

White collar crime essay

[Business](#), [Accounting](#)



Despite the fact that “white collar” criminal acts such as corruption and bribery symbolize a constant menace to trade welfare in US and overseas, many efforts have been made to lift the involvement of corporate organizations. There has been an enhancement to deal with money laundering so that the access of financial support of terrorist’s parties can be blocked. Recent examples of White Collar Crime Another development includes fresh secretarial reports that have led to high profile company collapses, such as Enron and its auditor Arthur Anderson. The efficiency of existing secretarial rules and regulations and the power of corporate money on politics in the US are at stake. The growing influence of information technology has its own threats for providing safety and reliability in business dealings, which includes identity theft and electronically-enabled embezzlement. Definition of White Collar Crime Corruption is the major backbone of white collar crime. Several organizations worldwide are actively tackling corruption.

The Criminal Convention on Corruption was implemented by the Council of Europe in 1999. It is one of the most influential organizations. It has taken up a wide range of concept of corruption including trafficking in influence, domestic and foreign bribery in both governmental and private division. White collar crime does not have severe punishments as compared to other crimes. White Collar criminals frequently believe that since they are residing in a free market association they should have the right make profits in any way they want to.

Due to the virtual lack of extensive information on white collar offenders, it is difficult to create statistically clear picture of these offenders (Clarke, 1997).

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Research about White Collar Crime Most of the knowledge about white collar offenders was established on qualitative accounts of extremely exposed and notorious criminal and crimes in the late 1980s. With the help of these data collections, a large number of information has been learned. The efforts made in data collection have helped to challenge existing suppositions when studying white collar crimes and criminal careers.

For example, two important research questions the label of the while collar criminal as the individual of wealth, influence, and belonging to high social class, who had led a virtuous and flawless life. It is important to understand that the criminals caught in white collars crimes in the national system are not rich powerful executives. They belong to middle class with sufficient incomes to meet their daily requirements with ordinary jobs. Secondly, people found guilty of white collar crimes are frequent criminals. They have contacts with the criminal justice system. Results of Research In both researches, it has been estimated that 40% of the white-collar criminals had no less than once arrested. Additionally, these offenders qualified in the research of white collar type offense.

Even though, the findings on white-collar offenders that states that these criminals are not elite or powerful, yet they deceive the public that they belong to normal part of society; they cannot be treated as common offenders. With the careful comparison of ordinary street crimes and white collar criminals basis of social background and status characteristics, researchers have come to the conclusion that whatever the may be true while distinguishing between white collar and common offender, they belong

to two different sectors of the American society (Clarke, 1997). White Collar Offenders The offenders of white collar crimes and ordinary common crimes differ from social backgrounds as well as in society. Although some may say that criminal careers emerge due to one's social background, white collar criminals challenge the existing theories of criminal offending. However, for white-collar criminals, the average age of onset is found to be substantially later. The average age of white collar first time offender is 33. 5. Street crimes chances are often assumed to be all over and available to all, the chances to involve in white-collar crime is not easy and not easily accessible.

They rise due to the occupational positions of executives in various organizations. White Collar Crime Opportunities Admission to white-collar crime opportunities, therefore, depends on the structural factors of how occupations or positions in an organization are distributed to individuals. Organized opportunities play a major role in white collar in comparison to street crime. Criminological theories normally suppose the existence of opportunities and do little to put into words how offenders and opportunities come together in time and space. The fundamental principle is that change is an inner feature which gives details of variation in criminal activities; that is, people who have low self control are more likely to be engaged in crimes that with people possessing strong will power. The explanations of opportunities to offend are often ignored.

As simple as it is, the assumption that opportunities for offending are more or less for every one can be made. White collar and corporate crime scholars, on the other hand, have the accurate knowledge that how

opportunities for white collar crime are present within the occupations and organizations and their commercial, economic and legal environments (Clarke, 1997). Causes of White Collar Crime As the middle and upper class individuals grow older, they are exposed to more different and maybe more white collar criminal opportunities as they move in to the trusted occupational positions. The potential white collar criminals have worked hard to earn positions of trust and power; they get rare chances to engage themselves in crimes which are unavailable to others.

Because of the nature of jobs that are available to large organizations, it is very important to bear in mind how organizations influence individual behavior. The configuration and culture of an organization may control the perceptions of individuals and how they take advantage of criminal opportunities. An organization can expose individuals to various criminal opportunities but also encourage them in different ways.

Examples are of hierarchical section of labor and disperse decision making which is found in various organizations that gives individuals the permission to hide behind the company “ web” to avoid being held responsible. In addition, the organization can also encourage its workers through awards and promotional incentives to find creative solutions to meet the needs of the company. Organizations can create opportunities for white collar crimes and as well to pressure to take advantage of these opportunities. Hence organizations are important factors in creating situations.

Difference between common criminals and white collar criminals Another important factor is that unlike ordinary street crime offenders, white collar

offenders struggle their way to achieve a high level of material, occupational and social success. In other words, in order to gain something one thing has to be lost. Usually our mind thinks that the trap of success and achievements are the basic factors that promote conformity (Clarke, 1997). On basis of theory, middle-class people conform due to the fact their conformity is at risk and the guaranteed results of being caught doing something troublesome and more serious than those who have not attained middle class levels of success and who have very little to lose.

However, situations do arise that very same factors can stimulate crime rather than conformity. If, for example, the individual suffers some sort of personal or occupational calamity that intimidates their middle-class standing, white-collar crime may appear as a way out of the crisis. Evidences show that some white collar offenders, especially women are more likely to get into white collar crimes due to family emergencies and underprivileged family financial conditions. Methodological studies conducted by researchers have found a great amount of evidence that white collar criminals they have studied so far fit into this description.

They were individuals who were in serious problematic situations and white collar crime seemed the only solution to get out from that problem. The causes of getting involved in criminal actions might not be because of greed or social status but deal with the dread of decline of what someone has already accomplished. People belonging to middle and higher classes have put efforts and time into traditional society. When things don't work their way, they will work very hard to keep what they have already gained so far. The

dread of failure as well as the dread of fall is the basic key that explains white collar crimes (Clarke, 1997). Existing legislation against White Collar Crime In order to understand white collar criminal offense, the laws and courts have shaped severe punishments that show importance on the doings engaged. The method in use with repeated tendency of repeating the crime involves "three strikes laws". They emphasize on white collar sentence on the offense and refuse to recognize to the clean slate of the criminals.

The conception of white collar crime is new. Despite the fact that it has been determined in this era, it has not been constantly considered by all. In the beginning a sociological idea, "white collar crime" is a term used legally. Crimes dedicated to maintain social status and high respect earned in the society is a white collar crime. The more precise legitimate definitions of white collar crimes emphasizes on the crime itself.

Tax fudging can be a white collar offense conducted by anyone who fails to report all that he or she has. Offense based approach An argument can be made that a crime foundation that has been laid, allows for an unbiased methods to be adopted which cannot be influenced by the individual's class and does not on a whole effects on political or corporate influence. The problem arises about the prevailing offense-based approach because there is no list of white collar offenses.

The arguments that the act determines the designation but does have a clear list of crimes included and excluded does not let one know if a crime should or should not be treated as a white collar crime on discussion (Clarke, 1997). This is the white collar offense that helps in find those factors which

are getting widespread among the higher, middle and lower classes. It plays a major role in common theory of criminal actions. In 1970s, a white collar crime studies were carried out by Yale. It studies eight crimes related to white collar offense which include antitrust offenses, securities and exchange fraud, postal and wire fraud, false claims and statements, credit and lending institution fraud, bank embezzlement, IRS fraud, and bribery. Trouble is possibly worsened by the rising amount of criminals in the national structure. Several criminals prevail outside of Title 18. The descriptions of white collar crimes are mostly known through its economic characteristic.

Major characteristics are mostly deceptions and absence of physical force. While examining a criminal ruling, for example, the Racketeer Influenced and Corrupt Organizations Act (RICO), it was difficult to decide that whether the crime is white collar crime or was it dependant on the precise conduct involved. Any dubious conduct and wire fraud is considered to be white collar crime. Social background Historically, class was the element when describing white collar crime. The offender's have the power in his or her hands and it allows the individual committing t he crime to be called white collar offender. The major attempt to emphasize on the crime itself, the offender's social background, the individuality and the conditions are ignored when classifying the crime as white collar crime or ordinary crime (Clarke, 1997).

Recommendations for countering White Collar Crime Neutral point of view can be achieved by considering the offense rather than the offender.

The offense based approach eliminated the possibility of class, political influence, gender and race from determining whether any person fall within

the ranks of being called a white collar offender or criminal. This results in elimination of partialities. But still a drawback remains. The understanding of sorting of criminal conduct cannot be recognized. The person with power, the white collar offender is in the corporate sphere. The organizations structure and the individual's position determine the level power that may be helpful in committing white collar crime. The individual can be the managing director of the firm or general manager of the organization. The criminal minded white collar offender may be a scoundrel who wishes to acquire secure individual profit without considering its impact on others.

The possibility to please the bosses or to show their value to the company is the saddest cases of workers who commit white collar crimes. For an employee who wishes to show their value to the company may get direct or indirect benefit from the criminal activity. The power of committing the crime is in their hands but reward is little. Most of the offenders in the corporate accounting cases are law abiding citizens with no criminal records in the past. For example, both Bernard Ebbers and Jeffrey Skilling were first offenders. The defendants who committed corporate frauds had been caught early in schemes. However, the damages done were not as significant as represented in so many of these cases (Clarke, 1997). Punishment for white collar crime There is a great impact on society because of the crimes committed by the corporate world.

This results in economic loss to these victims. The life savings and pension funds are lost by many people because of the wrongdoings. In order to prevent criminal conduct, it is important to store sharp punishment.

Individuals charged with corporate frauds rarely require a court appointed attorney. The reason for this is because of their wealth places that gives them above-average socioeconomic level.

However they are at top, yet they farther fall. The powerful position of the individuals is lost and the offenders can be subjected to collateral consequences. For example, lawyers cannot practice if charged with white collar crime. Engineers cannot return to their profession and if part of medical field, they will be excluded from nation programs. A white collar offender cannot return to his occupation after found guilty. Licensing, debarment, and government exclusion from benefits may prevent these professionals from resuming the livelihoods held before their convictions.

A high sentence is given to the white collar offenders having a skill and the result is that they suffer along with their skill. There is a wide variety of different offenders who show different levels of culpability. However, one can find that from lower to upper level executive who is heavily involved in the criminal conduct does not occupy the position of CEO. The CEO has the authority to tolerate or promote the white collar schemes but cannot commit the crime itself (Clarke, 1997). If the accused party has violated a position of public or private trust or considered bribery, the offense increases by 2 levels. The adjustments may not be employed if the abuse of trust or skill is included in the base of the offense level. Any deceitful action by a CEO or elevated executive creates a complication position for the CEO who must continue to defend the company while ensuring that the fraudulent activity does not occur. The court in United States V.

Adelson gives the description of ex Chief Operating Officer and President of Impath, Inc. , an organization that was involved in diagnosis testing, was found to be in fraudulent not because he sought to escalate the company's earnings but because, the fear of exposure was in his mind that could lead to his dismissal . The loss factor is the critical constituent which determines the sentence. The duration of sentence of the offender is also dependent on the individual risks of a trial. Those who use trial as a choice and are not given severe sentences when compared to those who work with the government and accept a plea with cooperation can reduce their sentences substantially. The U.

S. Attorney's Annual Statistical Report provided by the Department of Justice indicates what is occurring nationally. In 2007, the most accurate statistics available showed that federal prosecutors charged 8766 defendants with white collar crime. These cases resulted in 6, 876 convictions, or about 78 percent. About 4, 000, or 46 percent, of those convicted were sentenced to prison terms-most for less than three years and most in minimum-security prisons (Friedrichs, 2003). Federal Prisons The average time convicted white-collar criminals serve is about 16 months.

Statistics from the Federal Bureau of Prisons indicate a federal inmate population of about 156, 000. Only about 1, 000, or less than 1 per cent of these, are what is commonly referred to as white-collar criminals. In contrast to this small imprisoned white-collar element, the common criminal population (e. g. drug offenses, weapons, assault, robbery, car theft, rape, etc.) in state prisons as of August 2007 was over 1. 8 million. The Federal

Bureau of Investigation's data and statistics indicate that white-collar crime referrals to the FBI were about 28- 40 per cent of all cases.

For example, in 2001 there were 12, 835 white-collar crime referrals which constituted about 32. 9 per cent of all referrals to the FBI. In brief, even though about one-third of all referrals are for white-collar crime, less than 1 per cent of federal inmates and a much smaller fraction of all inmates are white-collar criminals.

The large majority of these criminals successfully avoid jail time. The mission of the U. S. Securities and Exchange Commission (SEC) is to protect investors and maintain the integrity of the securities market.

For over a period of 5 years, the SEC has brought 400 to 500 civil enforcement actions per annum against individuals and companies that rupture the safety rules and regulations. Usual infractions include insider trading, accounting fraud, and providing false or misleading information about securities and the companies that issue them. The main constraint on implementation is the insufficient personnel and financial resources available to the SEC (Friedrichs, 2003). Impact of White Collar Crime Accessible information show that common crimes such as murder, rape, drug violations, assault, and armed robbery disproportionately victimize the poor, while white-collar crime has a more universal impact on a broad range of socio-economic groups. The damage they cause is not limited to financial professions but also citizens who have limited assets and savings. The statistical data on white collar crime is limited but case studies and an increasing amount of subjective evidence have reported their sufferings. For

example, media coverage of the Enron debacle showed workers and families who lost their jobs, savings, and pensions.

A uniform data and costs report does exist for common crimes and is used to initiate reforms, study trends, and develop appropriate policing activities regarding such crimes. However there are no uniform data and costs reports on white collar crimes are not available. White-collar crime data and costs must be collected from sources that are available to us.

They include government agency data, journals, forecasting models, newspapers, and court jury reports. Several criminologists and other experts put forward the statement that white-collar crime produces more economic loss than common crimes (e. g. , burglary, robbery, assault) in terms of both direct and indirect costs.

It has been estimated that economic losses due to white collar crimes have exceed losses from common crime by a ratio of anywhere between 17 and 32 to 1 annually. Tracing and examining white-collar crime, its costs, the interpretation of the law, sentencing, deterrence, and historical responses reveals no easy or quick-fix solution (Friedrichs, 2003). Some outlooks of a reply to the crisis might be intentional practical organization dealings that alter the way dealings are carried out, just and quick judgments concerning white-collar crimes, and significant and severe penalties. Several remedies involving management actions, accounting system changes, and governance modifications are available. The managers should support and execute the chosen remedies with the help of public. A multiple-pronged approach can help to restore confidence and trust in the free enterprise system and can

display to employees, investors, and the global community that a free and fair economy can balance innovation with traditional discipline. The approach is based on the logic that attention must be given to and action must be taken in a number of areas—including management, accounting, corporate governance, and sentencing for crimes—to have a significant impact on improving the public's trust and confidence in the free-market system and its checks and balances.

The reduction and identification of white collars crimes can be carried out by managers with the help of their professional associates. More attention to codes of conduct and ethics is another way to address white-collar criminal behavior and temptation. Managers must come forward individually or through their professional groups and unveil their approaches to help restore the public's confidence in business and the economy. The public is anxiously awaiting communication and reports about what is being done within organizations to protect their investments and interests. Opposing rational suggestions for reorganization of how top-level managers are granted stock options, and blaming others such as the media, politicians, and even stockholders for the rot that is being uncovered, can be detrimental to the stature and future of management as a worthy career and profession (Friedrichs, 2003).

White collar crime can be reduced by ensuring that the executive cadre are carefully monitored and made role models for leadership. These respected leaders can expect to project the manners and behaviors which would be appropriate for managers to emulate. Acceptable and moral leadership is the

best way to act as a deterrent against white collar crime. The Enron scandals which hit the United States corporate world in the early years of the twenty first century prompted calls for accounting reform. Analysts concluded that Enron faced difficulties acting as an independent auditor firm and an outside consultancy firm. The failure to separate the process of auditing from consulting was one of the key difficulties of the company. Many accounting firms today deny the presence of a conflict between auditing and consultancy.

However research has shown that clients have to pay their accountants more money for consulting. Many clients begin to think that auditing firm is more interested in consulting. They also perceive that the audit company is sending the client's to their consultants for work. Each year accounting firms make accurate audits including by many companies which are involved in accounting and consultancy. Many firms still are emotional about the potential conflict between auditing and consultancy.

US legislation needs to make the separation of consultancy and auditing compulsory. Rotation of auditors each year would provide a clear view of records and data. The arrival of new auditors can help improve the quality of audit firms in the United States (Friedrichs, 2003). Conclusion Americans own stocks directly or by mutual funds. There is an urgent need to separate consultancy from auditing.

Corporate managers must take a fresh look at the financial books to ensure that there is no criminal activity. Managerial action to separate consulting and auditing and having a fresh look at the financial books are needed.

Corporate managers can take these steps immediately so that the public can clearly observe that managers will not allow even the perception of a conflict of interest. Investors depend on the board of directors to govern the firm, to set its strategic tone and direction, and to improve their shareholder value.

A major board responsibility is to communicate with, hire, and fire the firm's chief executive officer. By law, boards of public companies are sworn to fulfill two critical duties to the corporation and its shareholders: duty of care and duty of loyalty. Duty of care means that directors must act as reasonable, prudent persons would act under similar circumstances. Directors must make a reasonable effort to get the information necessary to make reasonable decisions.

They cannot simply rubber-stamp management's proposals and actions. Duty of loyalty means that directors must set aside their personal interests and act in the corporation's best interests (Friedrichs, 2003). Corruption is the major backbone of white collar crime. Several organizations worldwide are actively tackling corruption. In both researches, it has been estimated that 40% of the white-collar criminals had no less than once arrested.

Additionally, these offenders qualified in the research of white collar type offense. Even though, the findings on white-collar offenders that states that these criminals are not elite or powerful, yet they deceive the public that they belong to normal part of society; they cannot be treated as common offenders. The explanations of opportunities to offend are often ignored. As simple as it is, the assumption that opportunities for offending are more or less for every one can be made. White collar and corporate crime scholars,

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