

# WHITE-COLLAR CRIME

SECOND EDITION

*"This is a good textbook for undergraduate students, as it explains clearly and simply the concepts and types of white-collar crime, provides good examples, and does not overwhelm the student with unnecessary information in most areas."*

—Cindy A. Boyles, University of Tennessee at Martin

The thoroughly updated **Second Edition of *White Collar Crime: The Essentials*** continues to be a comprehensive yet concise resource addressing the most important topics students need to know about white-collar crime. Author Brian K. Payne provides a theoretical framework and context for students that explores such timely topics as crimes by workers, sales-oriented systems, crimes in the health care system, crimes by criminal justice professionals and politicians, crimes in the educational system, crimes in economic and technological systems, corporate crime, environmental crime, and more. This easy-to-read teaching tool is a valuable resource for any course that covers white-collar crime.

## NEW TO THIS EDITION

- Due to popular demand from reviewers, a chapter on cybercrime has been added to help students identify the different types of cybercrime, recognize the characteristics of cybercriminals, understand international impact, and know how to respond.
- New "Careers Responding to White-Collar Crime" boxes introduce students to a variety of career paths and offer valuable insights for students considering careers dealing with white-collar crime.
- A stronger international focus gives students a global understanding of white-collar crime and helps prepare them for the growing concern of worldwide situations.
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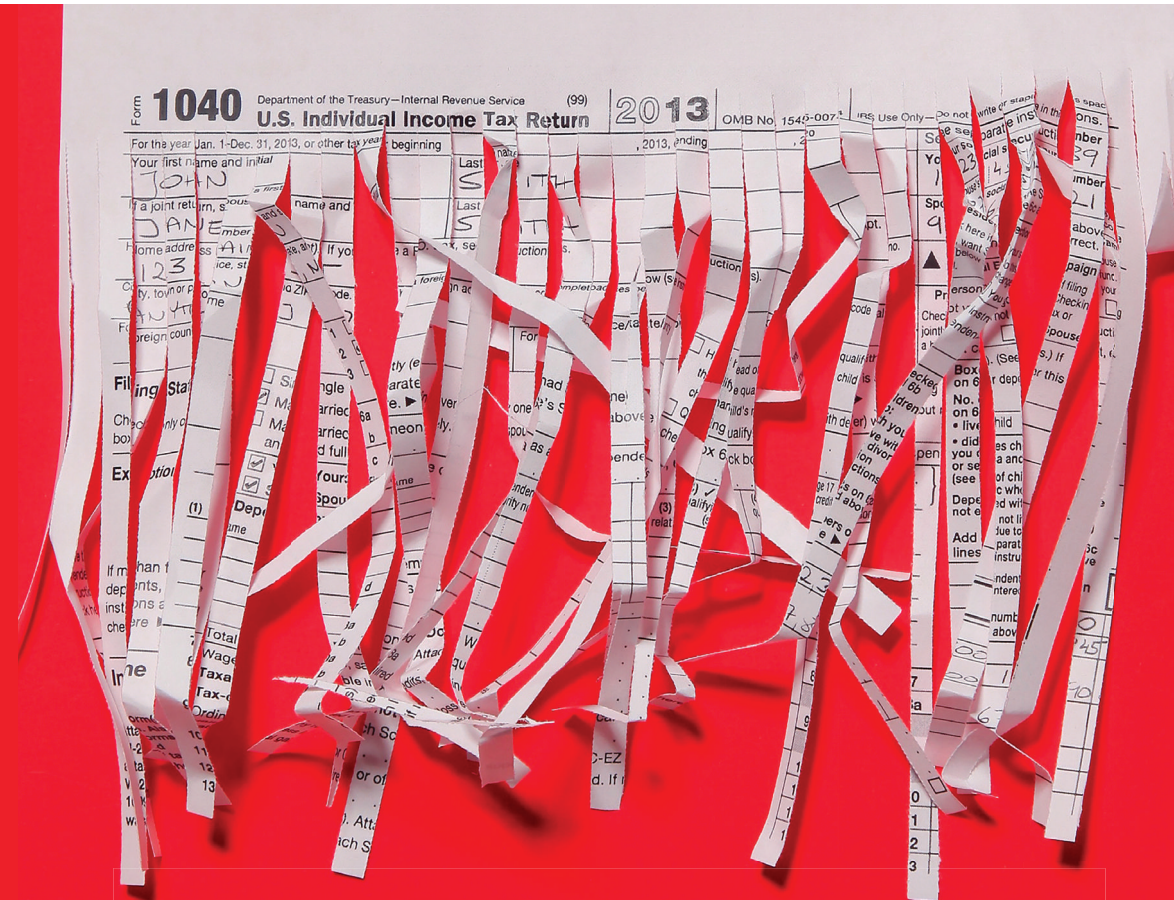
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WHITE-COLLAR CRIME

SECOND  
EDITION



# WHITE-COLLAR CRIME

THE ESSENTIALS / SECOND EDITION

BRIAN K. PAYNE



# **White-Collar Crime**

**Second Edition**

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# **White-Collar Crime**

## **The Essentials**

**Second Edition**

**Brian K. Payne**

*Old Dominion University*



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# Preface

Compared to other subjects in the social sciences, relatively few white-collar crime texts are available for use in criminal justice, criminology, and sociology courses. Those that are available have done a great job introducing students to the topic. One thing I found missing among available texts, however, was a book that approached the topic as a crime problem, a criminal justice problem, and a social problem. In effect, my intent has been to create a work that examines the many facets of white-collar crime by focusing on different crimes committed during the course of work as well as the various systems that are given the task of responding to white-collar misconduct.

In addition, I have addressed white-collar crime by balancing consensus and conflict perspectives. The need to objectively understand white-collar offending and the most appropriate response to white-collar offending is central to my approach in this text. All too often, white-collar crimes and white-collar criminals are vilified with little thought given to the intricacies surrounding the event or the system's response to the event. This vilification limits our understanding of the topic.

To demonstrate why it is important to address white-collar crime objectively, consider a book we can call *Introduction to Criminal Justice* as an example. If the author presented crime and criminals as inherently evil, readers would not be given an accurate picture of criminal justice (or crime, for that matter). The same can be said of a white-collar crime book—if authors discuss white-collar crime or white-collar criminals as inherently evil, an inaccurate foundation from which readers can understand the criminal justice response to white-collar crime is created.

Of course, I am not saying that white-collar crime is not bad or that white-collar criminals do not harm society. Instead, I am suggesting that we need to go beyond these emotions and perceptions in order to fully understand white-collar crime. Indeed, throughout *White-Collar Crime: The Essentials*, readers will learn about the various consequences stemming from white-collar misconduct. Readers will also be exposed to the different systems involved in both perpetrating and responding to white-collar crime.

Following the format of the SAGE Criminology and Criminal Justice *The Essentials* series, this book summarizes each relevant topic and creates a foundation from which readers will be able to understand various issues related to white-collar crime. The book is intended as either a stand-alone or a supplemental book for undergraduate and graduate classes focusing on white-collar crime.

The book will be of value to criminal justice, criminology, and sociology courses focusing on white-collar crime. Criminal justice and criminological topics related to white-collar crime are integrated throughout the text. Because many white-collar crime texts fail to address either criminal justice or criminological themes, integrating these topics together should make the text more appealing to a wider audience.

This book is divided into 15 chapters that represent the topics covered in most white-collar crime courses. They include the following:

- Introduction and Overview of White-Collar Crime
- Understanding White-Collar Crime
- Crimes in Sales-Oriented Occupations
- Crimes in the Health Care System
- Crimes in the Systems of Social Control
- Crimes in the Educational System
- Crime in the Economic System
- Crime in the Cyber System
- Crimes in the Housing System
- Crimes by the Corporate System
- Environmental Crime
- Explaining White-Collar Crime
- Policing White-Collar Crime
- Judicial Proceedings and White-Collar Crime
- The Corrections Subsystem and White-Collar Crime

Several features have been included to make the book more user friendly for students and professors. These features include these elements:

1. Each chapter concludes with a bulleted summary statement.
2. A list of 5 to 10 critical thinking questions is included after the summary statements.
3. Each chapter includes between two and four photographs that are appropriate to the topic.
4. A list of key terms is included at the end of each chapter and defined in the glossary.
5. Recent examples, particularly those that are interesting to college students, are integrated throughout the work.
6. Inserts called “In Focus” are included in Chapters III through XV to further describe real examples of white-collar crimes and issues related to each specific chapter.
7. Each chapter includes a feature called “Careers Responding to White-Collar Crime.” These inserts include a description of the duties performed in a job related to the topic discussed in the chapter.
8. Each chapter includes a feature called “White-Collar Crime in the News.” These features include recent press releases describing white-collar crime cases “plucked from the media.”

A number of different ancillaries are available for students and professors using *White-Collar Crime: The Essentials*. Visit <http://study.sagepub.com/paynewccess2e> to access these valuable instructor and student resources:

- The password-protected Instructor Teaching Site includes a test bank, PowerPoint slides, class activities, tables and figures from the book, SAGE journal articles, and multimedia resources.
- The free, open-access Student Study Site provides SAGE journal articles and multimedia resources.

It is my hope that this text and the accompanying ancillaries will help readers to fully appreciate and understand white-collar crime and the justice system's response to this misconduct.

## ● ● ● What's New in the Second Edition

- A chapter on cybercrime was added (Chapter 8). Material that was previously in Chapter 7 was expanded so that this topic received the amount of attention it warrants given the current concerns about cybersecurity.
- A section on fraud in the student loan industry was added in Chapter 7.
- New research and cases are included throughout. This included more than 250 new references. Some of the new research added builds on prior studies, while other additions provide new directions for white-collar crime research. For example, in Chapter 12, a discussion about biological factors related to white-collar crime is included.
- New photos were added throughout the text.
- New figures and tables were added throughout the text where appropriate.
- An appendix including a recent presidential executive order on cybersecurity and the critical infrastructure is now included.
- Box features called "Careers Responding to White-Collar Crime" were added to each chapter. These boxes highlight the duties performed in a job discussed in the chapter.
- Box features called "White-Collar Crime in the News" were added in each chapter. These features include press releases from government agencies responding to a white-collar crime.

## ● ● ● Acknowledgments for the First Edition

This work would not have been completed without the guidance, direction, and support of many different individuals. I am indebted to Craig Hemmens (Boise State University) for calling me one Thursday afternoon and asking if I would be interested in authoring the work. Also, SAGE Executive Editor Jerry Westby had a way of making it seem like deadlines really meant something, and his excitement about this project helped me to move along. I very much appreciate the efforts of Jerry's development editors, Erim Sarbuland and Leah Mori, in helping to move the project along as smoothly as possible. In addition, I am indebted to production editors Karen Wiley and Libby Larson, and to Patrice Sutton for her detailed skills as a copy editor. Thanks also to Erica Deluca for her careful attention given to marketing this work. As well, the rest of the SAGE team has been a pleasure to work with.

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Obviously, a second edition never comes to fruition without a successful first edition. I would be remiss, then, not to repeat my appreciation to everyone (described above) who helped get this first edition to the finish line. For the second edition, I again relied on many individuals for help and support. Susannah Tapp (Georgia State University) updated tables, figures, and statistics throughout the book and updated the new reference list. Lora Hadzhidimova (Old Dominion University) helped locate many of the new studies included in this edition. The SAGE team (led by Jerry Westby) continued to offer a level of support and professionalism that I seriously doubt others could match. I am especially grateful to David Felts for guiding this book through production and Elizabeth Swearngin for her copy-editing skills.

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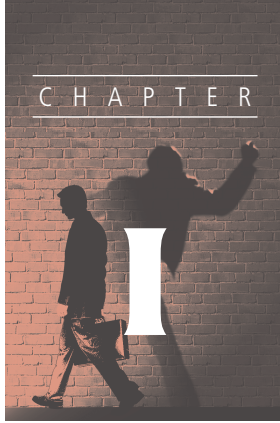
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*I am indebted to my family—Kathleen, Chloe, Charles, and Claire. Now nine years old, Claire was born with a traumatic brain injury. Her mother and I suspect, but may never be able to prove, that the injury was the result of a medical error. She is severely intellectually disabled, unable to talk, and in need of near constant attention. Her injury has changed our family. We love her—not in spite of her injury nor because of it—but because that's what families do: they love one another. Our love for one another holds us together and reminds us what really matters. This book is dedicated to all other Claires and their family members. May they find the same love and comfort that we have.*

*—bkp*



# Introduction and Overview of White-Collar Crime

## A Systems Perspective

### CHAPTER HIGHLIGHTS

- Why Study White-Collar Crime?
- Researching White-Collar Crime
- Studying White-Collar Crime From a Scientific Perspective
- The Student Role in White-Collar Crime
- Plan for the Book

**R**ule breaking in the workplace is common. Not long ago, an animal sciences professor was indicted for theft, fraud, computer tampering, and forgery after an investigation alleged that the professor misappropriated funds from a student-run meat store he supervised at his university. The professor had worked at the university for nearly 50 years. The investigation was the result of a tip from someone who said that funds from the store were being used for private purposes (Alaimo, 2015). Around the same time, the chief executive officer of a peanut butter company was sentenced to 28 years in prison after being convicted of knowingly selling peanuts tainted with salmonella. The tainted peanut butter resulted in the deaths of nine individuals and harmed an additional 700 consumers. That same year, a doctor lost his medical license after improperly distributing painkillers.

Three similarities exist across each of these examples: (1) In terms of time, they were committed during the course of work; (2) in terms of location, they occurred in a work setting; (3) in terms of offender role, the offender



served as a worker. At the most general level, one might be tempted to refer to these behaviors as workplace offenses. On another level, one could argue that each of these examples helps us understand what is meant by the concept of white-collar crime.

Edwin Sutherland first introduced the concept of *white-collar crime* in 1939 during a presentation to the American Sociological Association. A decade later, in his now classic book, *White Collar Crime*, he defined the concept as “crime committed by a person of respectability and high social status in the course of his occupation” (Sutherland, 1949, p. 9). Sutherland was calling attention to the fact that criminal acts were committed by individuals from all social and economic classes. He used the phrase *white-collar* to emphasize the occupational status assigned to individuals.

In Chapter II, more attention will be given to how white-collar crime is conceptualized. As a brief introduction to the concept, three factors are typically used to distinguish white-collar crimes from other crimes. First, white-collar crimes are committed during the course of one’s job. Second, the offender’s occupational role plays a central feature in the perpetration of the crime. Third, the offender’s occupation is viewed as a legitimate occupation by society (e.g., a drug dealer’s occupation is illegitimate, but a pharmacist’s occupation is legitimate).

Perhaps an example can help to clarify what is meant by crime committed as a part of one’s employment. Believe it or not, some professors have committed crimes. Consider a case in which a psychology professor was charged with scientific fraud for hiring actors to pretend that they had participated in his research study. The actors were interviewed by investigators, but they did not realize that the interviews were official because the professor had told them the interviews were part of

a mock trial he was conducting for his research study (Office of New York State Attorney General, 2010). This would be a white-collar crime—the offender’s employment role was central to the act. Alternatively, consider a case where a criminal justice professor was charged with sexually assaulting students (Elofson, 2010). Or, consider a case where a professor was convicted of drug smuggling after he flew to Argentina to meet a bikini model but instead ended up carrying a suitcase with two kilos of cocaine in it for scam artists (Greenblatt, 2015). The latter two cases would not typically be considered white-collar crimes because the offender’s employment role was not central to the commission of the act.

Distinguishing between white-collar crime and traditional crimes is not meant to suggest that one form of crime is worse than the other. Instead, the intent is to note that different forms of crime exist and that full understandings of crime, explanations of crime, and responses to crime will not occur unless the differences between these forms of crime are understood.



US Government Work

▲ **Photo 1.1** White-collar crime is distinguished by the location of the offense, the status of the offender, and the nature of the behavior. These offenses occur in the workplace and are committed by workers.

## ● ● ● Why Study White-Collar Crime?

Six reasons support the need to study white-collar crime. First, and perhaps foremost, white-collar crime is a serious problem in our society. Estimates provided by the Federal Bureau of Investigation (FBI) routinely suggest that far more is lost to white-collar crimes than to traditional property crimes, such as larceny, robbery, and burglary. Beyond these economic costs, and as will be shown later in this text, white-collar offenses have the potential to cause serious physical and emotional damage to victims.

Second, it is important to recognize that, unlike some offense types, white-collar offenses affect everyone. While a specific street offense might have just one or two victims, white-collar offenses tend to have a large number of victims, and on a certain level, some white-collar offenses are so traumatic that they actually may influence all members of society. For instance, Bernie Madoff's transgressions duped thousands of individuals and organizations out of billions of dollars. It was not just these individuals, however, who were victims. Members of society who then felt distrust for financial institutions and their employees were also affected by Madoff's behavior. Members of society may also experience what one social scientist calls demoralization costs (Coffee, 1980). In this context, demoralization means that individuals have less faith in societal values, and this reduction in faith may actually create a situation where individuals justify their own future misdeeds based on the illicit behaviors of those white-collar and corporate organizations we have been socialized to trust. As one author team wrote, "Because most white-collar offenses violate trust, they breed distrust" (Moore & Mills, 1990, p. 413).

A third reason it is important to study white-collar offending is that by studying white-collar offending we can learn more about all types of crime. Just as medical researchers might learn more about all forms of diseases by studying one form of disease, so the study of white-collar crime allows criminologists, students, members of the public, and policy makers greater insight into all variations of criminal behavior and types of criminal offenders.

Fourth, it is important to study white-collar crime so that effective prevention and intervention systems and policies can be developed. It cannot be assumed that prevention and intervention policies and strategies developed for, and used for, traditional forms of crime are appropriate for responding to offenses committed during the course of one's occupation. The underlying dynamics of different forms of white-collar crime need to be understood so that response strategies and policies based on those dynamics can be developed.

Fifth, and as will be discussed in more detail below, studying white-collar crime provides important information about potential careers related to white-collar crime. This is not meant to suggest that you can learn how to be a white-collar criminal by studying white-collar crime; rather, a number of occupations exist that are designed to help the criminal and civil justice systems respond to white-collar crimes. These occupations typically require college degrees, and many are more lucrative than traditional criminal justice occupations. To actually enter one of those careers, one would need a keen understanding of white-collar crime. Thus, we study white-collar crime in order to develop the critical thinking skills and base of awareness needed to understand white-collar crime.

Finally, studying white-collar crime allows additional insight into a particular culture and various subcultures. On the one hand, the study of white-collar crime provides an insider's view of the American workforce and the cultural underpinnings that are the foundation of values driving the activities of the workforce. On the other hand, the study of white-collar crime provides all of us additional insight into specific occupational subcultures with which we have some degree of familiarity—whether accurate or inaccurate. Many individuals assume that a trip to the auto mechanic has the potential to result in unnecessary repairs and outrageous bills. Few, however, assume that trips to the doctor or pharmacist might result in similar outcomes. As will be shown later in this text, however, white-collar crime research shows that misconduct occurs in all occupations. By understanding misconduct in these occupations, we better understand the occupational subcultures where the misconduct occurs.



FDA photo by Michael J. Ermarth

▲ **Photo 1.2** Many careers exist that target white-collar offending. In this photo, FDA officials examine food to make sure it is safe for consumption.

## ● ● ● Researching White-Collar Crime

Several different research strategies are used to study white-collar crime and white-collar criminals. For the most part, these research strategies are similar to those used to study other social problems. The way that these strategies apply to white-collar crime, however, is somewhat different from how they might be applied to research studies of other topics. Strategies that can be used to research white-collar crime include but are not limited to the following:

- Surveys
- Archival research
- Field research
- Experiments
- Case studies

### Survey Research and White-Collar Crime

Surveys are perhaps among the more common research strategies used to study white-collar crime. Survey methods include on-site administration surveys, face-to-face interviews, telephone interviews, and mail surveys. Strengths and weaknesses exist for each of these strategies (see Table 1.1). The aim of surveys is to gather information from a group of individuals and use that information to paint a picture of the topic under consideration.

Groups who are surveyed in white-collar crime research studies include criminal justice officials, members of the public, victims of white-collar crime, and white-collar offenders. Each of these groups has the potential to provide important information about various issues related to white-collar crime.

Surveys of criminal justice officials in the white-collar crime literature tend to focus on the strategies used to identify and respond to white-collar offenses, the kinds of offenses encountered by the officials, and the barriers that must be overcome to successfully respond to the cases. One author interviewed probation officers to determine how white-collar offenders were supervised by community corrections officials (Mason, 2007). Another author described a survey of 1,142 fraud examiners conducted by the Association of Certified Fraud Examiners (Holtfreter, 2005). As will be demonstrated later in this text, this research provided important insight about the types of offenders, offenses, and organizations involved in occupational fraud cases.

White-collar crime researchers have also surveyed members of the public to assess attitudes about, and experiences with, white-collar crime. Such research is useful for at least five reasons. First, determining what members of the public think about white-collar crime provides a baseline that helps to paint a picture about a culture at a given moment of time. For example, if surveys of the public show that the public is tolerant of white-collar offending, this would tell us something about the culture at that moment in time. Second, focusing on citizens' attitudes about white-collar crime provides an indication of the likelihood that individuals might engage in white-collar criminal activity. Third, surveying members of the public potentially allows researchers access to a larger group of white-collar offenders than they might otherwise get, particularly in self-report studies. Fourth, and in a similar way, surveys of members of the public could provide researchers access to a large group of **white-collar crime victims**. A survey of 400 residents of Tennessee, for example, found that 227 (58%) reported being victimized by fraud in the prior 5 years (Mason & Benson, 1996). Fifth, surveys of the public could provide policymakers with information they can use to develop policies and laws designed to prevent white-collar crime.

Researchers have also surveyed white-collar crime victims to increase our understanding about the victimization experiences of this group. In this context, victims could be (1) individuals, (2) businesses and nongovernmental institutions, or (3) "government as a buyer, giver, and protector-gatekeeper" (Edelhertz, 1983, p. 117). One of the issues that arise in such studies is the ability to identify a sample of white-collar crime victims. An early study on appliance "repairman" fraud used a sample of 88 victims of one offender, "Frank Hanks" (not his real name) (Vaughan & Carlo, 1975). Victims were identified through press reports, prosecutors' files, and public files. Incidentally, the researchers identified 133 victims who had complained about the repairman to various consumer agencies. Through this survey, the researchers were

**Table 1.1** Strengths and Weaknesses of Different Survey Methods

Survey Method	Strengths	Weaknesses
On-site administration	<ul style="list-style-type: none"> <li>• Surveys occur in one setting</li> <li>• Large sample is possible</li> <li>• Does not take long to gather</li> <li>• Convenient</li> </ul>	<ul style="list-style-type: none"> <li>• Difficult to give surveys on site to both offenders and victims</li> <li>• No database of white-collar offenders</li> <li>• Educational differences make it hard to use the same surveys for everyone</li> <li>• Hard for some to recall incidents</li> <li>• Gaining entrance and trust of victims hard</li> </ul>
Face-to-face interviews	<ul style="list-style-type: none"> <li>• Can watch respondent's reactions</li> <li>• Probing is an option</li> <li>• Rapport is easier to develop</li> </ul>	<ul style="list-style-type: none"> <li>• More time consuming</li> <li>• More expensive</li> <li>• Difficulty in finding participants and place to conduct interviews</li> <li>• Trust and rapport are important</li> <li>• Must gain access and permission of businesses</li> </ul>
Telephone interviews	<ul style="list-style-type: none"> <li>• Most comprehensive studies have been conducted using telephone interviews.</li> <li>• Respondents seem more open to answering questions over the phone.</li> </ul>	<ul style="list-style-type: none"> <li>• People without home phones are excluded from the study.</li> <li>• Some do not answer their phones due to increase in telemarketing.</li> </ul>
Mail surveys	<ul style="list-style-type: none"> <li>• Less costly</li> <li>• Able to survey a large number of respondents</li> </ul>	<ul style="list-style-type: none"> <li>• May not fully understand the questions</li> <li>• No opportunity to develop rapport</li> <li>• Takes time to develop a comprehensive list of residents</li> <li>• Certain subjects are excluded from mailing list</li> </ul>

*Source:* Adapted from Payne, Brian K. (2005) *Crime and elder abuse: An integrated perspective*. 2nd ed. Springfield, IL: Charles C Thomas.

able to identify complaint patterns, provide insight into the victims' interactions with Hanks, and delineate the experience of victimization. The authors also drew attention to the plight of victims trying to formally resolve the cases. They noted that "pursuing justice became more expensive than being a victim and they [often] dropped the matter" (p. 158).

Another issue that arises in surveys of white-collar crime victims is that victims may be reluctant to discuss their experiences. Survey respondents may not trust researchers who ask about fraud victimization, perhaps partly because they are on guard about having been scammed in the first place (Mason & Benson, 1996). Despite these issues, the need to study white-collar crime victims continues because they have been ignored historically in victimization studies and the victims' movement (Moore & Mills, 1990).

Surveys of white-collar offenders are equally difficult to conduct. Sutherland (1941) recognized this as a barrier in white-collar crime research shortly after introducing the concept. White-collar offenders simply do not want to participate in research studies. As noted above, general self-report surveys of members of the public might help to develop samples of white-collar offenders. Other times, researchers have surveyed members of a specific occupational group with the aim of identifying attitudes about white-collar offending among members of that occupational group. Criminologist Dean Dabney, for example, interviewed nurses (1995) and pharmacists (2001) to shed light on the types of crimes occurring in those fields. After he built up rapport over time, participants in his study were willing to open up about crimes in their occupations, particularly crimes committed by their coworkers.



▲ **Photo 1.3** Telephone interviews are an effective way to do some types of white-collar crime interviews.

Other researchers have confronted barriers in their efforts to interview convicted white-collar offenders. This group of offenders experiences a significant amount of stigma, and that stigma may keep them from wanting to talk about their experiences with researchers. One journalist tried contacting 30 different convicted white-collar offenders who had been released from prison in an effort to try to get them to contribute to a story she was writing. She described their resistance to talking with her the following way: “Understandably, most of them told me to get lost. They had done their time and that part of their life was a closed chapter. They had made new lives and did not want to remind anyone of their pasts” (Loane, 2000).

Across each of these survey types, a number of problems potentially call into question the validity and reliability of white-collar crime surveys. First, as one research team has noted, the field of criminology has not yet developed “comprehensive measures . . . that tap into the concepts of white-collar and street crime” (Holtfreter, Van Slyke, Bratton, & Gertz, 2008, p. 57). The lack of comprehensive measures makes it difficult to compare results across studies and generalize findings to various occupational settings. Second, difficulties developing representative samples are inherent within white-collar crime studies. It is particularly difficult to develop a random sample of white-collar crime victims or offenders. Third, questions about white-collar crime on surveys are potentially influenced by other items on the survey, meaning the findings might actually reflect methodological influences as opposed to actual patterns. Fourth, the scarcity of certain types of white-collar crime surveys (like those focusing on offenders) has made it even more difficult to develop and conduct these sorts of studies—if more researchers were able to do these surveys, then others would learn how to follow in their path. Despite these potential problems, surveys are useful tools for empirically assessing various issues related to white-collar offending.

## Archival Research and White-Collar Crime

**Archival research** is also relatively common in the white-collar crime literature. In this context, archival research refers to studies that use some form of record (or archive) as a database in the study (Berg, 2009). Archives commonly used in white-collar crime studies include official case records, presentence reports, media reports, and case descriptions of specific white-collar offenses.

**Case records** are official records that are housed in an agency that has formal social control duties. One problem that arises with using case records is locating a sample that would include the types of offenders that criminologists would label as white-collar offenders (Wheeler, Weisburd, & Bode, 1988). Still, with a concerted effort, researchers have been able to use case records to develop databases from which a great deal of valuable information about white-collar crime will flow. Crofts (2003), for example, reviewed 182 case files of larcenies by employees. Of those 182 cases, she found that gambling was a direct cause of the larceny in 36 cases. Of those 36 cases, Crofts found that 27 offenders were responsible for 1,616 charges of larceny by employees. Note that there is absolutely no other way Crofts could have found these findings other than by reviewing case records.

Researchers have also used presentence reports to study different topics related to white-collar crime. **Presentence reports** are developed by probation officers and include a wealth of information about offenders, their life histories, their criminal careers, and the sentences they received. In one of the most cited white-collar crime studies, criminologist Stanton Wheeler and his colleagues (Wheeler, Weisburg, & Bode, 1988) used the presentence reports of convicted



white-collar offenders from seven federal judicial circuits to gain insight into the dynamics of offenders, offenses, and sentencing practices. The authors focused on eight offenses: securities fraud, antitrust violations, bribery, tax offenses, bank embezzlement, post and wire fraud, false claims and statements, and credit and lending institution fraud. Their research provided groundbreaking information about how white-collar offenders compared to traditional offenders, as well as information about the way offenders are sentenced in federal court. The findings are discussed in more detail in later chapters of this text.

Researchers have also used **media reports** to study white-collar crime. Using news articles, press reports, and television depictions of white-collar crimes helps researchers (a) demonstrate what kind of information members of the public are likely to receive about white-collar crime and (b) uncover possible patterns guiding white-collar offenses that may not be studied through other means. With regard to studies focusing on what information the public receives about white-collar offenders, criminologist Michael Levi (2006) focused on how financial white-collar crimes were reported in various media outlets. His results suggested that these offenses were portrayed as “infotainment” rather than serious crimes, suggesting that the cases were sensationalized to provide somewhat inaccurate portrayals of the offenses. Another researcher who used newspaper articles to study the portrayal of white-collar crime found that the cases tended to be reported in business or law sections rather than the crime sections of newspapers, suggesting that the behaviors are not real crimes (Stephenson-Burton, 1995).

With regard to the use of press reports to describe patterns surrounding specific forms of white-collar crimes, a dissertation by Philip Stinson (2009) focused on 2,119 cases of police misconduct committed by 1,746 police officers that were reported in the national media between 2005 and 2007. In using media reports, Stinson was able to access a larger number of police misconduct cases than he would have been able to access through other methods. His findings provide useful fodder for those interested in generating awareness about police misconduct.

Another archive that may be of use to white-collar crime researchers involves case descriptions of specific white-collar offenses that may be provided by some agencies. In some states, for example, the state bar association publishes misdeeds committed by attorneys. Researchers have used these case descriptions to examine how lawyers are sanctioned in Alabama (Payne & Stevens, 1999) and Virginia (Payne, Time, & Raper, 2005). Some national agencies provide reports of white-collar crimes committed by occupations they are charged with regulating. The National Association of Medicaid Fraud Control Units, for instance, describes cases prosecuted by Medicaid Fraud Control Units in a publication titled *Medicaid Fraud Reports*. This publication has served as a database for studies on crimes by doctors (Payne, 1995), crimes in nursing homes (Payne & Cikovic, 1995), crimes in the home health care field (Payne & Gray, 2001), and theft by employees (Payne & Strasser, 2010). Table 1.2 shows the kinds of information available in the fraud reports for these offense types.

With each of these types of archival research, researchers often develop a coding scheme and use that scheme much as they would use a survey instrument. Instead of interviewing an individual, the researcher “asks” the archive a set of questions. Several advantages exist with the use of case records for white-collar crime research (see Payne, 2005). For example, such strategies provide white-collar crime researchers access to a large group of subjects that they would not be able to otherwise access. It would have been impossible, for example, for Stinson to locate and interview more than 1,700 police officers who had been arrested for misconduct. Another benefit is that these strategies enable white-collar crime researchers to explore changes over long periods of time, particularly if the researchers have access to case records that cover an extended period of time. A third benefit is that the research subject, in this case the white-collar offender or victim described in the case record, will not react to being studied simply because there are no interactions between the researcher and the subject.

As with any research strategy, a number of limitations arise when researchers use archives to study white-collar crime. The saying, “you get what you get,” comes to mind. The case files are inflexible, and white-collar crime researchers will not be able to probe as they would with interview strategies. Also, the way that records are coded or saved over time may change, which will create problems when researchers try to study white-collar crimes over longer periods of time. Perhaps the most significant problem that arises is that these cases typically represent only those that have come to the attention of the authorities. In effect, unreported white-collar crimes would not be included in most types of archival research. Common reasons that victims will not report white-collar crimes include (a) a belief that there is not enough

**Table 1.2** Types of Information Available in Fraud Reports

Type of Crime	Case Description Example
Financial abuse by workers against patients	Attorney General Abbott announced on June 19 that ***** was indicted by a state grand jury for misapplication of fiduciary [duty]. ***** was the former business office manager at ***** Nursing Facility. He allegedly misappropriated money from the patient trust fund accounts. ( <i>Medicaid Fraud Report May/June, 2013, p. 21</i> ).
Physical abuse against patients	Attorney General Abbott announced on April 30 that registered nurse (RN) ***** was sentenced by a jury in state court to four years of incarceration for injury to the elderly and one year (concurrent) for assault and was fined \$14,000. ***** allegedly hung plastic bags filled with fecal matter around clients' necks as punishment for soiling themselves ( <i>Medicaid Fraud Report March/April, 2013, p. 19</i> ).
Fraud by doctors	Attorney General Abbott announced on August 15, that ****, MD, and ***** were indicted by a federal grand jury for conspiracy and health care fraud. ***** allegedly billed for vestibular testing that was not needed or provided. **** allegedly provided ***** with the recipient information for the billing in return for a percentage of the reimbursement ( <i>Medicaid Fraud Report November/December, 2013, p. 17</i> ).
Fraud by pharmacists	Attorney General Eric T. Schneiderman announced on March 8 that **** pleaded guilty to larceny and stealing more than \$93,000 from the Medicaid program after submitting phony Medicaid billings for pharmaceutical drugs, treatments, and supplies that were never dispensed ( <i>Medicaid Fraud Report March/April, 2013, p. 17</i> ).
Home health care fraud	Attorney General Martha Coakley announced on October 30 that *****, the owner of an in-home care company for elderly and disabled individuals, pleaded guilty and was sentenced to two-and-a-half years in jail in connection with billing the state's Medicaid program for services that were not provided ( <i>Medicaid Fraud Report September/October, 2013, p. 1</i> ).
Drug theft by nurses	Attorney General Abbott announced on May 14 that licensed vocational nurses ***** and ***** were indicted by a state grand jury for obtaining a controlled substance by fraud, a third-degree felony. The two allegedly diverted patient narcotics on February 27, 2008, from Woolridge Nursing Home, where they were employed as LVNs. Both admitted to taking the narcotics ( <i>Medicaid Fraud Report May/June, 2009, p. 15</i> ).

evidence; (b) the offense is not seen as that serious; (c) concerns that reporting would be futile; (d) concerns that reporting the victimization could be costly, particularly for businesses that are victims of white-collar crimes; (e) shame; (f) businesses may want to handle it on their own; and (g) realization that it may take more time than it seems worth taking to respond to the case (Crofts, 2003). If nobody reports the white-collar crime, it will not be a part of an official record.

Indeed, Sutherland (1940) recognized decades ago that official statistics (and records) typically exclude many white-collar crimes.

## Field Research

**Field research** involves strategies where researchers enter a particular setting and gather data through their observations in those settings (Berg, 2009). In some instances, researchers will share their identity as a researcher with those in the setting, while in other instances, researchers may choose to be anonymous. These strategies can be quite time consuming and are conducted much less frequently than other white-collar crime studies, but they have the potential to offer valuable information about behavior in the workplace. For example, Stannard (1973) entered a nursing home as a janitor and worked there for several months. While the staff knew that he was a researcher, they seemed to forget this over time, and

their actions included various types of misconduct (ranging from minor offenses to more serious ones that could have resulted in one resident's death).

In many white-collar crime studies, field research methods are combined with other research strategies. As an illustration, Croall (1989) conducted court observations as part of a broader study focusing on crimes against consumers. She observed 50 cases and used the time she spent doing those observations to develop rapport with the justice officials involved in handling the cases. Over time, the officials later granted Croall access to their case files. Had she not "put in her time," so to speak, she probably would have been denied access to the case files.

## Experiments

**Experiments** are studies where researchers examine how the presence of one variable (the causal or independent variable) produces an outcome (the effect or dependent variable). The classic experimental design entails using two groups—an experimental group and a control group. Subjects are randomly selected and assigned to one of the groups. Members of the **experimental group** receive the independent variable (or the treatment) and members of the control group do not. The researcher conducts observations before and after the independent variable is introduced to the experimental group to determine whether the presence of the independent variable produced observable or significant changes.

Consider a situation where we are interested in whether a certain treatment program would be useful for reintegrating white-collar offenders into the community. The researcher would develop a measurement for assessing white-collar offenders' reintegration values. As well, a sample of white-collar offenders would be randomly assigned to two groups—an experimental group and a control group. The researcher would ask members of both groups to complete the reintegration values survey. Then the experimental group would be exposed to the treatment program, and the control group would receive traditional responses. At some point after the treatment has been completed, the researcher would ask members of both groups to complete a similar (or even the same) reintegration values survey. Any differences between the two groups of offenders could then potentially be attributed to the treatment (or independent variable) received by the experimental group.

A recent experiment in the Netherlands compared the way that car mechanics sell goods to consumers (students) in different scenarios. The experiment found that mechanics frequently provided more services than were necessary, presumably because "experts often face strong incentives for providing 'safe solutions'" (Beck et al., 2011). This study demonstrates that experiments can, in fact, be done on topics related to white-collar crime. Of course, the use of students as consumers limited the generalizability of the findings.

Because of difficulties in recruiting white-collar individuals to participate in these studies, very few white-collar crime studies have actually used a classic experimental design. Some, however, have used what are called **quasi-experimental designs**. Quasi-experiments are studies that mimic experimental designs but lack certain elements of the classic experimental design. One author team, for example, compared two similar businesses (health care offices) to determine whether an "ethical work climate" contributed to employee theft (Weber, Kurke, & Pentico, 2003). The two organizations included one in which an internal audit revealed that workers were stealing and one in which an audit did not reveal theft. The authors surveyed workers from both businesses and found that an ethical work climate appeared to influence theft. In this case, the authors did not randomly select the comparison groups, and they did not manipulate the independent variable (ethical work climate). Still, their design mimicked what would be found in an experimental design.

While some criminologists have used quasi-experiments to study white-collar crime issues, the use of experiments in the broader body of white-collar crime research remains rare. This may change in the future, however, as experimental research is becoming much more common in criminology and criminal justice. In 1998, for example, a group of criminologists created the Academy of Experimental Criminology (AEC) to recognize those criminologists who conduct experimental research. Part of AEC's current mission is to support the *Journal of Experimental Criminology*, which was created in 2005 as an outlet for promoting experimental research on crime and criminal justice issues. According to the journal's website, the *Journal of Experimental Criminology* "focuses on high quality experimental and quasi-experimental research in the development of evidence based crime and justice policy. The journal is committed to the advancement of



the science of systematic reviews and experimental methods in criminology and criminal justice” (<http://www.springer.com/social+sciences/criminology/journal/11292>, “About This Journal”). Incidentally, the founding editor of the journal (David Weisburd) has a long history of conducting prominent white-collar crime research studies.

## Case Studies

**Case studies** entail researchers selecting a particular crime, criminal, event, or other phenomena and studying features surrounding the causes and consequences of those phenomena. Typically, the sample size is “one” in case studies. Researchers might use a variety of other research strategies (such as field research, archival research, and interviews) in conducting their case studies. Case studies are relatively frequent in the white-collar crime literature. An early case study was conducted by Frank Cullen and his colleagues (Cullen, Maakestad, & Cavender, 1987), who focused on what is now known as the *Ford Pinto Case*. In the mid- to late 1970s, Ford Motor Company had come under intense scrutiny over a series of high profile crashes. Eventually, prosecutor Michael Cosentino filed criminal charges against Ford Motor Company after three teenage girls—Judy, Lin, and Donna Ulrich—driving a Ford Pinto, were killed in an August 1978 collision. The authors chronicled the situational and structural factors that led to Cosentino’s decision to pursue criminal penalties against the large automaker. While the details of this case will be described in more detail later, as Cullen and his coauthors note, this case “signified the social and legal changes that had placed corporations under attack and made them vulnerable to criminal intervention in an unprecedented way” (p. 147).

Different criminologists and social scientists have also studied the role of white-collar and corporate crime in the U.S. savings and loan crisis, which occurred in the 1980s and 1990s. Perhaps the most comprehensive case study of this crisis was conducted by criminologists Kitty Calavita, Henry Pontell, and Robert Tillmann (1997). The research team, through a grant funded by the National Institute of Justice, explored those criminogenic factors contributing to the collapse of the savings and loan institutions in the late 1980s and 1990s. The authors relied on public records, congressional testimony, media reports, and interviews with key informants to demonstrate how white-collar offending contributed to a significant proportion of the bank failures. While Calavita and her colleagues focused on the crisis from a national perspective, other researchers used a more specific case study approach to consider specific instances where a bank failed. One author team, for example, conducted a case study on the Columbia Savings and Loan Association of Beverly Hills (Glasberg & Skidmore, 1998b). Using congressional testimony, interviews, and media reports, their research drew attention to the way that structural changes in the economic policies (deregulation and federal deposit insurance policies) promoted individual greed.

Case studies are advantageous in that they allow criminologists an insider’s view of specific white-collar and corporate crimes. As well, these studies have provided a great deal of insight into the dynamics, causes, and consequences of various types of white-collar crimes. In many ways, because case studies use multiple strategies to gather data, the potential strengths of those strategies (e.g., nonreactivity for archival research, etc.) exist with case studies. At the same time, though, the same disadvantages that arise with these other strategies also manifest themselves in case studies. In addition, it is important to note that case studies can take an enormous amount of time to complete.

## ● ● ● Studying White-Collar Crime From a Scientific Perspective

Almost everyone has heard about crimes committed by individuals in the workplace or by white-collar offenders. In recent times, a great deal of media attention has focused on infamous white-collar offenders, such as Bernie Madoff, Martha Stewart, and Ken Lay. The reality is, however, that these media depictions—while providing a glimpse into the lives and experiences of a select few high profile white-collar offenders—provide a superficial, and somewhat confusing, introduction to white-collar crime. To fully understand white-collar crime, it is best to approach the topic from a scientific perspective.

Studying white-collar crime from a scientific perspective requires that students understand how the principles of science relate to white-collar crime. In 1970, Robert Bierstedt described how various principles of science were related to the study of human behavior. Fitzgerald and Cox (1994) used these same principles to demonstrate how social research methods adhered to traditional principles of science. Taking this a step further, one can use these principles as a framework for understanding why, and how, the principles of science relate to the study of white-collar crime. The principles include these qualities:

- Objectivity
- Parsimony
- Determinism
- Skepticism
- Relativism

## Objectivity and White-Collar Crime

**Objectivity** as a principle of science suggests that researchers must be value-free in doing their research. The importance of objectivity is tied to the research findings. Researchers who allow their values to influence the research process will be more apt to have findings that are value laden rather than objective. Researchers who violate this principle may create significant damage to the scientific endeavor. (See White-Collar Crime in the News: Researcher Barred From Federal Programs After Federal Conviction.)

With regard to white-collar crime, the challenge is to approach the behaviors and the offenders objectively. In many cases, white-collar offenders are vilified and portrayed as evil actors who have done great harm to society. While the harm they create is clearly significant, demonizing white-collar offenders and white-collar offenses runs the risk of (a) ignoring actual causes of white-collar crime, (b) relying on ineffective intervention strategies, (c) failing to develop appropriate prevention strategies, and (d) making it virtually impossible for convicted white-collar offenders to reintegrate into society.

Consider that many individuals attribute the causes of white-collar crime to greed on the part of the offender. Intuitively, it makes sense that individuals who already seem to be making a good living are greedy if they commit crime in order to further their economic interests. However, as Benson and Moore (1992) note, “self-reports from white-collar offenders suggest that they often are motivated not so much by greed as by a desire to merely hang on to what they already had” (p. 267). Inadequately identifying the causes of behavior will make it more difficult to respond appropriately to these cases.

Furthermore, in promoting understanding about the criminal justice system’s response to white-collar offenders, it cannot be automatically assumed that the justice system is doing a bad job or treating these offenders more leniently than other offenders. An objective approach requires an open mind in assessing the ties between white-collar crime and the criminal justice system. As will be seen later, for example, several studies show that convicted white-collar offenders are more likely than other convicted offenders to be sentenced to jail, albeit for shorter periods of time (Payne, 2003b). The lack of an objective approach might force some to automatically assume that white-collar offenders are treated more leniently than conventional offenders. This is problematic because a lack of objectivity may create faulty assumptions about the criminal justice system’s handling of white-collar crime cases, which in turn could reduce the actual deterrent power of the efforts of criminal justice practices.

On another level, some criminologists have argued that a lack of objectivity among criminologists has resulted in some researchers overextending the concept of white-collar crime. According to V. Ruggiero (2007),

given the increasing variety of white-collar criminal offenses being committed, and the avalanche of crime committed by states and other powerful actors, scholars are faced with a fuzzy analytical framework, with the result that some may be tempted to describe as crime everything they, understandably, find disturbing. . . . The word nasty is not synonymous with criminal, and the concept of crime may be useless if it is indiscriminately applied to anything objectionable by whoever uses the term. (p. 174)

## WHITE-COLLAR CRIME IN THE NEWS

### Researcher Barred From Federal Programs After Federal Conviction

Tomasz Stenicki



Scientific research can be a matter of life and death.

**SUMMARY:** Notice is hereby given that the Deputy Assistant Secretary for the Office of Acquisition Management and Policy of the Department of Health and Human Services (HHS) has taken final agency action in the following case:

Paul H. Kornak, Stratton VA Medical Center, Albany, New York [was convicted of homicide, fraud, and false statements]. As part of his guilty plea, Mr. Kornak admitted to the following facts:

In August 2000, Mr. Kornak applied for employment to the VA, submitting a false "Declaration for Federal Employment" form. Mr. Kornak denied that he had been convicted or on probation in the preceding 10 years, whereas in fact, he had been convicted of mail fraud in 1992 and placed on probation for 3 years.

By October of 2000, Mr. Kornak was responsible for organizing, coordinating, implementing, and directing all research elements in the Stratton VA Medical Center oncology research program. Specifically, Mr. Kornak was the site coordinator at the Stratton VA Medical Center for the "Iron (Fe) and Atherosclerosis

Study" (FeAST), cancer studies known as Tax 325 and Tax 327, and a bladder cancer study. The FeAST study was a clinical trial that tested a novel procedure for controlling atherosclerosis, also known as hardening of the arteries, by reducing the iron in the body through blood drawing. The Tax 325 cancer treatment study involved the administration of pharmaceutical products to patients with metastatic or locally recurrent gastric cancer previously untreated with chemotherapy for advanced disease. The Tax 327 study involved the administration of pharmaceutical products to patients with metastatic hormone refractory prostate cancer. The purpose of the bladder cancer study, which was co-sponsored by the National Cancer Institute, National Institutes of Health, was to compare the use of difluoromethylornithine (DFMO) to the use of a placebo in patients with low grade superficial bladder cancer according to time to first recurrence of the tumor and toxicities.

From May 14, 1999, to July 10, 2002, in connection with the above protocols, Mr. Kornak participated in a scheme to defraud the sponsors of the clinical studies in that "he would and repeatedly did submit false documentation regarding patients and study subjects and enroll and cause to be enrolled persons as study subjects who did not qualify under the particular study protocol."

Mr. Kornak caused the death of a study subject when he "failed to perceive a substantial and unjustifiable risk that death would occur when he knowingly and willfully made and used documents falsely stating and representing the results of [the study subject's] blood chemistry analysis, which false documents purported that [the study subject] met the inclusion and exclusion criteria for participation in Tax 325 when the actual results did not meet the inclusion and exclusion criteria and showed impaired kidney and liver function, and [the study subject] thus was administered the chemotherapeutic drugs docetaxel, cisplatin, and 5-FU in connection with Tax 325 on or about May 31, 2001, and died as a result thereof on or about June 11, 2001."

*Source:* Reprinted from NIH (2006). Findings of Research Misconduct. <https://grants.nih.gov/grants/guide/notice-files/NOT-OD-06-042.html>

In terms of objectivity and the study of white-collar crime, researchers should not define white-collar crimes simply as those things that are “nasty” or as behaviors that offend them. Instead, white-collar crime must be objectively defined, measured, researched, and explained.

## Parsimony and White-Collar Crime

The principle of **parsimony** suggests that researchers and scientists keep their levels of explanation as simple as possible. For explanations and theories to be of use to scientists, practitioners, and the public, it is imperative that the explanations be reduced to as few variables as possible and explained in simple terms. In explaining white-collar crime, for instance, explanations must be described as simply as possible. One issue that arises, however, is that many white-collar crimes are, in fact, very complex in nature and design. As will be shown later in this text, this complexity often creates obstacles for criminal justice officials responding to these cases.

While many types of white-collar crimes may be complex and it may be difficult to explain the causes of these offenses in simple terms, this does not mean that the offenses cannot be understood through relatively simple explanations. Consider fraud by physicians, misconduct by lawyers, or misdeeds by stockbrokers. One does not need to be a doctor, attorney, or financial advisor to understand the nature of these offenses, ways to respond to these offenses, or the underlying dynamics contributing to these behaviors. By understanding relatively simple descriptions of these behaviors, readers will be able to recognize parallels between the offenses and will develop a foundation from which they can begin to expand their understanding of white-collar crime.

## Determinism and White-Collar Crime

**Determinism** means that behavior is caused or influenced by preceding events or factors. With regard to crimes in the workplace, a great deal of research has focused on trying to explain (or “determine”) why these offenses occur. Understanding the causes of white-collar crime is important because such information would help in developing both prevention and intervention strategies. In terms of prevention, if researchers are able to isolate certain factors that seem to contribute to white-collar misconduct, then policymakers and practitioners can use that information to develop policies and implement practices that would reduce the amount of crime in the workplace. Consider a study on student cheating that finds that the cheating is the result of the nature of the assignments given. With this information, professors could redo the assignment so that cheating is more difficult and less likely.

Understanding the causes of white-collar crime also helps to develop appropriate intervention strategies. If, for example, a study shows that certain types of white-collar offenses are caused by a lack of formal oversight, then strategies could be developed that provide for such oversight. One study, for example, found that patient abuse in nursing homes was at least partially attributed to the fact that workers were often alone with nursing home residents (Payne & Cikovic, 1995). To address this, the authors recommended that workers be required to work in teams with more vulnerable patients and video cameras be added where feasible.

To some, the principle of determinism is in contrast to the idea of free will, or rational decision making. However, it is not necessary, at least in this context, to separate the two phenomena. Whether individuals support deterministic ideals or free-will ideals, with white-collar offenses it seems safe to suggest that understanding why these offenses occur is informative and useful. For those adhering to deterministic ideals, explaining the source of workplace misconduct helps to develop appropriate response systems. For those adhering to free-will ideals, the same can be said: Figuring out what makes individuals “choose” to commit white-collar offenses means that strategies can be developed that would influence the offender’s decision making. In other words, choices are caused by, and can be controlled by, external factors. Put another way, by understanding *why* individuals commit crime in the workplace, officials are in a better position to know *how* to respond to those crimes.

## Skepticism and White-Collar Crime

**Skepticism** simply means that social scientists must question and re-question their findings. We must never accept our conclusions as facts! Applying this notion to the study of white-collar crime is fairly straightforward and simple. On the one hand, it is imperative that we continue to question past research on white-collar crime in an effort to develop and conduct future white-collar crime studies. On the other hand, in following this principle, some may find it difficult to think differently about the occupations covered in this book. Put simply, crime and deviance occur in all occupations.

Sociologist Emile Durkheim noted that deviance occurs in all cultures and subcultures. He used the example of a “society of saints” to illustrate this point. Even a group of nuns or priests would have someone committing deviant behavior. So, as readers, when we think of any occupation, we must question and re-question how and why crime is committed in that occupation. We cannot assume that because the occupation is “trustworthy” crime does not occur in that occupation. Doing so would provide an inaccurate and incomplete picture of white-collar crime.

## Relativism and White-Collar Crime

**Relativism** means that all things are related. If all things are related, then, this principle implies that changes in one area will lead to changes in other areas. A simple example helps to highlight this principle. Think of a time when you are driving your car, listening to your favorite Lady Gaga, Eminem, or Taylor Swift song with the music turned up loudly, and you suddenly smell something that makes you think that your engine is failing. What’s the first thing you do? For many of us, the first thing we do is turn the music down so we smell better. Think about that—we do not smell with our ears; we smell with our noses. But we turn the music down because it helps us to smell. Changes in one area (smelling) lead to changes in other areas (hearing).

White-collar crime is related to the ideal of relativism in three ways: (1) how white-collar crime is defined, (2) the nature of white-collar crime, and (3) how the criminal justice system responds to white-collar crime. First, the notion of *white-collar* is a relative concept in and of itself. What makes someone a white-collar worker? Is it the clothes worn to work? Are your professors “white-collar” workers? Do they all wear “white collars” to work? Are you a white-collar worker? Will you ever be a white-collar worker? In using the concept of white-collar to describe these offense types, Sutherland was highlighting the importance of status. However, the very concept of status is relative in nature. What is high status to one individual might actually be low status to another person. What one group defines as a white-collar occupation may be different from what another group defines as white-collar. A basic understanding of white-collar crime requires an appreciation for the relative nature of status and occupations.

Second, the principle of relativism highlights the need to recognize how changes in society have resulted in changes in white-collar offending. Throughout history, as society changed and workplace structures changed, the nature of, and types of, workplace offenses changed. Describing this pattern from a historical review of the 1800s, one author team commented:

During this time period, large scale changes within the business environment brought new opportunities for acts of workplace taking, particularly those associated with “respectable” echelons of staff hierarchies. Such acts were labeled as illegitimate and criminalized. . . . The representation of fraud and embezzlement as activities that were criminal was bolstered through a reconceptualization of the nature of property rights and, in particular, the relationship between staff and the property worked with. (Locker & Godfrey, 2006, p. 977)

In effect, changes in the occupational arena create new opportunities for, and strategies for, white-collar crime. In our modern society, note that globalization has created worldwide opportunities for white-collar offending (Johnstone, 1999). As an example of the way that changes in society result in changes in misbehavior that may hit home with some students, “studies by the Center for Academic Integrity show a decline in traditional peeking over someone’s shoulder cheating, but a steady increase in Internet plagiarism” (Zernike, 2003). Changes in society resulted in changes in the way some students cheat.



Third, the notion of relativism relates to white-collar crime in considering how the criminal justice system responds to white-collar crimes and the interactions between the criminal justice system and other societal systems. John Van Gigch's (1978) **applied general systems theory** helps to illustrate this point. Van Gigch noted that society is made up of a number of different types of systems and that these systems operate independently, and in conjunction with, other systems (see Figure 1.1). At a minimum, systems that are related to white-collar crime include those shown in Figure 1.1.

At the most basic level, the **political system** is involved in defining laws and regulations relating to all forms of crime, including white-collar crimes. Three levels of the political system include local, state, and federal systems of government. Each of these levels plays a role in defining various white-collar offenses, detecting offenders, adjudicating cases, and punishing offenders. On a separate level, one chapter of this book will focus on crimes committed in the political system. Note also that the political system plays a central role in developing and implementing policies designed to prevent and respond to white-collar crime. Throughout this text, significant attention is given to the interplay among white-collar crime policies, the occurrence of white-collar crimes, and the actions of various systems assigned the tasks of preventing and responding to white-collar crime.

The **educational system** relates to white-collar crime inasmuch as white-collar careers typically come out of this system. From preschool through higher education, one can see that the educational system prepares individuals for their future careers and lives. Some research has focused on how the educational system might promote certain forms of white-collar offending, with students potentially learning why committing crimes is part of their training (Keenan, Brown, Pontell, & Geis, 1985). At the same time, the educational system provides opportunities to increase understanding about white-collar crime through college coursework and advanced training for criminal justice professionals. As with the political system, white-collar crimes occur in the educational system.

The **religious system** relates to white-collar crime (and other crimes) in that this system has been seen as providing institutions that have the potential to prevent misconduct. Many studies have focused on the ties between religion and crime, and while few have focused on how religion relates to white-collar crime, the underlying assumption is that religion has the potential to prevent these behaviors or, at least, provide a setting where definitions of appropriate and inappropriate misconduct can be developed. Interestingly, white-collar crime pioneer Edwin Sutherland's father "was a religious fundamentalist who believed in strict adherence to the Baptist faith" (Martin, Mutchnick, & Austin, 1990, p. 140). While Sutherland eventually parted ways with his father's church, it has been noted that "a prominent and overt expression of his moralistic side appears in *White Collar Crime* (1949) where Sutherland calls for something other than a strict legal definition of acceptable behavior" (Martin et al., 1990, p. 141). As an aside, just as crime is found in the political and educational systems, so do white-collar offenses occur in the religious system.

The **technological or cyber system** has evolved greatly over the past few decades. This system is related to white-collar crime in at least two distinct ways. First, and as was noted earlier, changes in the technological system have led to changes in the way that some white-collar offenders commit their crimes. Second, the technological system has provided additional tools that government officials can use in their pursuit of identifying and responding to white-collar crimes.

The **social system** represents a setting where individuals have various needs fulfilled and learn how to do certain things, as well as reasons for doing those behaviors. In terms of white-collar crime, some individuals may learn how to



▲ **Photo 1.4** Crime occurs in all societal systems, even the educational system. You will read more about offenses in colleges and universities in Chapter 6.

See also <https://www.opm.gov/blogs/Director/2014/5/12/My-First-Commencement-Speed/>

commit white-collar offenses, and why to commit those offenses, as part of the social systems in which they exist. Research, for example, shows that nurses learn from their peers how to rationalize their workplace misdeeds (Dabney, 1995).

The **social services system** includes numerous agencies involved in providing services to members of the public. In some cases, the services they provide might be in direct response to white-collar crime victimization. For example, individuals who lose their life savings to fraudulent investors may need to seek assistance from the social service system to deal with their victimization. As with the other systems, white-collar crimes could be committed by workers in the social services system.

The **occupational system** is, for the purposes of this discussion, that system where the bulk of professions are found. This system is composed of other systems, which at the broadest level can be characterized as lower-class and upper-class occupational systems. Within the lower-class and upper-class occupational systems, specific subsystems exist. White-collar offenses are found in each of these subsystems. As outlined in this text, these subsystems include the legal system, the health care system, the higher education system, the religious system, the technological system, the housing system, the insurance system, and the **economic system**.

The **economic system** represents the system that drives our economy. This system is influenced by, and has an influence on, each of the other types of systems. In recent times, problems in the economic system have had far-reaching and serious effects on countries across the world. Many of the white-collar crimes discussed in this text originate in the economic system.

The **corporate system** includes the businesses and corporations that carry out business activity as part of our capitalist system. These corporations strive to make profits and grow in strength and numbers. Various types of white-collar crimes have been uncovered in the corporate system. As well, the corporate system is sometimes given the power to regulate itself.

The **regulatory system** describes those local, state, and federal agencies that have been charged with regulating various businesses. This system is different from the criminal and civil justice systems in many different ways. For example, the formal source of rules comes from administrative regulations in the regulatory system. As well, the rights of offenders, corporations, and victims are different in the three types of systems (e.g., offenders have one set of rights in the criminal justice system, another set of rights in the civil justice system, and another set of rights in the regulatory system). Procedures and guidelines used to process the cases also vary in the three types of systems.

The **civil justice system** represents that system of justice where individuals (plaintiffs) seek recourse for offenses by way of a civil lawsuit. The accused (defendant) could be an individual or a company. In cases of white-collar crime, for example, it is common for lawsuits to be filed by victims in order to recover their losses. Note that the victim, in many cases, may actually be an individual, company, or governmental agency.

The **criminal justice system** is that system of justice where violations of the criminal law are handled. The criminal law is the branch of law dealing with crimes against the state. Like each of these systems, our criminal justice system is composed of various subsystems: the police, courts, and corrections. On one level, the criminal justice system operates independently from other agencies when white-collar offenses are investigated, prosecuted, and sentenced. On another level, it is imperative to note that the system's responses to white-collar crimes, and behaviors of actors in the criminal justice system, are influenced by changes in other societal systems. Changes in the technological system (brought about by advances in the educational system) led to the development of the Internet. The Internet, in turn, created new ways for criminals to offend. These new strategies, then, meant that the criminal justice system had to alter its practices. As society changes, criminal justice and other systems of formal control are forced to change how they respond to white-collar offenses (Edelhart, 1983). As one author put it several years ago, "an emerging area of difficulty is the challenge of devising powers of investigation that are responsive to the needs of enforcement in a modern corporate society" (Fisse, 1991, p. 7). Two decades later, this same challenge remains "an emerging area of difficulty."

A full understanding of white-collar crime requires an understanding of (a) the changing nature of crime occurring in various systems; (b) how the criminal justice, civil justice, and regulatory systems respond to white-collar crimes; and (c) how interactions between the systems influence criminal behavior as well as response systems. To promote broad insight into white-collar crime, this text relies on the systems perspective to guide the discussion about white-collar crime. In doing so, it argues that students (a part of the educational system) have a significant role in white-collar crime.

**Figure 1.1 The Systems Perspective**

### ● ● ● The Student Role in White-Collar Crime

Some readers may have given very little thought to their role in white-collar crime. In reading this text, students are encouraged to think about how white-collar crime relates to their lives—their past, their current lives, and their future. In effect, students have at least 10 potential roles in white-collar crime. These roles include (1) past victims, (2) past offenders, (3) current offenders, (4) current victims, (5) future offenders, (6) future victims, (7) future crime fighters, (8) future policymakers, (9) current research subjects, and (10) future white-collar crime researchers.



First, most students have been victimized by white-collar crimes in the past, though many likely may not have realized they were victimized at the time. From being overcharged for services to being a victim of corporate misconduct, students—like the rest of society—are not immune from victimization by white-collar or corporate offenders.

Second, some students may have actually been past offenders, particularly if broader definitions of occupational offending are used. These definitions will be addressed in Chapter II. For now, several questions could be asked to determine whether students have broken the rules in their past jobs. Did they take breaks for too long? Did they give away company food or merchandise? Did they skip work and lie to their boss about the reason? One of the exercises I use in my white-collar crime classes is to have students write about occupational offenses they have committed in past jobs. Very few of my students ever had a problem identifying past misdeeds. Some even described actions that would have resulted in felony convictions had they been caught for their transgressions!

Third, another role that students may have in white-collar crime is that some may be current victims of white-collar crime. In Chapter X, attention will be given to the way that colleges and universities sometimes break rules in recruiting students and providing financial aid. (Some have even argued that ineffective instruction by college professors victimizes students, but that can be saved for another text.) Students might also be victims of white-collar and corporate misconduct in their roles as consumers of various goods and services that extend beyond the college boundaries.

Fourth, some students can also be seen as current occupational offenders if they are violating the rules of their jobs or the rules set by their educational institution. This will be discussed in more detail in Chapter VI. At this point, it is sufficient to suggest that college students can be seen as “pre-white-collar” professionals. In this context, then, some misdeeds that college students commit could technically be seen as versions of white-collar offending.

Fifth, some college students may have the role of future white-collar offenders. Note that most white-collar offenders have at least some college education. While most readers of this text will not (it is hoped) go on to careers of white-collar offending, the fact remains that some college graduates eventually graduate into these criminal careers.

Sixth, all college students will be future victims of white-collar and corporate misconduct at least on some level. There is no reason to expect that these offenses will end. Because the consequences of white-collar offenses are so far reaching, none of us will be completely immune from future misdeeds—though we may not always know when we have been victimized.

Seventh, some college students will also have a future role as white-collar crime fighters or white-collar criminal defense lawyers. At first blush, a career battling white-collar offenders may not seem as exhilarating as other law enforcement careers. However, nothing could be further from the truth. A major focus of this text will be on how the criminal justice system and criminal justice professionals respond to white-collar offenses. In addressing the mechanics of the response to these offenses, it is hoped that readers will see just how important, and exciting, these careers are. From going undercover in a doctor's office to sifting through complex computer programs, the search for misconduct and clues of wrongdoing can far outweigh more mundane or routine criminal justice practices. To help you become acquainted with these careers, each chapter includes a box feature titled “Careers Responding to White-Collar-Crime.” The feature describes a career related to the topic under consideration in the chapter. These careers often go far beyond what one might think of as a typical criminal justice career. Careers in White-Collar Crime: Investigator in Department of Agriculture provides one such example.

Eighth, some college students will go on to employment positions where they will play a role in developing and implementing various crime policies. As future policymakers, college students will be better prepared to develop policies addressing white-collar crime if they have a full understanding of the dynamics of white-collar crime, the causes of the behavior, and the most effective response systems. Without an understanding of these issues, future (and current) policymakers run the risk of relying on crime prevention policies and strategies that might work for traditional forms of crime but not necessarily for white-collar crimes. A recent study found that less than seven percent of all studies published in fifteen top criminal justice journals between 2001 and 2010 were focused on white-collar crime (McGurrian et al., 2013). The discipline is counting on you to change this!

Ninth, some college students will also assume the role of research subjects. It is particularly useful to study students as white-collar crime subjects because, presumably, many will be entering white-collar careers after graduating (Watt, 2012). Many researchers have used college student samples to generate understanding about white-collar offending.

## CAREERS RESPONDING TO WHITE-COLLAR CRIME

### Investigator in Department of Agriculture

Duties:

- Researches, selects, plans and independently conducts investigations relating to alleged, fraudulent violations of SNAP rules, committed either by authorized retailers and/or store personnel.
- Conducts those investigations that are of an extremely complex or sensitive nature or those involving highly technical problems relating to legal or evidentiary issues, matters or questions.
- Evaluates all alternatives to develop the proper investigative approach, by examining files, records and data of the firm's program participation and redemption history; complaints and rumors; observed fraudulent violations, and/or past investigation records to detect clues or links in a chain of evidence or information which are most likely to result in successful investigations.
- Prepares accurate, detailed, and complete reports on investigations conducted. Provides documentation of information obtained on fraudulent violations committed by firms, including benefits used, evidence obtained, and proper disposal of evidence when no longer required.
- Analyzes automated reports of recipient benefit transactions and retailer redemptions to identify possible widespread program abuse of participating firms in the assigned area. Generates investigations based on report information.
- Maintains liaison with other units within USDA and FNS, including serving as a technical point of contact for FNS's field offices, and with other agencies at the Federal, State and local levels within given geographic area.
- Cooperates with USDA's Offices of General Counsel and US Attorneys' Offices, and negotiates on False Claims Act cases.
- Independently contacts State and local investigative agencies (e.g., Alcoholic Beverage Control Boards and welfare fraud investigators), and law enforcement, regulatory and licensing agencies.

Source: Reprinted from USAJobs.Gov

One researcher used a sample of college students to learn about the kinds of crimes committed in fast-food restaurants (O'Connor, 1991). Another research team surveyed students to learn about digital piracy and illegal downloading (Higgins, et al., 2006). The same research team surveyed college students to test the ability of criminological theories to explain different forms of occupational misconduct. Another study of 784 undergraduate students found that the way items are sequenced in questionnaires influences attitudes about white-collar crime (Evans & Scott, 1984). The simple fact of the matter is that criminology and criminal justice scholars have a great deal to learn from students, just as students have a great deal to learn from their professors! Indeed, many of the studies cited in this book will come from studies involving college students on some level.

Tenth, as you read about the studies discussed in this text, one thing to bear in mind is that the authors of these studies and articles were students themselves in the not-so-distant past (well, maybe the more distant past for some of us). Edwin Sutherland, once a college student at Grand Island College, went on to create the study of white-collar crime. His students, his students' students, and their students have created a field of study that has significantly evolved over the past 70 years. Thus, the tenth role that students have in white-collar crime is that the discipline of criminology and criminal justice is counting on some of you to take the torch and become future white-collar crime researchers. This text provides a foundation for understanding white-collar crime. It is hoped that this foundation will spark your interest so that you will want to learn more about this important criminological issue and one day go on to help generate future empirical and scientific awareness about white-collar crime.



**▲ Photo 1.5** While many careers exist to respond to white-collar crime, most of those careers require employees to have a college degree. It is equally important that college students have an understanding of white-collar crime so they are better able to enter those careers.

Throughout each chapter, both criminological and criminal justice themes are covered. White-collar crime has been addressed with little or no attention given to white-collar criminal justice. Pulling together criminological and theoretically driven issues with criminal justice-oriented discussions will help to provide a full picture of white-collar crime and the responses to white-collar crime.

## ● ● ● Plan for the Book

This text uses the systems perspective as a guide for understanding white-collar crime. Each chapter provides readers an introduction to topics related to white-collar crime. The text is divided into the following chapters:

- Understanding White-Collar Crime
- Crimes by Workers in Sales-Oriented Occupations
- Crimes in the Health Care System
- Crimes in Social Control Systems
- Crimes in the Educational System
- Crime in the Economic System
- Crime in the Cyber System
- Crimes in the Housing System
- Corporate Crime: Crimes Against Workers and Consumers by Private Corporations
- Crimes Against the Environmental System
- Explaining White-Collar Crime
- The Police Response to White-Collar Crime
- Judicial Proceedings and White-Collar Crime
- Corrections and White-Collar Crime

## SUMMARY

- According to Edwin Sutherland, white-collar crime is “crime committed by a person of respectability and high social status in the course of his occupation” (1949, p. 9). The distinguishing features of white-collar crime are that the crime was committed (a) during work, (b) when the offender was in the role of worker, and (c) as part of the employment duties of the offender.
- We study white-collar crime (a) because it is an enormous problem, (b) because it affects everyone, (c) to learn more about all forms of crime, (d) to develop prevention and intervention systems, (e) to learn about careers, and (f) to learn about subcultures.
- Survey research with white-collar offenders tends to include surveys of offenders, victims, criminal justice officials, and members of the public.
- Archival research on white-collar offenders includes reviews of case records, presentence reports, media reports, and case descriptions of specific white-collar offenses.
- Field research involves situations where researchers enter a particular setting to study phenomena. While relatively rare in the white-collar crime literature, these studies provide direct insight into issues related to the behaviors of offenders, criminal justice officials, and other members of society.
- Experiments involve studies where researchers assess the influence of a particular variable on an experimental group (which receives the “treatment” or the variable) and a control group (which does not receive the treatment or the variable). It is expected that white-collar crime experiments will increase in the future as experimental criminology grows as a research strategy.

- Case studies entail researchers selecting a particular crime, criminal, event, or other phenomenon and studying features surrounding the causes and consequences of those phenomena.
- It is important that those studying white-collar crime be objective in conducting research on the topic. As well, readers are encouraged to keep an open mind about the topic to help as they critically assess issues related to white-collar crime and the study of the topic.
- Researchers are encouraged to keep their explanations as simple as possible. For white-collar crime researchers, this means that one does not need to understand everything about a career in order to understand issues related to crime in that career.
- The aim of many white-collar crime studies is to explain why white-collar crime occurs. Determinism suggests that behavior can be explained. Explaining why white-collar crimes occur enables development of appropriate prevention and intervention remedies.
- Skepticism as a principle of science means that scientists question and re-question everything. For students of white-collar crime, this means that we must question and re-question all of our assumptions about various careers and recognize that crime occurs in all careers.
- Relativism means that all things are related. From a systems perspective, this means that all societal systems are influenced by and have an influence on white-collar crime. Those systems considered in this chapter included the (1) political-governmental system, (2) educational system, (3) religious system, (4) technological system, (5) social system, (6) social services system, (7) occupational systems, (8) economic system, (9) corporate systems, (10) regulatory system, (11) civil justice system, and (12) criminal justice system.
- Students have at least eight potential roles in white-collar crime. These roles include (1) past victims, (2) past offenders, (3) current offenders, (4) current victims, (5) future offenders, (6) future victims, (7) future crime fighters, (8) current research subjects, and (9) future white-collar crime researchers.

## KEY TERMS

Applied general systems theory	Educational system	Presentence reports
Archival research	Experimental group	Quasi-experimental designs
Case records	Experiments	Regulatory system
Case studies	Field research	Relativism
Civil justice system	Media reports	Skepticism
Corporate system	Objectivity	Social services system
Criminal justice system	Occupational system	Social system
Determinism	Parsimony	Technological System
Economic system	Political system	White-collar crime victims

## DISCUSSION QUESTIONS

- Below are examples of misdeeds committed by celebrities. Read each of them and classify them according to whether the acts are crimes or, to borrow Ruggiero's concept, just "nasty." Also, identify those actions that you think are white-collar crimes and those that would be traditional crimes.
  - Former boy-band manager Lou Pearlman (former manager of 'N Sync and Backstreet Boys) was convicted of defrauding more than \$300 million from investors as part of a Ponzi scheme.
  - In November 2015, rapper DMX was arrested for allegedly failing to pay child support.

- c. Former New England Patriots tight end Aaron Hernandez was convicted of murder.
  - d. “Real Housewife” Teresa Giudice was sentenced to prison after being convicted of bankruptcy and mortgage fraud along with her husband.
  - e. Kanye West interrupted the MTV music awards while Taylor Swift was giving an acceptance speech.
  - f. In January 2009, Dane Cook’s manager was charged with embezzling \$10 million from Cook. The manager, Darryl J. McCauley, was Cook’s half brother.
  - g. Actor Zac Efron told a reporter that he has stolen costumes from movie sets after the filming was completed. He said: “I think I stole some of the stuff. Always, on the last day, they try and get it out of your trailer really quick. Always steal some of your wardrobe. You never know what you’re going to need” (Hasegawa, 2010).
  - h. Actor Bill Cosby was accused of sexually assaulting numerous women by using a sedative and taking advantage of them.
  - i. Hugh Grant was arrested for having sexual relations with a prostitute.
  - j. Martha Stewart was convicted of perjury after it was found that she lied to investigators about some of her stock purchases.
- 2. Why does it matter how you classify these behaviors?
  - 3. How are the behaviors you labeled *white-collar crime* different from those you labeled as *traditional crimes*?
  - 4. Why do we study white-collar crime?
  - 5. What is your role in white-collar crime?

## WEB RESOURCES

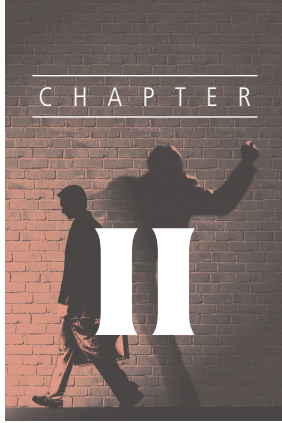
Federal Trade Commission, Bureau of Consumer Protection: <https://www.ftc.gov/about-ftc/bureaus-offices/bureau-consumer-protection>

National White Collar Crime Center: White Collar Crime Research Consortium (WCCRC): [http://www.nw3c.org/research/white\\_collar\\_crime\\_consortium.cfm](http://www.nw3c.org/research/white_collar_crime_consortium.cfm)

U.S. Department of the Treasury: <http://www.treasury.gov/Pages/default.aspx>

## STUDENT RESOURCES

The open-access Student Study Site, available at [study.sagepub.com/paynewccess2e](http://study.sagepub.com/paynewccess2e), includes useful study materials including SAGE journal articles and multimedia resources.



# Understanding White-Collar Crime

## Definitions, Extent, and Consequences

### CHAPTER HIGHLIGHTS

- White-Collar Crime: An Evolving Concept
- Modern Conceptualizations of White-Collar Crime
- Extent of White-Collar Crime
- Consequences of White-Collar Crime
- Public Attitudes Toward White-Collar Crime
- Characteristics of White-Collar Offenders

**A**s noted in the introduction, Edwin Sutherland created the concept of **white-collar crime** more than 70 years ago to draw attention to the fact that crimes are committed by individuals in all social classes. As will be seen in this chapter, one of the largest difficulties in understanding white-collar crime has centered on an ongoing debate about how to define white-collar crime. After discussing various ways that white-collar crime can be defined, attention will be given to the extent of white-collar crime, the consequences of this illicit behavior, public attitudes about white-collar crime, and patterns describing the characteristics of white-collar offenders.

As a backdrop to this discussion, consider the following recent white-collar crimes quoted from the media:

- [The CPA] admitted she falsified hundreds of tax returns and refund amounts on IRS forms without her clients' knowledge. She diverted money to her own accounts and to her spouse, who told the judge he never suspected her criminality until she was arrested in May. (McMahon, 2015)
- A former Tulsa police officer who was sentenced to 33 months in prison for embezzling from the state and local Fraternal Orders of Police has paid more than \$306,000 in restitution and fines. . . . \*\*\*\*\* , former treasurer for the Fraternal Order of Police Oklahoma State Lodge and the Tulsa Fraternal Order of Police, had been charged with embezzling \$419,092 from the organizations. (Harkins, 2015)
- A former assistant manager for State Bank was sentenced Wednesday in the theft of \$263,700 between 2010 and 2014 . . . [the assistant manager] pleaded guilty in federal court to fraudulently transferring \$15,000 from a customer's account to an account she set up in her brother's name without his knowledge. (Fabian, 2015)
- The man who was in charge of maintenance at Our Lady of Mount Carmel in Niles pleaded guilty to stealing nearly \$100,000 from the parish. (wfmj.com, 2015)
- A former City of Douglas employee has been sentenced to 30 days in jail, three years of supervised probation, and ordered to pay back over \$42,000 following his conviction for attempting to commit forgery. (Whetten, 2015)

In reviewing these cases, five questions come to mind. First, are each of these cases white-collar crimes? Second, how often do these kinds of crimes occur? Third, what are the consequences of these crimes? Fourth, how serious do you think these crimes are? Finally, who are the offenders in these cases? While the questions are simple in nature, as will be shown in this chapter, the answers to these questions are not necessarily quite so simple.

## ● ● ● White-Collar Crime: An Evolving Concept

While Edwin Sutherland is the pioneer of the study of white-collar crime, the development of the field and the introduction of the concept of white-collar crime did not occur in a vacuum. Indeed, prior academic work and societal changes influenced Sutherland's scholarship, and his scholarship, in turn, has had an enormous influence on criminology and criminal justice. Tracing the source of the concept of white-collar crime and describing its subsequent variations help demonstrate the importance of conceptualizing various forms of white-collar misconduct.

Sutherland was not the first social scientist to write about crimes by those in the upper class. In his 1934 *Criminology* text, Sutherland used the term *white-collar criminaloid* in reference to the “**criminaloid concept**” initially used by E. A. Ross (1907) in *Sin and Society*. Focusing on businessmen who engaged in harmful acts under the mask of respectability, Ross further wrote that the criminaloid is “society's most dangerous foe, more redoubtable by far than the plain criminal, because he sports the livery of virtue and operates on a titanic scale” (p. 48). Building on these ideas, Sutherland called attention to the fact that crimes were not committed only by members of the lower class. As noted in the introduction, Sutherland (1949) defined white-collar crime as “crime committed by a person of respectability and high social status in the course of his occupation” (p. 9).

Sutherland's appeal to social scientists to expand their focus to include crimes by upper-class offenders was both applauded and criticized. On the one hand, Sutherland was lauded for expanding the focus of the social sciences. On the other hand, the way that Sutherland defined and studied white-collar crime was widely criticized by a host of social scientists and legal experts. Much of the criticism centered on five concerns that scholars had about Sutherland's use of the white-collar crime concept. These concerns included (1) conceptual ambiguity, (2) empirical ambiguity, (3) methodological ambiguity, (4) legal ambiguity, and (5) policy ambiguity.

In terms of conceptual ambiguity, critics have noted that white-collar crime was vaguely and loosely defined by Sutherland (Robin, 1974). Robin further argued that the vagueness surrounding the definition fostered ambiguous use of the term and vague interpretations by scholars and practitioners alike. Focusing on the link between scholarship and practice, one author suggested that the concept was “totally inadequate” to characterize the kinds of behavior that are at the root of the phenomenon (Edelhertz, 1983). Further describing the reactions to this conceptual ambiguity, white-collar



crime scholar David Friedrichs (2002) wrote, “perhaps no other area of criminological theory has been more plagued by conceptual confusion than that of white-collar crime” (p. 243).

Criticism about Sutherland’s work also focused on the empirical ambiguity surrounding the concept. In effect, some argued that the concept only minimally reflected reality. For example, one author said that Sutherland’s definition underestimated the influence of poverty on other forms of crime (Mannheim, 1949). Another author argued that by focusing on the offender (in terms of status) and the location (the workplace) rather than the offense, the concept did not accurately reflect the behaviors that needed to be addressed (Edelhertz, 1983). Edelhertz went as far as to suggest that this vague empirical conceptualization created barriers with practitioners and resulted in a lack of research on white-collar crime between the 1950s and 1970s. Shapiro (1990) also recognized the problems that the conceptualization of white-collar crime created for future researchers. She wrote:

The concept has done its own cognitive mischief. It . . . is founded on a spurious correlation that causes sociologists to misunderstand the structural impetus for these offenses, the problems the offenses create for systems of social control, and the sources and consequences of class bias in the legal system. (p. 346)

Describing the tendency to treat lower-class workers as white-collar offenders has been described as “improper and misleading” (Dobovsek & Slak, 2015, p. 310).

The consequences of this empirical ambiguity are such that findings from white-collar crime studies sometimes call into question the nature of white-collar offenders. One study of white-collar offenders convicted in seven federal districts between 1976 and 1978, for example, found that most offenses described as white-collar were actually “committed by those who fall in the middle classes of our society” (Weisburd, Chayet, & Waring, 1990, p. 353).

Sutherland was also criticized for methodological ambiguity. He defined white-collar crime as behaviors committed by members of the upper class, but his research focused on all sorts of offenses, including workplace theft, fraud by mechanics, deception by shoe salespersons, and crimes by corporations (see Robin, 1974). One might say that Sutherland committed a “bait and switch” in defining one type of crime, but actually researching another variety.

A fourth criticism of Sutherland’s white-collar crime scholarship can be coined “legal ambiguity.” Some legal scholars contended that the concept was too sociological at the expense of legal definitions of white-collar offending (Tappan, 1947). To some, white-collar crimes should be narrowly defined to include those behaviors that are criminally illegal. Some even take it a step further and suggest that white-collar criminals are those individuals convicted of white-collar crimes (suggesting that if one were not caught for a white-collar crime one actually committed, then one would not be a white-collar criminal). Sutherland, and others, have countered this argument by suggesting that conviction is irrelevant in determining whether behaviors constitute white-collar crimes (Geis, 1978). Still, the criticism that the term is too general persists.

A final criticism of the white-collar crime concept is related to the policy ambiguity surrounding the concept. In particular, some have argued that the vagueness of the definition and its purely academic focus created a disconnect between those developing policies and practices responding to white-collar crime and those studying white-collar crime (Edelhertz, 1983). Over the past decade or so, criminologists have become more vocal about the need for evidence-based practices to guide criminal justice policies and activities. In terms of white-collar crime, an issue that has been cited is that unclear definitions about white-collar crime make it extremely difficult for policymakers and practitioners to use criminological information to guide policy development and criminal justice practices. In effect, how can criminologists call for evidence-based practices for certain types of crime when they have not adequately provided the evidence needed to develop subsequent practices?

Sutherland was aware of the concerns about the concept potentially being vague. He noted that his point was not precision but to note how white-collar crime is “identical in its general characteristics with other crime rather than different from it” (Sutherland, 1941, p. 112). He wrote:

The purpose of the concept of white-collar crime is to call attention to a vast area of criminal behavior which is generally overlooked as criminal behavior, which is seldom brought within the score of the theories of criminal behavior, and which, when included, call for modifications in the usual theories of criminal behavior. (p. 112)



Thus, Sutherland conceded that the concept was vague in nature, but it was necessarily vague in order to promote further discussion about the concept.

Sutherland was successful in promoting further discussion about the phenomenon, though the topic received very little attention in the 1950s and 1960s. This began to change in the early 1970s when criminologists Marshall Clinard and Richard Quinney published *Criminal Behavior Systems*. Building on Sutherland's work, Clinard and Quinney (1973) argued that white-collar crime can be divided into two types: corporate crime and occupational crime. They focused their definition of **corporate crime** on illegal behaviors that are committed by employees of a corporation to benefit the corporation, company, or business. In contrast, they described **occupational crime** as law violations committed at work with the aim of benefiting the employee-offender. By distinguishing between crimes by corporations and crimes against corporations, Clinard and Quinney took an important step in addressing some of the ambiguity surrounding the white-collar crime concept. Indeed, corporate crime and occupational crime are viewed as “the two principal or ‘pure’ forms of white-collar crime” (Friedrichs, 2002, p. 245).

After Clinard and Quinney's work, white-collar crime research by criminologists escalated in the 1970s and 1980s. Much of this research focused on ways to conceptualize and define the phenomenon in ways that addressed the criticisms surrounding Sutherland's definition. Table 2.1 shows eight different concepts and definitions that criminologists have used to describe these behaviors. Just as Sutherland's definition was criticized, each of the concepts provided in Table 2.1 is imperfect. Still, they illustrate the impact that Sutherland's white-collar crime scholarship has had on criminology and criminal justice.

A definition of white-collar crime acceptable to all groups is yet to be developed. This is troublesome for at least five reasons. First, the lack of a sound definition of white-collar crime has hindered detection efforts. Second, without a concrete definition of white-collar crime, the most effective responses to the problem cannot be gauged. Third, varying definitions among researchers have made it difficult to draw comparisons between different white-collar crime studies. Fourth, vague conceptualizations have made it more difficult to identify the causes of the behavior. Finally, varied definitions of white-collar crime have made it difficult to determine with great accuracy the true extent of white-collar crime.

## ● ● ● Modern Conceptualizations of White-Collar Crime

Today, criminologists and social scientists offer various ways to define white-collar crime (see Table 2.1). These variations tend to overlap with one another and include the varieties shown in Figure 2.1.

Defining *white-collar crime as moral or ethical violations* follows ideals inherent within principles of what is known as natural law. **Natural law** focuses on behaviors or activities that are defined as wrong because they violate the ethical principles of a particular culture, subculture, or group. The immoral nature of the activities is seen as the foundation for defining certain types of white-collar activities as criminal. Some individuals, for example, define any business activities that destroy animal life or plant life as immoral and unethical. To those individuals, the behaviors of individuals and businesses participating in those activities would be defined as white-collar crimes.

Some prefer to define *white-collar crime as violations of criminal law*. From this framework, white-collar crimes are criminally illegal behaviors committed by upper-class individuals during the course of their occupation. From a systems perspective, those working in the criminal justice system would likely define white-collar crime as criminally illegal behaviors. Crime, in this context, is defined as “an intentional act or omission committed in violation of the criminal law without defense or justification and sanctioned by the state as a felony or misdemeanor” (Tappan, 1960, p. 10). Applying a criminal-law definition to white-collar crime, white-collar crimes are those criminally illegal acts committed during the course of one's job. Here are a few examples:

- An accountant embezzles funds from his employer.
- Two nurses steal drugs from their workplace and sell them to addicts.
- A financial investor steals investors' money.

- A prosecutor accepts a bribe to drop criminal charges.
- Two investors share inside information that allows them to redirect their stock purchases.
- A disgruntled employee destroys the computer records of a firm upon her resignation.

These acts are instances where the criminal law has been violated during the course of employment. Accordingly, members of the criminal justice system could be called on to address those misdeeds.

Certainly, some rule breaking during the course of employment does not rise to the level of criminal behavior, but it may violate civil laws. Consequently, some may define *white-collar crime* as **violations of civil law**. Consider cases of corporate wrongdoing against consumers. In those situations, it is rare that the criminal law would be used to respond to

**Table 2.1 Evolution of the White-Collar Crime Concept**

Concept	Definition	Reference
Criminaloid	The immunity enjoyed by the perpetrator of new sins has brought into being a class for which we may coin the term <i>criminaloid</i> . By this we designate such as prosper by flagitious practices that have not yet come under the effective ban of public opinion. Often, indeed, they are guilty in the eyes of the law; but since they are not culpable in the eyes of the public and in their own eyes, their spiritual attitude is not that of the criminal. The lawmaker may make their misdeeds crimes, but, so long as morality stands stock-still in the old tracks, they escape both punishment and ignominy.	E. A. Ross ( <i>Sin and Society</i> , 1907, p. 48)
White-collar crime	Crime committed by a person of respectability and high social status in the course of his occupation.	Sutherland (1949, p. 9)
Corporate crime	Offenses committed by corporate officials for their corporation and the offenses of the corporation itself.	Clinard and Yeager (1980, p. 189)
Occupational crime	Offenses committed by individuals in the course of their occupations and the offenses of employees against their employers.	Clinard and Yeager (1980, p. 189).
Organizational deviance	Actions contrary to norms maintained by others outside the organization . . . [but] supported by the internal operating norms of the organization.	Ermann and Lundman (1978, p. 7)
Elite deviance	Acts committed by persons from the highest strata of society . . . some of the acts are crimes . . . may be criminal or noncriminal in nature.	Simon (2006, p. 12)
Organizational crime	Illegal acts of omission or commission of an individual or a group of individuals in a formal organization in accordance with the operative goals of the organization, which have serious physical or economic impact on employees, consumers, or the general public.	Schrager and Short, (1978, p. 408)
Occupational crime	Any act punishable by law which is committed through opportunity created in the course of an occupation that is legitimate.	Green (1990)

the offending corporation. More often, cases are brought into the civil justice system. When the *Exxon Valdez* ran aground in Prince William Sound, Alaska, and caused untold damage to the environment, for example, the case was brought into the civil justice system. Eventually, it was learned that the cause of the crash could be attributed to the ship's overworked crew. To date, Exxon has paid \$2 billion in cleanup efforts and another \$1 billion in fines. Ongoing legal battles are focusing on whether Exxon should pay even more in damages.

Individuals have also defined *white-collar crime* as **violations of regulatory laws**. Some workplace misdeeds might not violate criminal or civil laws, but may violate a particular occupation's regulatory laws. Most occupations and businesses have standards, procedures, and regulations that are designed to administratively guide and direct workplace activities. The nursing home industry provides a good example. The government has developed a set of standards that nursing home administrators are expected to follow in providing care to nursing home residents. At different times during the year, government officials inspect nursing homes to see if they are abiding by the regulations. In most instances, some form of wrongdoing is uncovered. These instances of wrongdoing, however, are not violations of criminal law or civil law; rather, they are violations of regulatory law. Hence, some authors focus on white-collar crimes as violations of regulatory laws.

Sometimes, behaviors performed as part of an occupational routine might be wrong but not necessarily illegal by criminal, civil, or regulatory definitions. As a result, some prefer to follow definitions of *white-collar crime* as **workplace deviance**. This is a broader way to define white-collar crime, and such an approach would include all of those workplace acts that violate the norms or standards of the workplace, regardless of whether they are formally defined as illegal or not. Violations of criminal, civil, and regulatory laws would be included, as would those violations that are set by the workplace itself. Beyond those formal violations of the law, consider the following situations as examples of workplace deviance:

- Professors cancel class simply because they don't feel like going to class.
- A worker takes a 30-minute break when she was only supposed to take a 15-minute break.
- A worker calls his boss and says he is too sick to come to work when in fact he is not actually sick (but he uses that "fake sick voice" as part of his ploy).
- A wedding photographer gets drunk at a client's wedding, takes horrible pictures, and hits on the groom.
- An author uses silly examples to try to get his point across.

In each of these cases, no laws have necessarily been broken; however, one could argue that workplace or occupational norms may have been violated.

Somewhat related, one can also define *white-collar crime* as **definitions socially constructed by businesses**. What this means is that a particular company or business might define behaviors that it believes to be improper. What is wrong in one company might not necessarily be wrong in another company. Some businesses might have formal dress codes while others might have casual Fridays. Some companies might tolerate workers taking small quantities of the goods it produces home each night, while other companies might define that behavior as inappropriate and criminal. The expectations for workplace behavior, then, are defined by the workplace. Incidentally, some experts have suggested that expectations be defined in such a way as to accept at least minor forms of wrongdoing (see Mars, 1983, for a description of the rewards individuals perceive from workplace misconduct). The basis for this suggestion is that individuals are more satisfied with their jobs if they are able to break the rules of their job at least every now and then. As a simple example, where would you rather work: (1) in a workplace that lets you get away with longer breaks every now and then or (2) in a workplace where you are docked double pay for every minute you take over the allotted break?

In some cases, workplace behaviors might not be illegal or deviant, but they might actually create forms of harm for various individuals. As a result, some prefer to define *white-collar crime* as **social harm**. Those defining white-collar crime from this perspective are more concerned with the harm done by occupational activities than whether behavior is defined either formally or informally as illegal or deviant. According to one author, "by concentrating on what is defined as illegal or criminal, a more serious threat to society is left out" (Passas, 2005, p. 771). Galbraith (2005, p. 731) offers the following examples: "The common practices of tobacco companies, hog farmers, gun makers and merchants are legal. But this is only because of the political nature of the perpetrators; in a democracy free of their money and influence, they would be crimes." Additional examples of white-collar crimes that are examples of this social harm perspective have been noted by

Passas (2005), who highlighted the following “crimes” that occur without lawbreaking occurring: cross-border malpractices, asymmetrical environmental regulations, corrupt practices, child labor in impoverished communities, and pharmaceutical practices such as those allowing testing of drugs in third world countries. Passas emphasized that lawbreaking does not occur when these actions are performed but argues the actions are, in fact, criminal.

Another way to define these behaviors is to consider *white-collar crime* as **research definitions**. When researchers study and gather data about white-collar crime, they must operationalize or define white-collar crime in a way that allows them to reliably and validly measure the behavior. As an example, in 2005, the National White-Collar Crime Center conducted its second national survey on white-collar crime. The results of this survey will be discussed later. For now, the way that the researchers defined white-collar crime illustrates what is meant by research-generated white-collar crime definitions. The researchers defined white-collar crime as “illegal or unethical acts that violate fiduciary responsibility or public trust for personal or organizational gain” (Kane & Wall, 2006, p. 1). Using this definition as their foundation, the researchers were able to conduct a study that measured the characteristics of white-collar crime, its consequences, and contributing factors. Note that had they chosen a different definition, their results might have been different. The way that we define phenomena will influence the observations we make about those phenomena.

Another way to define these behaviors is to consider *white-collar crime* as **official government definitions**. Government agencies and employees of those agencies will have definitions of white-collar crime that may or may not parallel the way others define white-collar crime. The Federal Bureau of Investigation (FBI), for example, has used an offense-based perspective to define white-collar crime as part of its Uniform Crime Reporting Program. The FBI defines 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. Individuals and organizations commit these acts to obtain money, property, or services to avoid payment or loss of money or services; or to secure personal or business advantage. (U.S. Department of Justice, 1989, p. 3, as cited in Barnett, n.d.)

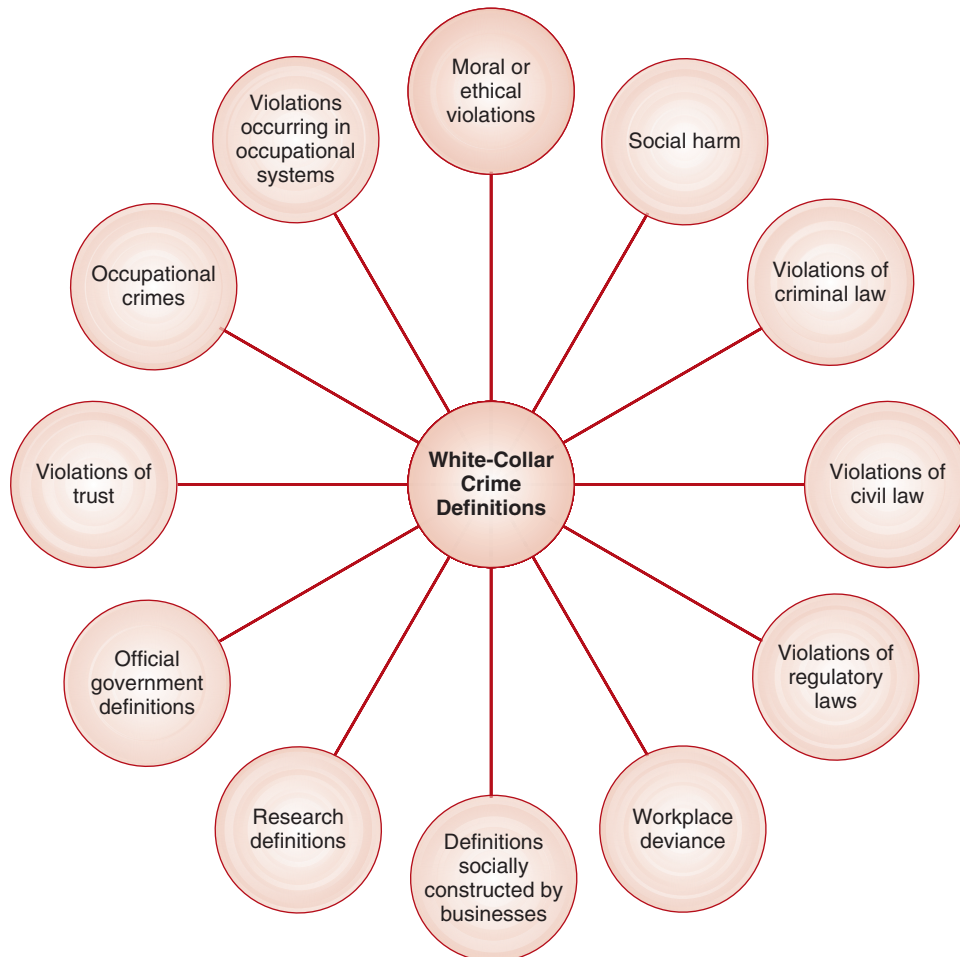
In following this definition, the FBI tends to take a broader definition of white-collar crime than many white-collar crime scholars and researchers do. *Identity theft* offers a case in point. The FBI includes identity theft as a white-collar crime type. Some academics, however, believe that such a classification is inappropriate. One research team conducted interviews with 59 convicted identity thieves and found that offenses and offenders did not meet the traditional characteristics of white-collar crimes or white-collar offenders. Many offenders were unemployed and working independently, meaning their offenses were not committed as part of a legitimate occupation or in the course of their occupation (Copes & Vieraitis, 2009).

Another way to define white-collar crime is to focus on *white-collar crime* as **violations of trust** that occur during the course of legitimate employment. To some authors, offenders use their positions of trust to promote the misconduct (Reiss & Biderman, 1980). Criminologist Susan Shapiro (1990) has argued for the need to view white-collar crime as abuses of trust, and she suggests that researchers should focus on the *act* rather than the *actor*. She wrote:

Offenders clothed in very different wardrobes lie, steal, falsify, fabricate, exaggerate, omit, deceive, dissemble, shirk, embezzle, misappropriate, self-deal, and engage in corruption or in compliance by misusing their positions of trust. It turns out most of them are not upper class. (p. 358)

In effect, Shapiro was calling for a broader definition of white-collar crime that was not limited to the collars of the offenders' shirts.

Others have also called for broader conceptualizations that are not limited to wardrobes or occupational statuses. Following Clinard and Quinney's 1973 conceptualization, some have suggested that these behaviors be classified as *white-collar crimes* as occupational crimes. One author defines occupational crimes as “violations that occur during the course of occupational activity and are related to employment” (Robin, 1974). Robin argued vehemently for the broader conceptualization of white-collar crime. He noted that various forms of lower-class workplace offenses “are more similar to white-collar crime methodologically than behaviorally,” suggesting that many occupational offenders tend to use

**Figure 2.1 Defining White-Collar Crime**

the same methods to commit their transgressions. He further stated that the failure of scholars to broadly conceive white-collar crime “results in underestimating the amount of crime, distorts relative frequencies of the typology of crimes, produces a biased profile of the personal and social characteristics of the violators, and thus affects our theory of criminality” (p. 261).

Criminologist Gary Green (1990) has been a strong advocate of focusing on occupational crime rather than a limited conceptualization of white-collar crime. He defined occupational crime as “any act punishable by law which is committed through opportunity created in the course of an occupation that is legal” (p. 13). Green described four varieties of occupational crime: (1) organizational occupational crimes, which include crimes by corporations; (2) state authority occupational crimes, which include crimes by governments; (3) professional occupational crimes, which

**Table 2.2** Arrests Reported in *UCR* for Three “White-Collar” Offenses, 1990–2014

Year	Forgery/Counterfeiting	Embezzlement	Fraud
1990	50,403	7,708	182,752
1991	53,853	7,458	188,100
1992	66,608	8,860	279,682
1993	69,063	8,886	246,127
1994	71,322	9,155	233,234
1995	84,068	10,832	295,584
1996	81,319	11,763	248,370
1997	77,773	10,935	298,713
1998	70,678	10,585	220,262
1999	56,813	9,692	166,413
2000	58,493	10,730	155,231
2001	77,692	13,836	211,177
2002	83,111	13,416	233,087
2003	79,188	11,986	208,469
2004	73,082	9,164	235,412
2005	87,346	14,097	231,721
2006	79,477	14,769	197,722
2007	78,005	17,015	185,229
2008	68,976	16,458	174,598
2009	85,844	17,920	210,255
2010	78,101	16,616	187,887
2011	70,211	16,190	168,217
2012	60,969	15,730	143,528
2013	67,046	16,023	153,535
2014	56,783	16,227	141,293

*Source:* Reprinted from FBI

include those crimes by individuals in upper-class jobs; and (4) individual occupational crimes, which include those crimes committed by individuals in lower-class jobs. The strength of his conceptualization is that it expands white-collar crime to consider all forms of misdeeds committed by employees and businesses during the course of employment.

Using each of the above definitions as a framework, white-collar crime can also be defined as *violations occurring in occupational systems*. This text uses such a framework to provide a broad systems perspective about white-collar crime. White-collar crime can therefore be defined as “any violation of criminal, civil, or regulatory laws—or deviant, harmful, or unethical actions—committed during the course of employment in various occupational systems.” This definition



allows us to consider numerous types of workplace misconduct and the interactions between these behaviors and broader systems involved in preventing and responding to white-collar crimes. As will be shown in the following paragraphs, the extent of these crimes is enormous.

## ● ● ● Extent of White-Collar Crime

Determining the extent of white-collar crime is no simple task. Two factors make it particularly difficult to accurately determine how often white-collar crimes occur. First, many white-collar crimes are not reported to formal response agencies. One study found that just one third of white-collar crime victims notify the authorities about their victimization (Kane & Wall, 2006). When individuals are victims of white-collar crimes, they may not report the victimization because of shame, concerns that reporting will be futile, or a general denial that the victimization was actually criminal. When businesses or companies are victims, they may refrain from reporting out of concern about the negative publicity that comes along with “being duped” by an employee. If victims are not willing to report their victimization, their victimization experiences will not be included in official statistics. The bottom line is that a lack of data has made it hard to determine the extent of white-collar crime (Simpson, 2013).

A second factor that makes it difficult to determine the extent of white-collar crime has to do with the conceptual ambiguity surrounding the concept (and discussed above). Depending on how one defines white-collar crime, one would find different estimates about the extent of white-collar crime. The federal government and other government agencies offer different definitions of white-collar crime than many scholars and researchers might use. The result is that white-collar crime researchers typically caution against relying on official statistics or **victimization surveys** to determine the extent of white-collar crime victimization. Despite this caution, the three main ways that we learn about the extent of white-collar crime are from official statistics provided by government agencies, victimization surveys, and research studies focusing on specific types of white-collar crime.

With regard to official statistics and white-collar crime, the FBI’s *Uniform Crime Reports (UCR)* and National Incident Based Reporting System (NIBRS) provide at least a starting point from which we can begin to question how often certain forms of white-collar crime occur. These data reflect crimes known to the police. The *UCRs* include eight Part I, or index, offenses (homicide, robbery, rape, aggravated assault, motor vehicle theft, larceny, arson, and burglary) and 29 Part II offenses, which are typically defined as *less serious* crimes. With regard to white-collar crime, Part II offenses have been regarded as possible white-collar crimes. Table 2.2 shows the number of times these crimes occurred between 1990 and 2014. As shown in the table, the number of forgery or counterfeiting and embezzlement cases increased somewhat dramatically between 1990 and 2009, but each type has declined some since 2009. The number of forgery and embezzlement cases was still higher in 2014 than in 1990.

A word of caution is needed in reviewing these estimates. Not all criminologists agree that these offenses are appropriate indicators of white-collar crimes. Many of these offenses may have occurred outside the scope of employment. Also, because the UCR Program does not capture information about offender status, it is not possible to classify the crimes according to the occupational systems where the offenses occurred.

Limitations in the UCR Program prompted the federal government to expand its efforts in reporting crime data through the National Incident Based Reporting System (NIBRS). NIBRS data provide more contextual information surrounding the crimes reported to the police. For example, this reporting system provides information about where the crime occurred, the victim-offender relationship, victim characteristics, and so on. While more contextual information is provided from NIBRS data, the same limitations that plague the UCR data with regard to the measurement of white-collar crime surface: (1) Not everyone would agree these are white-collar crimes, (2) the database was created for law enforcement and not for researchers, (3) many cases are reported to regulatory agencies rather than law enforcement, (4) some white-collar crime victims are unaware of their victimization, and (5) shame may keep some victims from reporting their victimization (Barnett, n.d.). Also, the NIBRS data are not as “user friendly” as UCR data at this point.

Simpson and Yeager (2015) proposed a data series that would publish information about white-collar crimes handled by various federal agencies. The primary purpose of such a series would be to assist in policy development and research

on the topic. The types of data included in the series should include information about criminal and civil offenses, offenders, and case outcomes from those agencies addressing the cases. After piloting their ideas through a grant from the National Institute of Justice, the authors recommended developing a working group that would be assigned the task of creating the processes needed for a white-collar crime database, developing a memorandum of understanding between those agencies currently holding the data on the offenses, and initiating an incremental approach to develop the database. Such an approach is needed because relying on official government data currently produces a limited view of white-collar crime. Said one author, “Reproducing FBI property crime rates from the 1990s to the present without noting the Savings and Loan looting, Enron era scams and the latest episode of barely contained looting is tantamount to propaganda” (Leighton, 2013, p. 45).

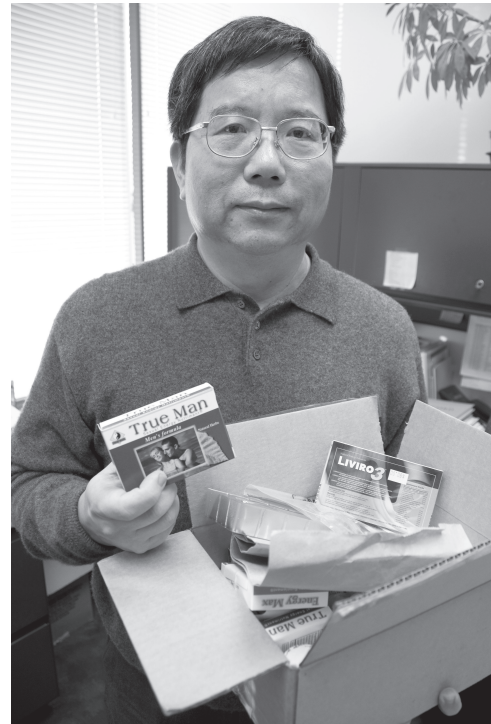
Victimization surveys offer an opportunity to overcome some of these problems. These surveys sample residents and estimate the extent of victimization from the survey findings. The 2010 National White-Collar Crime Center (NW3C) victimization survey is the most recent, and most comprehensive, white-collar crime victimization survey available. The results of this survey, a phone interview with 2,503 adults in the United States, show that 24 percent of households and 17 percent of individuals reported experiencing forms of white-collar crime in the prior year (Huff et al., 2010).

Table 2.3 shows the types of victimization reported by respondents in the NW3C victimization survey (Huff et al., 2010). As shown in the table, nearly 40 percent of the respondents experienced credit card fraud, and more than a fourth indicated that they had been lied to about prices in the prior year, and one-fourth reported being victims of credit card fraud. Also, about one-fifth reported being victimized by unnecessary object repairs and corporate scandals.

The NW3C interviewers also asked victims about their decisions to report their victimization to various agencies. Table 2.4 shows the formal agencies that respondents reported their victimization to (among those who did report the victimization). As shown in the table, respondents tended to report their victimization to either their credit card company or the entity involved. Perhaps most interesting is how infrequently respondents reported their victimization to formal governmental agencies of social control. Less than one-fifth of respondents reported their victimization to the police.

Researchers have also used specific studies to gauge the extent of various forms of white-collar crime. One author, for example, cites a study by the Government Accountability Office that found fraud in “every single case” of the savings and loan institutions included in the study (Galbraith, 2005). Another study found that one in 30 employees (out of 2.1 million employees) was caught stealing from his or her employer in 2007 (“Record Number of Shoplifters,” 2008). A Federal Trade Commission (FTC) survey of 3,638 adults in the United States found that consumer fraud was rampant (Anderson, 2013). Based on the survey findings, Anderson estimates that “an estimated 10.8 percent of U.S. adults—25.6 million people—were victims of one or more of the frauds included in the 2011 FTC Consumer Fraud Survey” (p. ES-1). The most popular form of victimization that year was purchasing fraudulent weight loss products. It was estimated that 5 million individuals experienced this victimization. Anderson further estimated that nearly 38 million cases of consumer fraud occurred in 2011.

Figure 2.2 shows the extent of the types of consumer fraud considered in the most recent FTC survey. As shown in the figure, the most common frauds were paying for items never received and purchasing



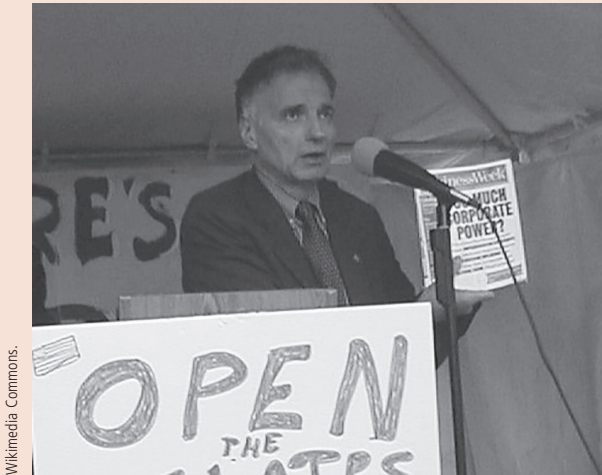
FDA photo by Michael J. Ermarth

**▲ Photo 2.1** The FDA monitors dietary supplements in an effort to limit the distribution of unsafe or ineffective products. Here an FDA scientist is showing products seized after being illegally imported into the U.S. Millions of victims report purchasing ineffective weight loss products.



## WHITE-COLLAR CRIME IN THE NEWS

### FTC Announces Consumer Protection Week



Wikimedia Commons.

Consumer advocates such as Ralph Nader (pictured) engage in various efforts to increase awareness about consumer protection. In recent times, the FTC has joined others to celebrate National Consumer Protection Week.

The Federal Trade Commission, in collaboration with 74 federal, state and local agencies, consumer groups, and national organizations, celebrates National Consumer Protection Week, beginning Sunday, March 2, and running until Saturday, March 8.

Now in its 16th year, NCPW encourages American consumers to learn about their rights in the marketplace and to recognize and report scams, identity theft, and unfair business practices. Visitors to [NCPW.gov](http://NCPW.gov) can find information about a range of consumer topics, including managing credit and debt, staying safe online, stopping telemarketing calls, and the latest scam alerts.

"As our NCPW partnerships and outreach continue to grow, we encourage consumers to participate in their communities too," said Jessica Rich, director, FTC's Bureau of Consumer Protection. "Consumers can help by checking out our toolkit from the NCPW site, and sharing the materials with family and friends to help people be more informed."

NCPW partners and hundreds of community groups across the country host events to promote general consumer education or highlight a specific issue, such as a shred-a-thon to reduce the risk of identity theft.

Source: Reprinted from FTC

credit card insurance. Note that these are only estimates about the extent of victimization. Accurately determining the extent of white-collar crime remains a difficult task. In an effort to generate more consumer awareness about these offenses, the Federal Trade Commission recognizes National Consumer Protection Week each year. The White-Collar Crime in the News: FTC Announces Consumer Protection Week box above shows a recent press release describing the event.

Thus far, the extent of white-collar crime in the United States has been considered. To be sure, white-collar crime occurs across the globe. The 2014 PricewaterhouseCoopers Global Economic Crime Survey surveyed 5,128 business representatives from 95 countries across the world. Asking about whether their business experienced fraud, the survey found that 37 percent of the businesses reported experiencing fraud. Nearly one-fifth of the businesses experiencing fraud reported losses between \$1,000,000 and \$100,000,000. Two percent of the victimized businesses reported losses in excess of \$100,000,000. There is some indication that the amount of fraud occurring (or at least reported) varied across the globe. The amount of fraud reported in various regions was the following:

- Africa—50 percent
- North America—41 percent
- Eastern Europe—39 percent
- Latin America—35 percent
- Western Europe—35 percent

- Asia Pacific—32 percent
- Middle East—21 percent (PricewaterhouseCoopers, 2015).

While it is difficult to gauge the extent of white-collar crime, all indications are that these offenses occur with great regularity. The regularity of these offenses exacerbates their consequences.

**Table 2.3 Household Victimization Trends (12 months)**

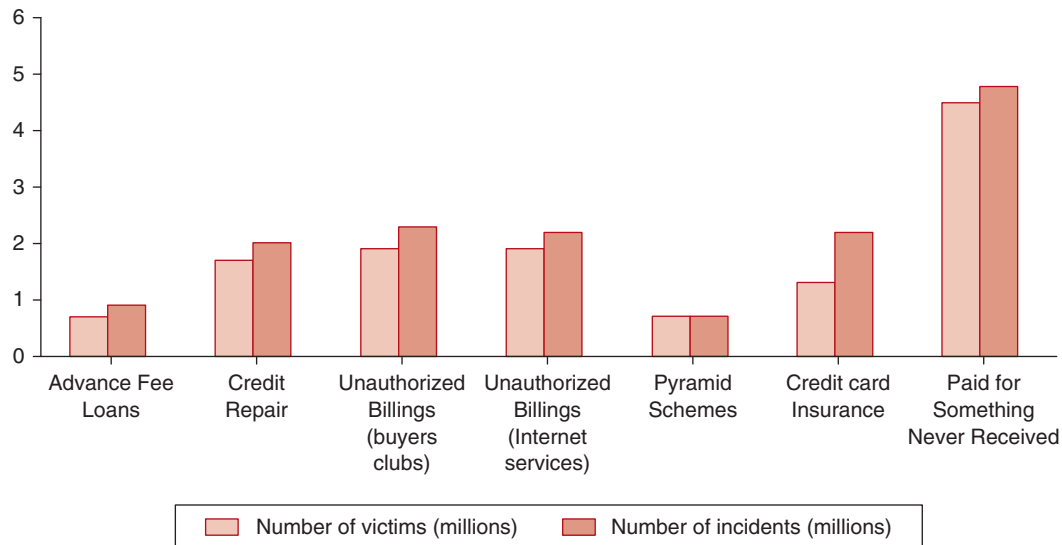
False stockbroker info	7.6%
Fraudulent business venture	9.7%
Mortgage fraud	4.3%
Unnecessary repair	22.3%
Monetary loss (Internet)	15.8%
Affected by national corporate scandal	21.4%
Credit card fraud	39.6%
Price misrepresentation	28.1%

*Source:* Adapted from Huff, R., Desilets, C., & Kane, J. (2010). *The national public survey on white collar crime*. Fairmont, WV: National White Collar Crime Center. Retrieved from <http://www.fraudaid.com/library/2010-national-public-survey-on-white-collar-crime.pdf>

**Table 2.4 Agencies Receiving Victimization Complaints from Victims**

Internet crime complaint center	.4%
Consumer protection agency	.8%
Personal lawyer	.6%
District attorney or state attorney general	1.3%
Better Business Bureau	5.1%
Police or law enforcement	18.8%
Perpetrating business or person	14.8%
Other	11%
Credit card company	30.9%
Banks	15.6%
Credit bureau	.6%

*Source:* Adapted from Huff, R., Desilets, C., & Kane, J. (2010). *The national public survey on white collar crime*. Fairmont, WV: National White Collar Crime Center. Retrieved from <http://www.fraudaid.com/library/2010-national-public-survey-on-white-collar-crime.pdf>

**Figure 2.2 Common Types of Consumer Offenses, 2011**

*Source:* Anderson, K. B. (2013, April). *Consumer fraud in the United States: The third FTC survey*. Washington, DC: Government Printing Office. Retrieved from [https://www.ftc.gov/sites/default/files/documents/reports/consumer-fraud-united-states-2011-third-ftc-survey/130419fraudsurvey\\_0.pdf](https://www.ftc.gov/sites/default/files/documents/reports/consumer-fraud-united-states-2011-third-ftc-survey/130419fraudsurvey_0.pdf)

## ● ● ● Consequences of White-Collar Crime

Crime, by its very nature, has consequences for individuals and communities. White-collar crime, in particular, has a set of consequences that may be significantly different from the kinds of consequences that arise from street crimes. In particular, the consequences can be characterized as (1) individual economic losses, (2) societal economic losses, (3) emotional consequences, (4) physical harm, and (5) “positive” consequences.

**Individual economic losses** refer to the losses that individual victims or business experience due to white-collar crimes. One way that criminologists have captured these losses is to compare them to losses experienced by victims of conventional crimes. A study of 554 major embezzlement cases active in 2013 found that the average loss was approximately \$1.1 million per case (Marquet, 2014).

By comparison, consider the following:

- The average street or highway robbery entails losses of \$871
- The average gas station robbery entails losses of \$1,026
- The average convenience store robbery entails losses of \$699 (Federal Bureau of Investigation, 2015b)

It is important to note that a small group of offenders can create large dollar losses. One study found that 27 white-collar offenders were responsible for dollar losses in the amount of \$2,494,309 (Crofts, 2003). Each offender stole an average of \$95,935. Other studies have also found large dollar losses as a central feature of white-collar crimes (Wheeler et al., 1988). In fact, Sutherland (1949) argued that white-collar crimes cost several times more than street crimes in terms of