The white collar crime

In 1986, Kenneth Lay merged Houston Natural Gas and InterNorth to form Enron and then in the early 1990s he helped initiate the selling of electricity at market prices. By doing so, it later led to the US Congress to pass legislation deregulating the sale of natural gas. Consequently this made it possible for traders to sell energy at higher prices, allowing companies to significantly increase their revenue. This allowed Enron to rise to be the largest seller of natural gas in North America by 1992. In 1999 Enron opened up EnronOnline, to better manage its contracts trading business but to further encourage growth Enron pursued a diversification strategy. By the end of the 1990's, Enron's capitalization exceeded $60 Billion dollars and was viewed as the most innovative large company in America.

So what happened to Enron? On December 2nd, 2001 Enron filed for bankruptcy leading to the downfall of one of the most corrupt corporations in recent U. S. history. Top executives and board members sold their stock for huge profits knowing the pending outcome of its demise would send its stock in a spiraling descent. Leaving thousands of employees and investors with massive losses the U. S. Department of Justice launched an investigation into the top executives and board members to discover the depth of the scandal. The massive fraud that Enron executives accounted for fell into the category of White Collar Crime. To further examine the massive fraud that Enron executives committed, we will look into the anatomy behind the mind of the white collar criminal, its sociological concepts, and correlate between the research and the textbook article on Enron.

When looking at the history of white collar crime one must go back to the 1940's, when Edwin H. Sutherland coined the term " white collar crime. He sought to dismiss the notion that crime was the domain of the lower classes of society. He believed that it could not be explained at the individual level and it should be researched at an organizational level. He stated that flaw of character was not the cause but the situations and relationships with in an organization that created an environment that encouraged white collar crime. When analyzing this theory in a sociological prospective it falls into differential association theory; a theory that Sutherland attributes to excess of deviant associations over conventional ones. Although, his theory is still advocated and a majority of research into white collar crime followed his anti-psychological position, there is a movement within the financial and accounting fields to better understand the behavioral characteristics of the individuals. Since there is little understood between individual behavioral traits and white collar crime the FBI has started using its Behavioral Science Analysis Unit to incorporate behavioral traits of white collar criminals in developing profiles to assist investigators.

To understand what constitutes a white collar crime, the US Department of Justice defines it as the illegal acts characterized by deceit, concealment, or violation of trust that are not dependent upon the application or threat of force or violence. The socio-economic status of the offender is not incorporated into the definition or is it an important element in why someone commits a fraudulent act.

The common depiction of the stereotypical white collar criminal is he or she is a first time offender, considered a good citizen, well educated, middle aged, and a trusted employee. While this depicts the ideal company executive, a more modern approach to challenging these common perceptions of white collar criminals is by taking account of personality traits such as: anti-social personality, narcissism, and psychopathy. By doing so, this illustrates that the same traits that enables criminal acts and explain why some turn towards crimes of violence, also apply to white collar criminals who manifest their aggression into a different form such as fraud. Alternatively, there is a sub-group within the white collar crime family known as fraud-detection homicide. This is the willingness to resort to violence, namely murder to prevent their fraud schemes from being detected and disclosed.

When looking farther into why white collar criminals commit such deviant acts, a modern approach is to look at the personality traits associated with the offender. At first glance, the explanation behind white collar crime is greed and dishonesty but with further exploration there are three key traits among them. First, is an Anti-social personality which white collar criminals " blame their victims for being ignorant or deserving of their fate, minimize the harmful consequences of the fraud, or simply display an arrogant indifference… also probably believe that it is a ' dogâ€ eatâ€ dog' world and that everyone is out for himself or herself" (DSMâ€ IV Task Force, 1994). Second, is narcissism, " their narcissism may not allow them to fully appreciate how their actions play themselves out because their sense of entitlement requires a need for gratification, and the use of deception to achieve fraud does not create a moral dilemma for them to resolve"(Barnard, 2008). Third, is psychopathy, Specifically, Ray (2007) found that the psychopathic traits that drive WCCs intention to commit fraud are the traits of egocentric, manipulative, exploitative, deceitful, a

Machiavellian attitude where the means justify the ends regardless of it criminal nature.

With these traits that are attributed to white collar criminals, it is easy to understand why they would commit these crimes. Most white collar criminals attribute their crimes to several factors but most noteworthy are: 1) to obtain money, property, or services. 2) To avoid the payment or loss of money. 3) To secure personal or business advantages. White collar criminals view fraud as both acceptable and common to overcome financial difficulties or to make a profit for the organization.

When society discovers the acts of white collar criminals they are labeled out of character because it is often their first offense against the law. When lifting the curtain surrounding the mind of a white collar criminal there is a vastly different view they hold of themselves compared to the rest of society. In a recent study, white collar criminals claimed they felt justified to commit fraud to save the company, the employee’s jobs, and other businesses that relied on their survival. White collar criminals have the ability to rationalize fraud because of the ability to attach a moral argument to the offense by pointing out higher purposes behind the fraud. White collar criminals use a technique known as neutralization to void any internal moral objections and to justify or rationalize their activities. With the personality traits and the ability to use neutralization to their advantage, whiteâ€ collar criminals “ cause substantial social harm by undermining the economy, exacerbating the divide between poverty and wealth, eroding trust, and depriving individuals of time and resources “(Ford, 2007).

When looking at white collar crime from a sociological perspective, you can see that is a perfect example of differential association theory. When comparing corporate white collar crime to this theory, corporations use specific tactics to hide its fraud which is learned while conspiring with other employees. When looking at how white collar criminals rationalize their behavior, they use this rationalization as a way to gain their general needs and desires despite the fallout when their fraud is caught. In the case of Enron criminal behavior was learned by its employees’ because of its loose business ethics and its organizational culture.

With an understanding of key traits involved in white collar crime, it’s easy to see why Enron failed when you dig deeper into to the organizational culture and rituals practiced at Enron. “ The organizational culture of Enron, for example was the belief that its members must make the corporation prosper by maximizing its profits and expansion in certain ways. This belief was put into action often enough for it to become a ritual of the organization”(291). With Enron practicing such loose business ethics, employees saw the practices of the higher executives as a normal way of business within the company, leading to the common practice of deceit within the company. With such deceit running wild thru the company, it allowed executives to set up dummy corporations to offload its debt allowing it to be seen by its shareholders and the public as largely successful. If only one person within the company was committing fraud it would have been noticed long before but when applying differential association theory to the mix, more employees learned of the techniques used to offload the debt and favored the delinquent acts in favor of the law because of their need to secure personal and business advantages.

The positivist theory of differential association show how white collar crime is a deviant act committed by a person with an excess associations of deviants. Organizational deviance is not just affiliated at the top but a conglomerate of employees across the company accepting and learning how to socially accept forms of deceit, self-gain, and un-ethical practices. A self-governing organization allows a breeding ground for the corrupt if not property monitored, such as the case for Enron. By Enron practicing outside the law, it breads a culture of deceit by associating employees with criminal behavior. With such deviance the executives had to play a shell game with their debt, which had to bring more employees in to the mix by seducing them with large incentives and a culture of self-gain. By researching into the organizational level of white collar crime, there is a clear indication that the situations and relationships within Enron, created an environment that encouraged white collar crime. With such an environment, it’s no wonder so many employees were caught up in the scandal because of the excess in deviant associations.

Summary paragraph

In 1940, Edwin H. Sutherland coined the term “ white collar crime”. He said situations and relationships within an organization created an environment that encouraged white collar crime. He also believed that it could not be explained at the individual level and that it should be researched at the organizational level. The typical white collar criminal is middle aged, well educated, a trusted employee, and considered a good citizen. Common reasons that a person commits white collar crime are to obtain a material or personal advantage and to avoid the loss of money. The Department of Justice defines white collar crime as illegal act characterized by deceit, concealment, or violation of trust that are not dependent upon the application or threat of force or violence. The definition encompasses both individual and organizational offenders. In the mind of a white collar criminal they view their acts as both acceptable and common to overcome financial difficulties or to make profit for themselves or their organization. They have the ability to rationalize the fraud because they attach a moral argument to the offense by pointing to higher purposes behind the fraud. When looking in the context of sociological theory, people with regular associations in deviant behavior learn to accept it as a norm within their organization and see fraud as a normal act in their business practices. White collar crime falls in the realm of differential association theory and in the case of Enron; it has a positivist approach to its business culture. Enron was a prime example of how corporate greed and miss leading business practices created a breeding ground for white collar crime by associating its employees with deviant acts daily.