

Sutherland's white collar crime theory: financial lending



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In Cullen, Agnew and Wilcox's Criminological Theory, we will analyze Sutherland's white collar crime theory. Sutherland essentially created the "white collar" reference that we now use so much of in reference today to crimes that are otherwise not considered by most, a traditional crime. "[He] transformed the face of criminology by proposing to talk about "white collar criminality." For this reason, he will always be known as the "father of white-collar crime." (Cullen, Agnew, Wilcox, 2014, p. 388).

A History of White-Collar Crime

Sutherland's disposition on white collar crimes shaped the knowledge and understanding of what true white collar crime is today. In reality, white-collar crime was really unheard of until somewhere along the lines of the nineteenth century. "However, white-collar crime didn't garner much public attention until it became more widespread after the industrial revolution in Western industrial societies. As companies rose in power, they were able to squelch competitors and then implement monopolistic policies without fear of being outsold by other companies." (McGrath, 2008). When thinking about

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what white collar crime is, most readers defer to white collar crime history as being Al Capone and the gangster/racketeering days. In fact, Sutherland broadens this view point in our reading by Cullen, Agnew, Wilcox, 2014.

"[He] not only introduced the construct of white-collar crime but also noted what kinds of actions fell under this conceptual umbrella. Most notably, he observed that " crime" could not be limited to those actions that resulted in an arrest by a police officer and/or a conviction by a criminal court. This was because most of the illegal actions by business executives, doctors, and politicians, for example, never came to the attention of the criminal law."

(Cullen, Agnew, Wilcox, 2014, p. 388). Sutherland explains that white-collar crime is not only limited to the old thinking of the gangster days, but included upper level money making people to include all forms of business professionals. Further, most people did not view white-collar crime as a " real" crime per se and crime was considered to be things like rape, murder, drug trafficking and even bootlegging. Further brought to light by Sutherland, was the fact that white-collar crime had large financial implications to consumers. " The financial cost of white-collar crime is probably several times as great as the financial cost of all the crimes which are customary regarded as the crime problem." (Cullen, Agnew, Wilcox, 2014, p. 392).

White Collar Crime in the Financial Industry

As many of us are more aware in today's times, white-collar crime is a true denominator that is likely getting worse and not going to ever go away. We saw a huge influx from the early 2000's to on or around 2008, of people buying homes and other extravagant items they could not afford. Big banks

were allowing people to secure loans for homes and property that were completely out of their price range. All the while, big banks were gaining interest payments from these large loans. Big banks were writing mortgages and selling them off to other lenders, in return for exceedingly large sums of money. Granted, this is not illegal, however banks were lending money to people who were not credit worthy to receive the types of loans that they were receiving. All the while, people were of the understanding they could own nice homes at what was their understanding of an affordable loan, with no potential for the interest to adjust as extreme as it did. This led to a lot of false realizations for homeowners when they could not make their payments and their homes subsequently fell to foreclosure. People felt as though they had been lied to and cheated out of the promise of home ownership. " 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, which lowers social moral and produces social disorganization on a large scale." (Cullen, Agnew, Wilcox, 2014, p. 392). Although as stated above, selling off mortgages is not considered illegal activity, the underwriting practices of the lenders was and still is. Sadly, white-collar financial crime will likely not go away. If anything, people will just get better at it. " Financial criminals are still one step ahead of the authorities, according to a criminal lawyer, who argues it will be impossible to eradicate economic crime completely despite increased scrutiny of the financial industry." " Recent high-profile cases of financial crime include the manipulation of the inter-bank lending rate (LIBOR) in the U. K., and allegations of insider trading at hedge fund SAC Capital in the U. S." (Ellyatt, 2013).

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White Collar Crime and Government Bailout

After the fallout of the housing market, people wanted these large banks and lenders to be held responsible for the loss of their homes. Although this certainly seemed like the legitimate and obvious way to handle the demise of people's lives, it didn't happen. Instead, as a nation, we watched the government bailout these large banks and lenders. CEO's were still receiving large bonuses, while a large percentage of the population was homeless and now depending on food banks and other forms of assistance to survive. Mortgage brokers who were making hundreds of thousands of dollars a month, were now competing for jobs at Home Depot and Walmart. Further downstream were felt in the construction and manufacturing industry. Although there were many executives responsible for the downturn of the economy and housing market crash, there was only one bank executive held responsible, Kareem Serageldin. " During the worst of the financial crisis, according to prosecutors, Serageldin had approved the concealment of hundreds of millions in losses in Credit Suisse's mortgage-backed securities portfolio. But on that November morning, the judge seemed almost torn. Serageldin lied about the value of his bank's securities — that was a crime, of course — but other bankers behaved far worse. Serageldin's former employer, for one, had revised its past financial statements to account for \$2. 7 billion that should have been reported. Lehman Brothers, AIG, Citigroup, Countrywide and many others had also admitted that they were in much worse shape than they initially allowed. Merrill Lynch, in particular, announced a loss of nearly \$8 billion three weeks after claiming it was \$4. 5 billion. Serageldin's conduct was, in the judge's words, " a small piece of an overall evil climate within the bank and with many other banks." (Eisinger, <https://assignbuster.com/sutherlands-white-collar-crime-theory-financial-lending/>)

2014). White-collar criminals do not receive the fair justice they should in situations such as these. " On the other hand, the prosecution of white-collar criminals frequently stops with one offender." (Cullen, Agnew, Wilcox, 2014, p. 394). This is absolutely not the case in this situation and this portion of the reading is highly arguable. There was really only one person found liable in a sea of sludge that should have been completely wiped away. " Similarly, white-collar criminals are relatively immune because of the class bias of the courts and the power of their class to influence the implementation and administration of the law." (Cullen, Agnew, Wilcox, 2014, p. 394). This portion of the reading is a much more accurate interpretation on the housing rise and fall. Our banks and lenders and top executives within these institutions were bailed out and the only people who suffered the ramifications of this were the people who lost their homes, their lives and their true existence; all for the banking and lending institutions to achieve upper status. " Over drinks at a bar on a dreary, snowy night in Washington this past month, a former Senate investigator laughed as he polished off his beer. " Everything's fucked up, and nobody goes to jail," he said. " That's your whole story right there. Hell, you don't even have to write the rest of it. Just write that." (Taibbi, 2011).

Conclusion/Implications

In Conclusion, " white-collar crime is a real crime." (Cullen, Agnew, Wilcox, 2014, p. 392.) White-collar crime has a vast array of implications to everyone it touches, except for the perpetrators of the crime itself. White-collar crime in the mortgage and financial industry is a prime example of big executives becoming excessively wealthy on the backs of weaker individuals who do not

know any better, especially within the mortgage crisis. The ramifications of white-collar crime are significant enough to pull the wool over the eyes of the federal lenders themselves. " Wall Street bankers have argued since the beginning of the 2007-8 financial crisis that they did not break the law when packaging sub-prime mortgages into bonds and selling them to institutional and retail investors. But in a devastating precedent that could redefine history, a Manhattan federal judge ruled that Nomura Bank and Royal Bank of Scotland willfully misled Fannie Mae and Freddie Mac into purchasing mortgage bonds that contained numerous fraudulent misrepresentations and underwriting errors." (Street, 2015). Fortunately, one of the positive aspects that came from the financial housing crisis was stronger controls on underwriting rules and regulations. Unfortunately, some of the biggest players in the mortgage and lending game, are the same players that caused the crisis to begin with. This fact would cause the majority of people to question whether or not white-collar crime comes with a punishment when dealing with large banks and lenders. The population and smaller companies that were affected by the financial housing crash, to this day, continue to struggle to rebuild what was lost. It is highly unlikely we will ever see a full recovery or return to where the Country was prior to 2008. Until authorities are willing to investigate and hold the top executives of these banks and lenders accountable, this type of white-collar crime will remain in our everyday lives. Sadly, this will always lead people to feel a sense of mistrust and questioning of whether they are being guided in a proper financial direction.

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