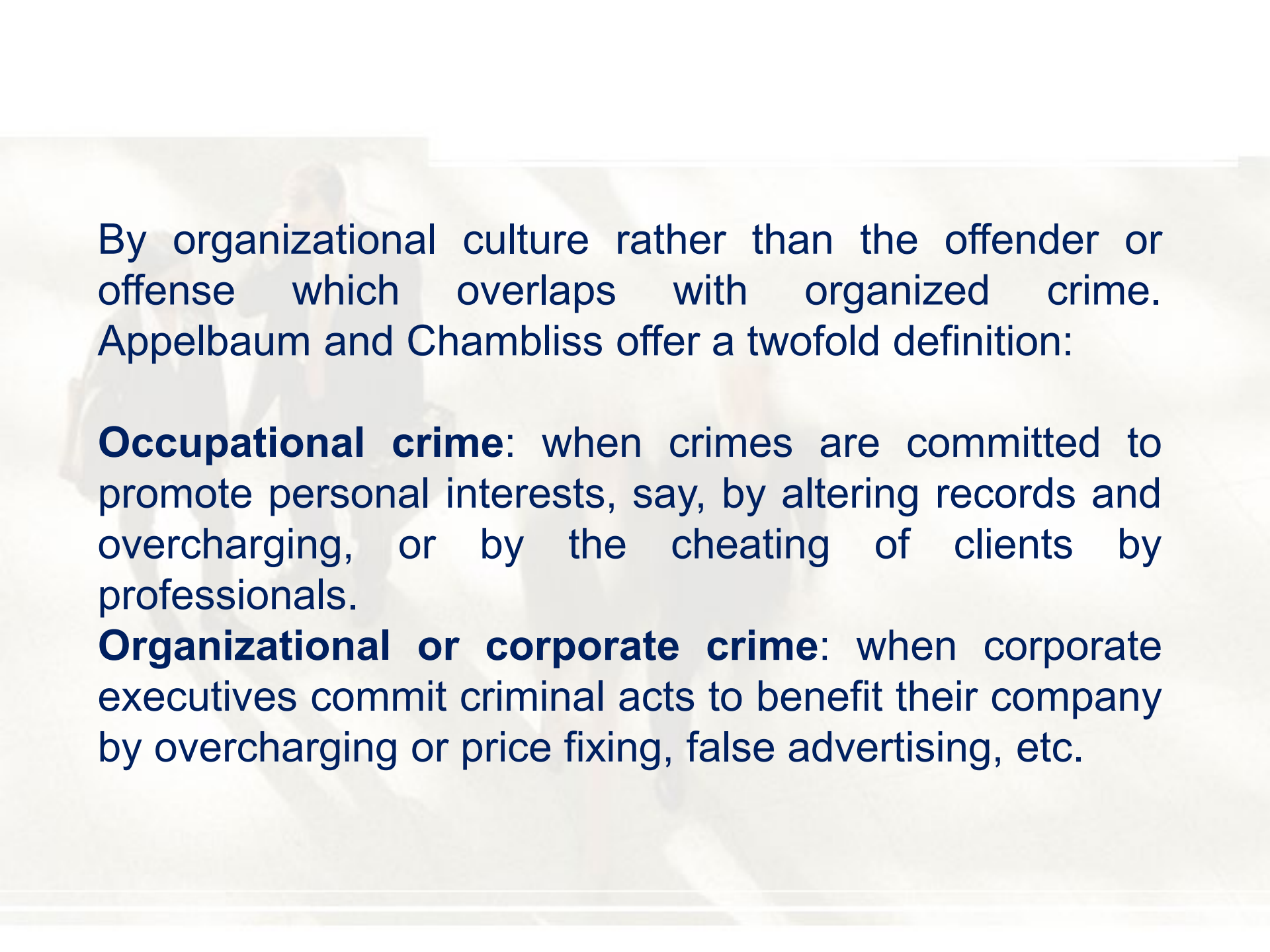
The term “white-collar crime” refers to financially motivated, nonviolent or non directly violent crime committed by individuals, businesses and government professionals. It was first defined by the sociologist Edwin Sutherland in 1939 as "a crime committed by a person of respectability and high social status in the course of their occupation".





By the type of offense, e.g., property crime, economic crime, and other corporate crimes like environmental and health and safety law violations. Some crime is only possible because of the identity of the offender (e.g., transnational money laundering requires the participation of senior officers employed in banks.)

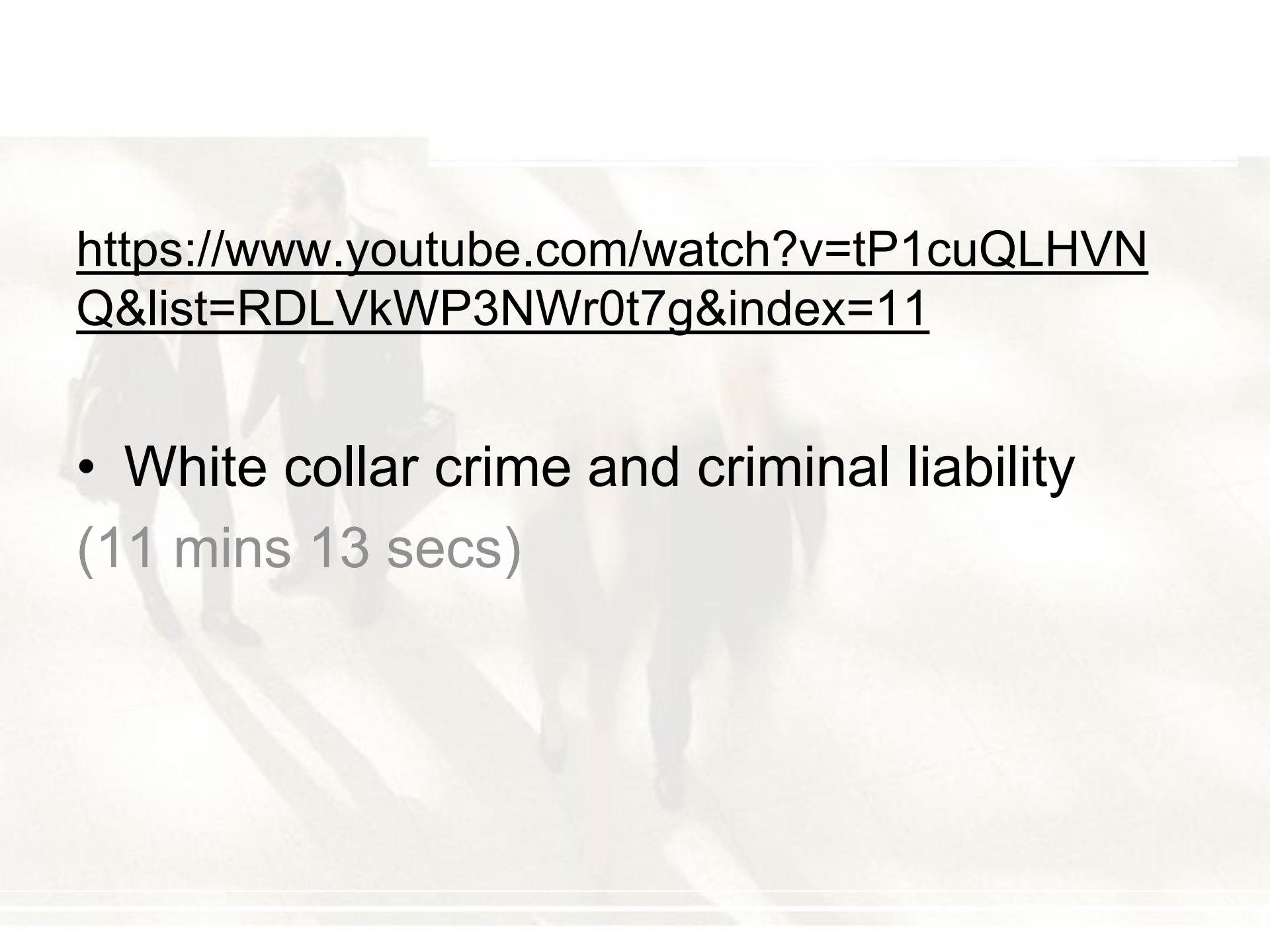
The FBI has adopted the narrow approach, defining white-collar crime as "those illegal acts which are characterized by deceit, concealment, or violation of trust and which are not dependent upon the application or threat of physical force or violence" .



By organizational culture rather than the offender or offense which overlaps with organized crime. Appelbaum and Chambliss offer a twofold definition:

**Occupational crime:** when crimes are committed to promote personal interests, say, by altering records and overcharging, or by the cheating of clients by professionals.

**Organizational or corporate crime:** when corporate executives commit criminal acts to benefit their company by overcharging or price fixing, false advertising, etc.



<https://www.youtube.com/watch?v=tP1cuQLHVNQ&list=RDLVkWp3NWr0t7g&index=11>

- White collar crime and criminal liability  
(11 mins 13 secs)

‘White-collar crime’- ‘crime committed by a person of respectability and high status in the course of his occupation · (Sutherland 1949:9) was serious in two discrete but connected senses.

It had enormous consequences, as Sutherland’s own extensive research was to demonstrate, in terms of financial costs - losses were very nearly always passed on by corporations or businesses to the rest of the citizenry.

The financial cost of white-collar crime is probably several times as great as the financial cost of all the crimes which are customarily regarded as “the crime problem” ’ (1949: 12).

But the costs of white-collar crime, were also moral and social: The financial loss from white-collar crime, great as it is, is less important than the damage to social relations. White-collar crimes violate trust and therefore create distrust: this lowers morale and produces social disorganization · (1949:13).



Absence of regulation of free enterprise by the State, Sutherland was convinced, would mean that corporations - like the **robber barons** of late medieval Europe - would engage in 'cut-throat predatory activity to the disadvantage (specifically) of customers' (Geis and Goff 1983: xvi).

[https://en.wikipedia.org/wiki/Robber\\_baron](https://en.wikipedia.org/wiki/Robber_baron))



The body of White Collar Crime, with its extended examination of the vast range of practices of corporations acting as corporate entities and of individuals employed within corporations (touching on price-fixing, anti-trust violations, violations of workers' safety legislation, bank frauds, infringement of patents, trademarks and copyrights, financial manipulations, war crimes, and very many other instances of corporate and individual 'malfeasance') is testimony in support of Sutherland's critique.



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- <https://www.youtube.com/watch?v=kWP3NWr0t7g>

(white collar crime at corporate level, 8 mins 5 secs)

# THE ORGANIZING PROPOSITIONS, AS ADVANCED IN WHITE COLLAR CRIME

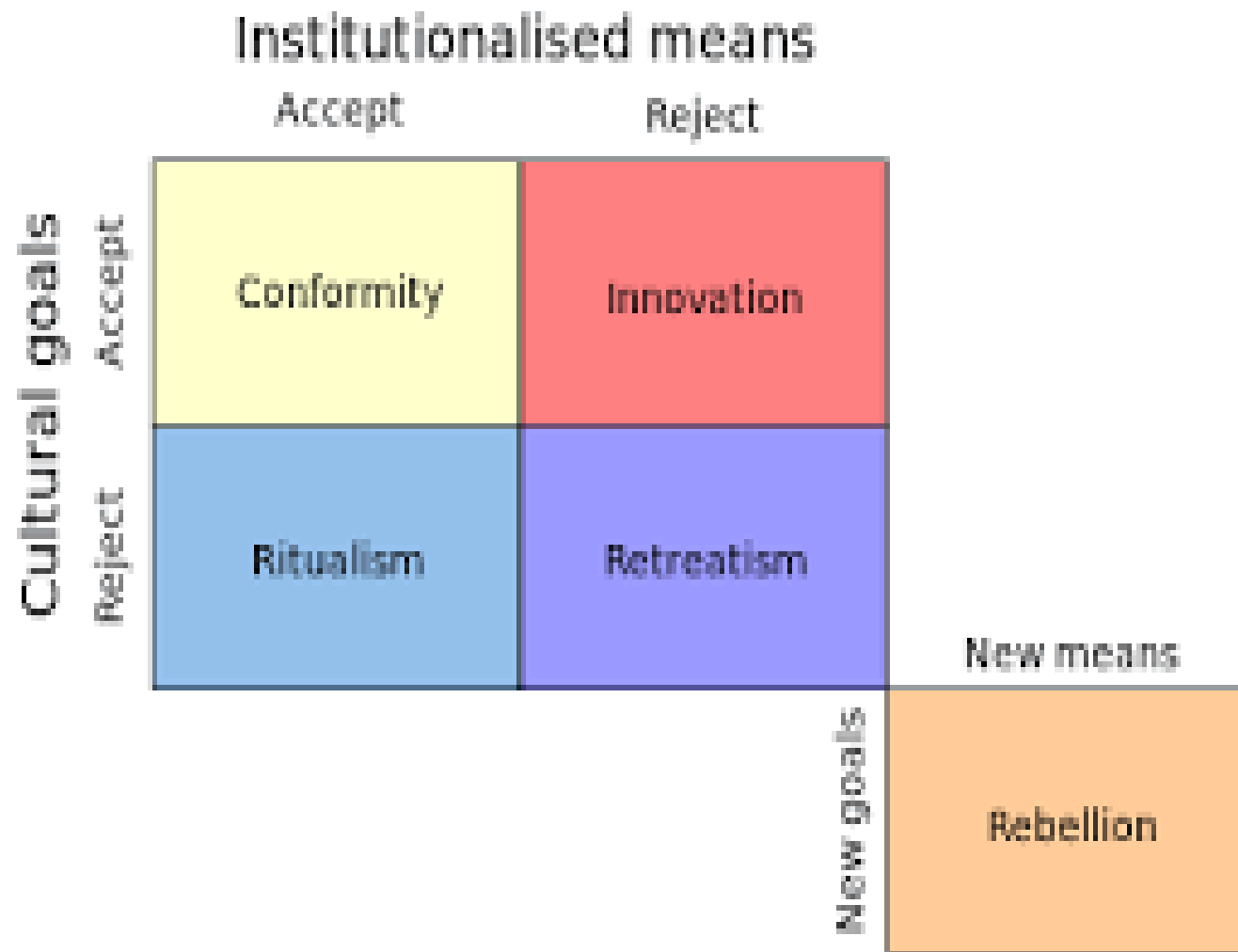
- 1 'that criminal behavior is learned in association with those who define it favorably and in isolation from those who define it unfavorably' [and]
- 2 'that a person in an appropriate situation engages in criminal behavior if, and only if, the weight of the favorable definitions exceed the weight of the unfavorable definitions' (Sutherland 1949: 234).
- 3 the techniques of committing the crime, which are sometimes very complicated, sometimes very simple . . . [and]
- 4 the specific direction of motives, drives, rationalizations and attitudes (Sutherland and Cressey 1966: 81).

## DEVELOPMENT OF WHITE COLLAR CRIME

But Sutherland himself never succeeded in theorizing the range of 'appropriate circumstances' that might develop, for example, in the life of an individual or a corporation - to encourage the initial exploration of new 'associations' and learn new forms of behavior.

The parallels with **Robert Merton's** description of the innovator' adaptation in his classic essay of 1938 , 'Social Structure and Anomie'

# Robert K. Merton's Deviance Typology



# Strain Theory

Robert King Merton



- Robert Merton's Strain Theory stems from a fundamental question -- why the rates of deviance were so different among different societies ?
- He thought that there could be deviance where there is a difference between what defines success and the proper means to achieve said goals.
- >>Employees who have a college education are respected but the robber barons who stole for their money were also admired, which demonstrates that success is viewed as more important than the actual means to achieve success.



LEONARDO DiCAPRIO

A MARTIN SCORSESE PICTURE

# THE WOLF OF WALL STREET



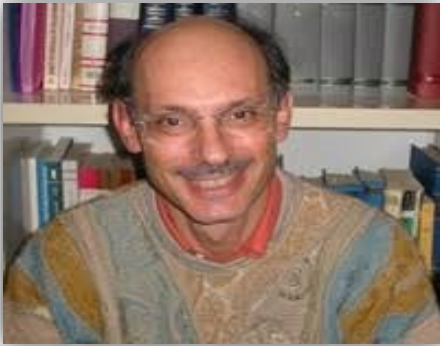
T O M C R U I S E

Power can  
be used  
to cheat.

With Steven Soderbergh  
**THE  
FIRM**

PARAMOUNT PICTURES PRESENTS A JAMES HANSON FILM A STEVEN SODERBERGH PRODUCTION A TOM CRUISE FILM THE FIRM JAMES HANSON EXECUTIVE PRODUCERS STEVEN SODERBERGH PRODUCED BY JAMES HANSON AND JAMES HANSON WRITTEN BY JAMES HANSON AND JAMES HANSON DIRECTED BY JAMES HANSON CASTING BY JAMES HANSON COSTUME DESIGNER JAMES HANSON EDITOR JAMES HANSON MUSIC BY JAMES HANSON PRODUCTION DESIGNER JAMES HANSON EXECUTIVE PRODUCERS JAMES HANSON AND JAMES HANSON PRODUCED BY JAMES HANSON AND JAMES HANSON WRITTEN BY JAMES HANSON AND JAMES HANSON DIRECTED BY JAMES HANSON





According to Nelken, there is a further ambiguity in Sutherland as to the relationship between 'white-collar criminality' · broadly and discursively understood - defined only, by him, as criminal activity committed during the course of **one's occupation** .

Closely associated with this ambiguity in Sutherland is a continuing ambiguity as to whether the objects of his attention are crimes committed against corporations or crimes committed by them, like the famous **Tennessee Valley Authority conspiracy of 1961** in which twenty-nine major corporations, including **GEC** and **Westinghouse**, involved in the sale of electronic equipment were found to have been engaged in systematic fixing of artificially high levels of prices (Pearce 1973:27-8).

# BID RIGGING

**Bid rigging**, illegal practice in which businesses conspire to allow one another to secure contracts at raised prices, thereby undermining free-market competition. Bid rigging violates antitrust laws and is closely related to horizontal price-fixing, in that both offenses involve collusion between supposed competitors in the same market group.

Bid rigging comes about in situations in which companies are required to competitively bid on contracts. Competitively bid contracts are very common in the marketplace, particularly in government and education, where agencies are generally required to accept the lowest bid for a contract. For example, schools advertise for annual contracts for milk and bread. It is not unusual for competitors in the same marketplace to conspire to allow one or the other to win a competitive bid in rotation. The end result is that each of the companies will make a profit, often at a price well above that which they would have earned in a truly competitive market. The added costs resulting from the rigged bid are passed on to taxpayers, ratepayers, and consumers.



# TENNESSEE VALLEY AUTHORITY CONSPIRACY OF 1961

All of the major producers of electricity-generating equipment conspired to rig the competitive bids for equipment to be sold to the Tennessee Valley Authority (TVA) from the 1940s to 1960. Managers of the companies, such as Westinghouse and General Electric, would periodically meet to determine which company would submit the winning bid and what price each company would bid. The conspiracy cost TVA millions of dollars in excess of what it would have had to pay if there had not been collusion in the marketplace. The conspiracy collapsed when TVA received two identical bids for the same contract. TVA contacted the Antitrust Division of the U.S. Department of Justice, which developed criminal and civil cases against the companies and their managers. The companies pled guilty, as did a number of the managers. A few of the managers served brief jail terms, and the companies paid fines.



# **'LEGITIMATE BUSINESSES' APPEAR TO HAVE BEEN SUBJECTED TO DE FACTO CONTROL BY 'ORGANIZED CRIME'.**

## **1 、 Tax havens & Money-laundering**

In 1982, the Banco Ambrosiano, one of Italy's largest banks, was closed for some months, after it was discovered that individual branches had been taken over as conduits in major international money-laundering schemes

- **2 、 Transit fraud was contributing in a massive degree to 'the development of a grey market throughout Europe's economy'.** A special inquiry by the European Parliament has concluded that the records pertaining to about 3 million individual shipments of goods within the European Union were now 'going missing' annually, and that the vast bulk of these 'incomplete shipments' (p160) involved organized fraud, conducted with different degrees of sophistication
- **3 、 smuggling of cigarettes, alcohol and many other commodities.**

# FRAUD, CORRUPTION, BRIBERY

The prevalence of bribery within the newly liberalized global market is thought to be particularly important, for example, in the international arms business.

Some measure of the different stratagems at work in the marketing of new arms contracts came to light, in Britain, As a result of Sir Richard Scott's inquiry into the 'Matrix-Churchill affair' - the sale, in direct contravention of national Government declarations of policy, Some measure of the different stratagems at work in the marketing of new arms contracts came to light.

Studies of fraud would also want to pay attention to the more routinized, and continuing, issue of fraud committed within the established institutions of national defence, which in many different societies have been the subject of continuing anxiety on the part of civil servants attempting to oversee expenditure of public monies within these inherently secretive institutions.

# **ARMS-TO-IRAQ:**

## **MATRIX-CHURCHILL AFFAIR**

Matrix Churchill was an engineering company based in Coventry, with expertise in both the design and manufacture of precision machine tools.

In 1989, as the result of a debt settlement, it was acquired by "Iraqi interests" for nothing. New directors were appointed including two who worked for the Iraqi security services and the company began shipping components for Saddam Hussein's secret weapons programme.

As one of the other directors claimed to have been working for the British intelligence services, the Ministry of Defence advised Matrix Churchill on how to apply for export licenses of materials that could be used to make munitions in such a way that would not attract attention. When Alan Clark admitted under oath that he had been "economical with the recent development" in answering questions regarding what he knew about the policy on arms exports to Iraq, the trial collapsed and triggered the Scott Inquiry, which reported in 1996.

Fraud is also widely reported in respect of civil engineering contacts being conducted in Africa or other parts of the underdeveloped world. In 1997, for example, after nine years of deliberations, the OECD finalized a major convention which would make it a criminal offence, in all signatory countries, for a public official to accept payment, directly or indirectly obtained, from any foreign business organization in respect of international business transactions.





# THE END

