Spring 2012

White Collar Crime and the United States' Economy

Megan Graham
University of New Hampshire - Main Campus

2012

White Collar Crime

This paper attempts to study white collar crime and its economic impact. A close focus will be given to areas often not looked at in enough detail when putting a price tag on white collar crime.

Megan Graham
University of New Hampshire
5/14/2012

Outline:

I. Intro paragraph/Thesis
II. Opening section
    a. Why there is a problem
    b. What the problem consists of
III. Blue Collar Crime Opening - money stats – show blue collar total cost compared to white collar
IV. Why we focus on blue collar crime instead
    a. Media attention
    b. More interesting to hear about
        i. Dramatic/Interesting
        ii. Dangerous
V. Blue Collar Analysis and what this means – Malden story
VI. White Collar opening section
    a. Enterasys example
    b. General statistics
    c. Police budgets – money allocation
VII. What costs make up the total cost?/Should make up total cost
    a. Court costs
        i. Discovery
            1. Discovery/litigation facts
            2. No limits – prolongs disputes = high cost
        ii. Expert witnesses - adds to overall cost of trial
    b. Lost money due to fraud/corporate failings, etc.
    c. Jail time
    d. Stock prices
    e. Consumer prices
    f. Job loss
VIII. Crazy Eddie scandal
IX. TJ Maxx example
X. Identity Theft comparison
XI. Discussion of overall conclusions
XII. Conclusion paragraph
XIII. References

White collar crime is a widespread problem that doesn't receive a lot of attention. It is often not dramatic, exciting, or interesting to hear about, and many people don't understand what white collar crime actually is. Everyone knows what a murder, robbery, or rape is, and can process these emotional events that evoke feelings of anger, disgust, and sadness within people of all ages and classes. Unfortunately, white collar crime does not have this same reaction. Securities fraud or corrupt loans do not stir up feelings of rage and disappointment in most people; more feelings of confusion instead. This often means white collar crime does not receive a big focus, both in the media and when crime prevention budgets are formed.

Blue collar crime is horrific, and deserves its fair share of focus, both in this paper and in society. It is expensive, emotional, and can ruin a person's life forever. The reason white collar crime is such a problem compared to blue collar or violent crime however, is because of its impact. Blue collar crime often only impacts one family or a small portion of a community. People in surrounding areas will most likely hear about a murder that takes place in Boston, all dependent on the media and local news coverage, but other areas probably don't even know it occurred. People living in Chicago are not going to be hearing about a Boston murder, it is not applicable and most people would rather hear about things that have a direct impact on their own lives. White collar crime has such a high financial impact on business and society that it becomes far more widespread. When a company shuts down due to a criminal act, there are jobs lost at all levels, as well as investors who lose money, upset consumers, and years' worth of litigation involved. The sheer impact of scandals such as AIG and Lehman Brothers is a great example. Almost everyone knew someone was affected by these corporate failings.

At the same time white collar crime is not receiving a proper focus and budget, its true cost is not being measured. There are huge ripple effects that stem from a white collar crime, such as job loss, stock price drops, consumer price increases, court costs, and jail time after conviction, never mind the actual cost of the crime itself. All of these ripples are extremely costly and after extensive research it is not clear they are not being fully accounted for in the total cost of white collar crime. This paper is intended to demonstrate the sheer number of people impacted by white collar crime, as well as the colossal monetary impact on business and society. The total cost is probably much higher than measured since it is so challenging to put a price on some of the ripple effects. Although impossible to truly capture the total cost of white collar crime and all aftereffects from it, the full impact on business and society is massive and warrants a more proportional resource allocation going forward.

Blue collar crime is defined as

> *"…A term given to criminal acts more likely to be committed by citizens of lower social class in society, such as those which inflict direct harm on the person or property of others…. For the most part, blue*-collar *crime entails whatever crimes are most immediately possible for a person to commit, those that are most often spurred by passion rather than those that require careful deliberation. Crimes against the person***,** *crimes against property, and many forms of victimless crime such as prostitution, gambling and drug abuse all tend to be classified as blue-collar crime. Blue-collar crimes are, for the most part, those that cause an immediate and highly visible injury to society…"* (Mojolaw.com).

Blue collar crime is expensive, costing roughly $14 billion every year (Veen). This seems like a lot of money, and until it is put into perspective with the cost of white collar crime, it seems as though the main focus of policing efforts should go towards blue collar crimes. Unfortunately, white collar crime costs roughly 14 times the amount blue collar crime does, or about 200 billion each year (Veen). Most people are unaware of this cost, and just choose to focus on blue collar crime. This begs the question, why do people care so much about blue collar crime? There is certainly a more dramatic side to it, as well as the horrific notion that something so bad, like murder, could happen to someone else, and the relief that it didn't happen to you. There is also the fact that the media encourages average citizens to focus on blue collar crime by displaying a disproportionate number of stories about it on television. Blue collar crime makes a better news story and draws more attention to the nightly news than dull stories of white collar happenings. Clearly the idea of gambling, drug abuse and robbery are much more exciting to hear about than corporate tax evasion or insurance fraud. So much time is focused solely on blue collar crime that it is not surprising many people don't even think of white collar crime as being relevant to their lives. Flip on the television at night and it is full of the latest stabbings, robberies, and murders. ABC's news for March 26th, 2012, includes at least six headlines on their home page relating to murders, drugs, and gunfights, but not one major headline relates to white collar crime of any sort.

Furthermore, with all of media sensation surrounding blue collar crime, the public gets a skewed perception of crime rates and societal dangers. This causes them to demand attention towards prominently displayed news events that are isolated, albeit dramatic and frightening, rather than towards something that might affect their lives much more closely. A Los Angeles study on how local television news programs report injuries and deaths from traumatic causes was conducted in 1997 and showed surprising results. Table 1 on the following page shows the wide reporting discrepancies that occur involving blue collar crimes and other disasters. The 'Homicides and assaults' category, for example, had an actual death count of 307; 97.7% of which were covered on television (McArthur). This means people are hearing about a murder or assault almost every day when watching nightly news, because close to 100% of the crimes that

Table 1

Number, percentage, odds ratio (ORs), and 95% confidence intervals (95% CI) of actual deaths and local television news coverage of deaths by cause, Los Angeles, California, November 1996 and March and May 1997[*]

ICD category[†]	*Actual deaths, no.*	*Production shown, %*	*OR*	*95% CI*
Motor vehicle traffic accidents	216	63.9	0.65	0.59-0.72
Air transport and other vehicles	3	100.0	1.02	1.01-1.04
Accidental poisonings	129	3.9	0.04	0.02-0.09
Falls	56	12.5	0.13	0.06-0.26
Fires	14	100.0	1.02	1.01-1.04
Natural or environmental factors	1	100.0	1.02	1.01-1.04
Submersions	26	26.9	0.28	0.15-0.52
Other accidents	31	6.5	0.07	0.02-0.25
Suicides and self-inflicted injuries	188	5.9	0.06	0.03-0.11
Homicides and assaults	307	97.7	‡	
Legal interventions	2	100.0	1.02	1.01-1.04

*Deaths from incidents classified as railway, motor vehicle nontraffic, watercraft, and injury undetermined whether accidentally or purposefully inflicted are not included because the total number of both actual and portrayed deaths in these groupings was too small for statistical analysis.
†ICD-9 = *International Classification of Diseases, 9th Revision, Clinical Modification.*[10] See text for relevant codes.
‡Referent.

are committed are being reported. The public certainly has a right to know these events are happening, but shouldn't be led to think they are occurring disproportionately to other events. Other categories didn't rank near as high, such as accidental poisonings, coming in at just 3.9% reported, or suicides and self-inflicted injuries, with only 5.9% of those being reported on nightly television (McArthur). From this data it is clear the public is getting a skewed representation of what events happen on a daily basis, instead of an accurate portrayal of all types of events that occur. Homicides and assaults are obviously overrepresented based on this study, which dramatizes them and brings them into the home on an almost nightly basis for people. The primary findings from this study are paraphrased nicely by the author, who says:

> *"The primary focus of local news is on events with high visual intrigue—eg, air crashes, homicides—and stories about deaths and injuries with lesser visual content are rarely shown. In addition, many of the causes of deaths and injuries emphasized by local television news tend to have high relationships to crime, real or inferred, and those that*

are de-emphasized have a much lower likelihood that a criminal act was involved" (McArthur).

With these skewed news story production results shown, it is obvious why the public often has violent crime as a main concern; it is constantly and consistently thrust upon them at a much higher ratio than other incidents.

Mediascope, a non-profit media research and policy organization, found "market research suggests that stories of crime and violence increase newscasts' ratings" (PBS). Because of this, news stations often go with the "if it bleeds, it leads" motto. Just because they do, however, doesn't mean the public has to pay attention to it. Unfortunately, it comes down to a psychological response as well. Dramatic stories grab attention instantly, and people keep watching in hopes to hear more and just to be glad the murder or assault didn't happen to them. This has a very negative effect on people, however, as well as leading them in the wrong direction regarding budget allocation towards crime. Deborah Serani, a psychologist, says that children and adults who are exposed to media are more likely than others to do four things:

- *Feel their neighborhoods and communities are unsafe*
- *Feel crime rates are rising*
- *Overestimate their odds of becoming a victim*
- *Consider the world to be dangerous*

If people are walking around feeling unsafe and wary about violent crime, they are more likely to demand police resources go towards preventing these crimes, and less likely to focus on the shocking effects of white collar crime.

Often times, in real-life examples, blue collar crime is the type that gets reported, while the white collar aspect is what makes a large monetary effect. In Malden, Massachusetts, a small convenience store was planning to close after being open for 14 years due to countless robberies, two of which took place in the last week. The owner, Dharam Jain, and his part-time employee had been held up at knife and gunpoint too many times. The employee quit, and Jain decided to close up shop. The media caught wind of the story and broadcast it on the nightly news on April 5th, 2012 (NECN.com). During the filming of the news story, with the mayor of Malden on scene, a robbery took place directly outside. The mayor scheduled a meeting with Jain the following day, in an effort to rectify the situation. A follow-up April 8th, 2012 story reported in the *Malden Patch* said that Jain is currently reconsidering closing the store due to the mayor's response to the crimes (Caesar). This story is telling because it captures blue collar crime with white collar effects. The primary focus here is the blue collar aspect; the threat of violence and the owner's story of the robberies. Because of this, however, people will be scared to shop at the store and hesitant to work or open a business in the area due to the high volume of robberies. This causes a net result of lost store revenue, lost jobs, a vacant property no longer producing tax revenue and an opportunity for criminal activity, as well as surrounding homes losing value due to the news coverage. What starts as a blue collar crime with little monetary loss except for what is stolen from the cash register or in the form of products, quickly leads into a whole range of other problems, all of them extremely expensive with long term effects. This story perfectly captures the differences between white and blue collar crime. One is not more important than the other, but the massive societal and financial impact of white collar effects from this crime, and others, deserve a closer look.

The data on blue collar crime shows it is severely exaggerated to the public and is changing their outlook on the world. Arguments are constantly being made for blue collar crime prevention, public safety, and harsher punishments for convicted criminals. All of this is obviously necessary in society, and always will be, but there is a whole different type of crime out there that is not getting the proper focus. The purpose here is not to change what is reported in the media, but to show that blue collar and violent crimes have such a strong presence in the media and in everyday life, but so little economic effect, that a greater focus needs to be on what is causing more destruction to the economy: white collar crimes.

A somber courtroom listens to the verdict read on July 5th, 2007. Guilty. Four former Enterasys Networks' employees are sentenced to federal prison after a six year scandal. Enterasys is a spin-off of the once well-known company: Cabletron. They are located in Andover, MA, and their major products include computer networking and security products. Unfortunately, in 2001, in order to make themselves look better on Wall Street, executives began making side deals and backdating contracts (Taub). They were caught, and many executives had to answer for the crimes. Four top executives were charged with:

> *"…Securities fraud and conspiracy charges that stemmed from a scheme that involved altering and backdating contracts and entering into secret side deals. They also were charged with making false representations in filings to the Securities and Exchange Commission in company press releases, and to the company's outside auditors, according to the Justice Department's original indictments"* (Taub).

Other executives forged plea bargains. The four that were convicted received harsh punishments in the form of jail time: former CFO, Robert Gagalis, was sentenced to 11.5 years, former Senior

VP of Finance, Bruce Kay, received 9.5 years, while Asia Pacific region Comptroller Hor Chong "David" Boey was sentenced to 3 years and accountant Robert Barber was sentenced to at least five years (Gardner). Unfortunately, the after effects of this scandal were much greater than just four former executives going to prison. Cabletron's stock was once $214/share. At the low point, it was less than $1/share (Gardner). Public investors lost at least $97 million (Gross). By 2005, just a short time away from the beginning of the trial of the accused executives, Enterasys lost $11 million dollars in one quarter and planned to cut more than 300 jobs, or about 30% of its workforce (McCord). Enterasys eventually got bought out by The Gores Group and Tennenbaum Capital Partners at the end of 2005, having only recorded one profitable quarter in five years (Leyden). The former billion dollar company admitted defeat.

This is the perfect example of a white collar crime. It involves "behind closed doors" deals taking place in executive offices while regular employees keep their heads down and do their jobs. Stock price drops occurred, as well as significant job loss. The company barely recovered, and is nowhere near the billion dollar company that Cabletron once was. Unfortunately, it is obvious that the four fraudulent executives that are now in jail are not the only ones that suffered. The 300 employees who lost their jobs and the public investors who lost more than $97 million suffered greatly due to the after effects of these crimes. White collar crime doesn't stop with the guilty going to jail; it spirals outward and affects many people. The cost of the Enterasys Networks scandal is massive and hard to measure, which is just a small glimpse into how difficult it is to measure all white collar crime and get an accurate representation of the people affected and how much it cost them. This analysis aims to look at white collar crime in terms of all of the issues Enterasys had, as well as some other popular costs associated with this type of crime.

In 1939, white collar crime was only defined as "…Approximately as a crime committed by a person of respectability and high social status in the course of his occupation" by Edwin H. Sutherland, a sociologist (Sable). Today, the United States Department of Justice 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 the payment or loss of money or services; or to secure personal or business advantage."*

It is extremely hard to measure the total cost of white collar crime, due to a few reasons. First of all, white collar crime encompasses many different types of crime, and those areas are debatable. A more complete definition of what white collar crime entails, from Cornell University Law School, says:

> *"The most common white-collar offenses include: antitrust violations, computer and internet fraud, credit card fraud, phone and telemarketing fraud, bankruptcy fraud, healthcare fraud, environmental law violations, insurance fraud, mail fraud, government fraud, tax evasion, financial fraud, securities fraud, insider trading, bribery, kickbacks, counterfeiting, public corruption, money laundering, embezzlement, economic espionage and trade secret theft."*

Under the traditional Summary Reporting System, which works through the National Incident-Based Reporting System white collar crime is only measured based on fraud, forgery/counterfeiting, embezzlement, and all other offenses (Barnett). "…The *all other offenses* arrest category is very limited in its ability to measure the white-collar offenses included in its counts. This is due to the inability to differentiate the white-collar offenses from the others that also fall into this category" (Barnett). So although there is a detailed definition from Cornell University Law School, when the government actually measure white collar crime they measure based on fraud, forgery/counterfeiting, embezzlement, and an "all other offenses" category, which seems to be ineffective. This immediately creates some discrepancies because no one is sure what should be defined as white collar crime. Because of this, the United States has a problem getting a sense of its true cost, both monetarily and to society. The numbers measuring white collar crime are all over the map:

> *"…The cost is over $44 billion per year for fraud based white collar crime just in the United States"* (Gunter).
>
> *"W. Steve Albrecht, a professor of accountancy at Brigham Young University, estimates the cost of white-collar fraud to be $200 billion a year"* (NYTimes).
>
> *"…Monetary estimates from the Federal Bureau of Investigation and the Association of Certified Fraud Examiners approximate the annual cost of white collar crime to be between $300 and $660 billion"* in 2005.

These numbers make it clear that no one is quite sure the extent of white collar crime costs, probably because no one is quite sure what exactly makes up white collar crime.

In addition to knowing what types of crime fall into the white collar category, it is important to know what the 'total cost' consists of. The varying numbers suggest there are many different ways to encompass the total cost, and many different variables that could factor into it. It is unclear if the total cost consists of court costs, jail costs, lost jobs, consumer price increases, lost savings, and falling stock prices. There are no clear statistics detailing what figures go into making up this 'total cost'. The following sections aim to study the effects of white collar crime, how much they cost, and make a case towards a greater focus on white collar crime.

The budgeting of white collar crime versus violent crime is an important overall factor to this analysis. Since non-violent crimes do not attract a lot of media attention, the budget for police departments mostly focuses on violent crimes. In an interview with Law Professor John Poulos conducted by Marla Playte at the University of California, Poulos is quoted saying "Our society's paradigm of criminal law is violent crime and given the choice, enforcement dollars are usually spent on violent crime rather than white collar crime. I think that is a mistake". In Frank E. Hagan's book, Introduction to Criminology, he writes:

> *"We are not letting the public in on our era's dirty little secret: that those who commit the crime which worries citizens most—violent street crime—are, for the most part, products of poverty, unemployment, broken homes, rotten education, drug addiction, alcoholism, and other social and economic ills about which the police can do little if anything. . . . One may well wonder why such small budgets and professional staffs are established to deal with business and corporate crime when billions of dollars are willingly spent on ordinary crime control, including 500,000 policemen, along with tens of thousands of government prosecutors and officials".*

Clearly, better resource allocation is needed to rectify the discrepancy between blue collar focus and the actuality of white collar crime. As stated above, it is nearly impossible for police to stop violent crime, which is often a product of the environment, yet billions of dollars is thrown at the problem to make it go away. "The total cost of all American Bank robberies in the last 100 years is less than the cost of…a single corrupt [Savings and Loan]" (Rosoff, Pontell, & Tillman). The facts are clear; the police resources are being severely misdirected.

The Boston Police Department is an excellent source of data to compare white collar and blue collar crime. Being such a popular city for businesses, with huge companies such as Fidelity Investments, Liberty Mutual, State Street Corporation, and EMC making a profound effect on the Boston economy, as well as some areas where blue collar crime is likely to be higher, such as Dorchester, Roxbury, or Mattapan, both types of crimes are likely to happen fairly regularly. After contacting the Boston Police Department, the answer received regarding their budgeting does not look good for white collar crime; media relations sent an email saying:

> *"…Unfortunately, the Boston Police Budget is not broken down according to the crime. The Boston Police Department receives a budget and the funds are disseminated to where and when needed, whether for technology, overtime, equipment, recruit class, etc. Some crimes may require more time than others, depending on the facts of the case."*

While this could mean that any department receives the bigger chunk of the budget, after researching the media and public focus on blue collar and violent crime, as well as other statistics that say white collar crime receives a smaller budget, it seems fairly obvious that white collar crime isn't getting its fair share, even in a huge city such as Boston where many large firms operate. Since the public and the media focuses primarily on violent and blue collar crimes, public pressure probably forces the budget chiefly towards these areas and away from the non-dangerous crimes such as corporate crime. The fact that the Boston police department doesn't even break down its budget to track where the money is going is a huge problem. They have no idea what percentage is being allocated to violent crimes, corporate crimes, or department overhead.

Now that it's clear white collar crime exists, but is not receiving equal media attention or as much of a budget as it deserves, and costs the United States a huge sum of money each year, it is time to focus on what actually goes into this total cost of white collar crime. The amount of money that white collar crime costs each year is astronomical, but that number is not making a big enough effect on people. This section of the paper attempts to analyze some of the major ripple effects of white collar crime and perhaps make it a little easier to understand why it is so expensive, and why there needs to be a bigger focus on prevention. Overall, it is unclear if the FBI is taking into account all ripple effects related to fraud, forgery/counterfeiting, embezzlement, and the "all others" category, such as court costs, job loss, stock prices, and housing these criminals once convicted. The government is most likely only looking at the money lost due to the actual fraud or counterfeiting event, without looking at some of the ripple effects that happen after the fraudulent even occurs. Regardless, these areas need to be studied and understood if the United States hopes to prevent future white collar crimes.

The first area that needs to be looked at is the actual crime itself; how much money was stolen, embezzled, misrepresented, etc. This number is most likely the number that the government looks at when they attempt to sum up the total cost of white collar crime. From different estimates, cited above, this number is roughly $300 billion. There are obviously many small white collar crime scandals that contribute to this total, but the reason people are committing white collar crime is not usually for a few hundred dollars; it's because the profits are huge, and therefore irresistible. "One study found that the average embezzlement costs the victim $1,000,000…To put it in perspective, one white-collar offender cost his victims more than

3.5 times as much as all conventional offenders combined" (Payne). Each type of white collar crime is going to have a different average cost, because each is a vastly different crime. A single identity theft is a lot different from a corporate embezzlement over a period of years, but each crime comes with its own victims and consequences in the form of ripple effects, many of which are outlined in the sections below.

The first category that is very important to the overall cost of a white collar crime is the litigation of the accused, whether it is a person or corporation. Litigation for any crime is an extremely expensive process, and that process gets even pricier when it involves discovery costs, expert witnesses, and lengthy trials with a team of lawyers all billing by the hour. A study on identity theft done in 2002 reported that the Secret Service and the FBI estimate the average cost per financial crime investigation is between $15,000 and $20,000 (Identityrestore.com). According to the Attorney General's office, the average cost to prosecute a non-violent criminal is $28,000 (Dwyer). Multiply these numbers by the number of white collar crime convictions each year, which has grown significantly since 2002, and that number jumps into the millions.

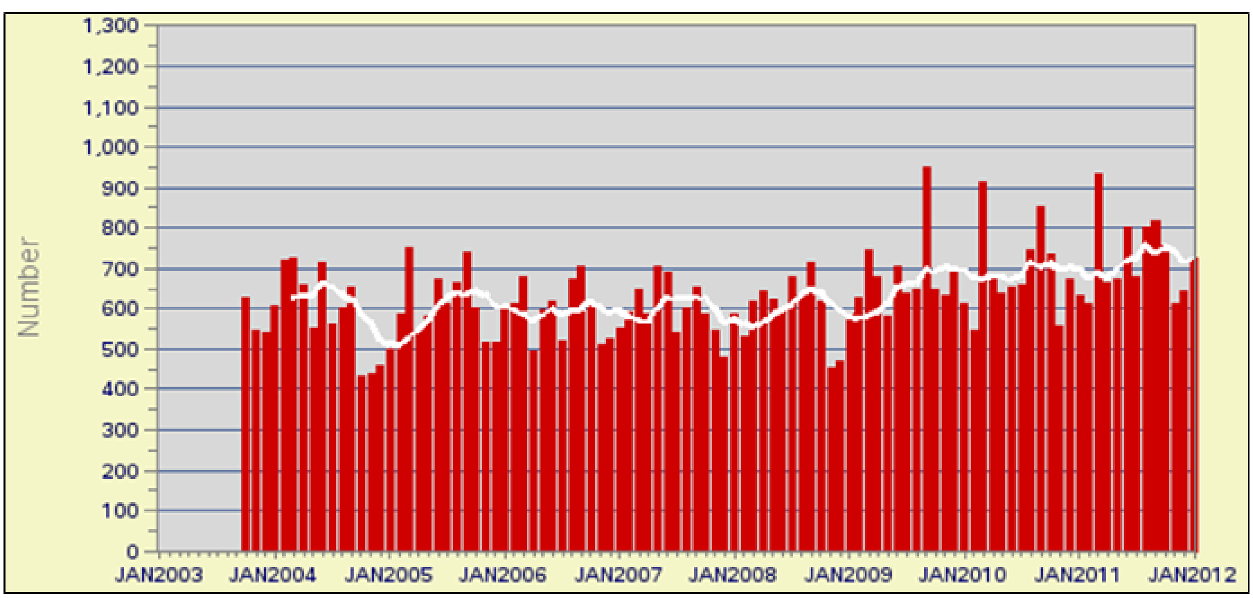


Figure 2: White collar crime convictions month-by-month comparison

Looking at the chart on the previous page, there was an average of roughly 750 white collar crime convictions per month, equaling about 9,000 for the year 2011, that were filed in U.S. Magistrate Courts or Federal District Court. This means the amount of money the U.S. government pays out to prosecute these criminals equals about $252 million each year.

Looking deeper into the costs of litigation related to white collar crimes, there are two routine areas of a trial that stand out particularly as being extremely costly and taking a long period of time either outside or in the courtroom. One of these processes is discovery. Before a trial begins, each side receives a discovery period in which they get to require the other side to disclose information that is necessary for the preparation of the case. Unfortunately, the discovery period has turned into an extremely long and arduous process. “There is a strong temptation for opposing attorneys to engage in a discovery arms race in which each side tries to outdo the other in the scope of their requests for information” (Pate). This causes a longer trial, putting a greater burden on the system and contributing to the massive cost of a trial. “When it comes to electronic discovery, the only limitation to retrieving information may be the amount of money required to retrieve it, and opposing attorneys have little incentive to save each other money. Rather, they may use the cost of the discovery as a means to induce a settlement in their favor” (Pate). This battle between attorneys means everyone pays more money, the system is burdened, and the economy suffers. The government receives some third party effects of expensive litigations as well:

> *“In a case involving the Federal National Mortgage Association (Fannie Mae), a third party government agency spent more than $6 million trying to meet the individual defendants' discovery requests. Despite hiring more than 50 contract attorneys and spending more than 9% of its entire annual budget on the discovery requests, the third*

> *party Office of Federal Housing Enterprise Oversight was nonetheless sanctioned for failing to meet its discovery obligations, and the sanctions were upheld on appeal"* (Pate).

With rising litigation costs, this situation is not going to get any better. According to a 2009 Litigation Trends Survey, 53% of respondents said annual litigation costs, excluding settlement costs, exceeded $1 million, up from 43% in 2008. As these numbers keep going up the system becomes more burdened, other costs keep rising, and the government will continue to bear a third party effect.

The other part of a trial process that is extremely expensive involves expert witnesses. "An expert witness is someone who is recognized by a court as an authority on a topic who has knowledge beyond that accessible to the average person…These witnesses can be questioned by both the defense and the prosecution, and the opposing side may opt to bring in an expert witness of its own to rebut the testimony of the original witness" (Wisegeek.com). Expert witnesses are usually expensive to retain, and the process of finding them is often long and drawn out. For white collar crimes, however, expert witnesses are extremely important. A solid testimony from an authority on the topic at hand can easily swing a jury. Blue collar cases do not have such arduous expert witness processes because the trials usually do not involve topics a jury would be confused about, such as health care fraud or financial schemes. "Big [white collar] cases typically have multiple experts giving their opinion on the same topic as attorneys for both sides seek safety in numbers. This not only adds to the duration and cost of the discovery process but also to the trial" (Pate). Overall, the discovery process and the expert witness part of the trial are extremely expensive and often have effects on third parties such as the federal government. All of this should contribute to the overall cost of white collar crime, and makes it obvious why that number is in the billions. White collar crime is extremely complex, so when it goes to trial the process is long and expensive, and has a greater economic effect than a blue collar crime case.

Another area that is often ignored when looking at the total cost of white collar crime is jail time for those convicted and sentenced. “The average sentence for pleas in white collar cases was 21 months and those that went to trial had an average sentence of 62 months” (Podgor). In order to calculate the total dollar amount it costs to house these criminals each year, their sentences need to be multiplied by the average cost of housing a criminal per month. According to a study done on prison spending, it costs more than $82,000 per year to house a non-violent criminal (Dwyer). This yearly cost breaks down to about $6,833 per month. This means that it costs an average of $143,493 per person who takes a plea bargain, and an average of $423,646 per person whose case went to trial. From the chart on page 15, the data shows there was an average of roughly 750 white collar crime convictions per month, equaling about 9,000 for the year 2011. If the numbers show for 2011 that 93.5% of cases had a plea and 6.5% went to trial, this means a total of 8,415 cases had a plea, while 585 went to trial (Podgor). This equates to a total of $1.2 billion for plea cases and $248 million for those that went to trial, equaling a grand total of 1.45 billion to house these prisoners each year. This is a lot of money, on top of the money already lost due to the crime committed, that citizens have to compensate for because of white collar crime.

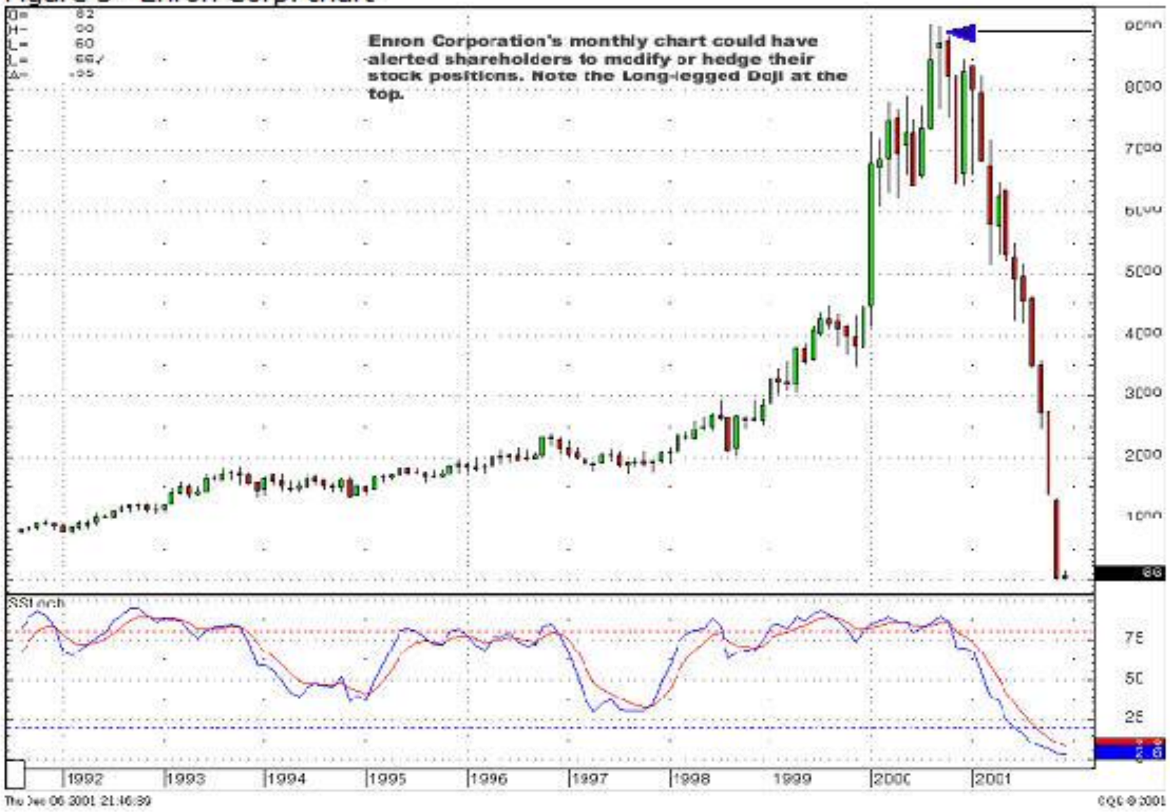
Litigation costs and jail costs are both important ripple effects that stem from white collar fraud, but stock price changes might be one of the biggest monetary risks due to the sheer amount of investors involved in a large, public company. The best way to show this is through a popular example: Enron. Most people are familiar with Enron, and the resulting scandal that destroyed the company. Enron was founded in 1985 as a Texas based oil pipeline company.

They later expanded to an energy broker company, trading in electricity and other energy commodities. In effect, Enron became the middleman between power suppliers and power consumers. Unfortunately, they began to get a little power hungry and greedy with their liaison position:

> *"…Instead of simply brokering energy deals, Enron devised increasingly complex contracts with buyers and sellers that allowed Enron to profit from the difference in the selling price and the buying price of commodities such as electricity. In order to service these contracts, which were becoming increasingly speculative due to the instability of unregulated electricity prices, Enron executives created a number of so-called "partnerships"—in effect, "paper" companies whose sole function was to hide debt and make Enron appear to be much more profitable than it actually was"* (Libraryindex.com).

Unfortunately, Enron got caught and had to file for bankruptcy protection on December 2nd, 2001, listing $38 billion less in assets than they had reported just two months earlier. On October 16th, 2001, Enron's stock price was $34 per share. By the time they filed bankruptcy on December 2nd, the price was only pennies per share (Libraryindex.com). The chart on the following page demonstrates the quick drop their share price took between early 2000 and late 2001. Also concerning, Enron executives prevented employees from cashing in their stock in late October 2001, before the value dropped even more. The total value of Enron's stockholders' equity was reduced by $1.2 billion (Libraryindex.com).

Figure 3 - Enron Corp. chart



While a rather obvious example, Enron's scandal perfectly captures the falling stock price, the resulting loss of stockholders' equity that happens when a corporate crime is committed, and yet another ripple effect of white collar crime.

A slightly more recent example of a company involved in fraud and losing money for shareholders happened in 2005, with now well-known company, AIG. The problems started back in 2000 and 2001, when AIG worked out a deal to bolster their loss reserves with a finite reinsurance contract. Prosecutors argued this was a scam, and a jury agreed that there was no genuine reinsurance and no risk of loss in the transaction, so AIG improperly accounted for it (Levine). In 2005 prosecutors began to figure out the scam, and news articles leaked about the investigations. Stock prices started declining, as is evident in the chart on the following page.

Figure 3: AIG stock price from 2005 - 2009

By autumn of 2008, it was evident AIG was in a lot of trouble, and an $85 billion takeover by the federal government was about to occur. AIG's stock price plummeted, costing investors billions (Karnitschnig). While the stock price was once close to $1500, it currently resides at around $32 today after a major dip in 2008. For a private investor who bought 10 shares in 1995 at $327/share, for a total of $3,270, they would have been worth a high of roughly $19,000 in 2000. If the investor continued to hold onto these shares until the end of 2008, they would be worth a grand total of $388. Although this is the risk an investor takes when buying stock, it is unfortunate that because of a scandal and through no fault of his own, the investor suffers. He believes the company is running a legitimate, and very profitable, business, and invests his money accordingly, only to realize later that AIG is running a huge scam.

Another example from the same time frame, but one that did not receive a government bailout, is Lehman Brothers. On September 14th, 2008, the investment bank announced it would file for liquidation after losses in the mortgage market, a complete loss of investor confidence, and no buyer. Lehman's undoing was mostly due to the result of bad mortgage holdings that were concealed with shady accounting practices (Nytimes.com). Looking at the following chart, it is obvious that when the scandal emerged, the business quickly fell. The stock price dropped from over $80 per share at the beginning of 2007 to just pennies per share by the end of 2008.

Figure 4: Lehman Brothers Holdings Inc. stock price from 2006 - 2012

Similar to the investor in the AIG example, if the same investor bought 10 shares of Lehman Brothers stock in 1995 for around $4/share, or a total of $40, that stock would eventually have been worth a high of $820 in 2007. By the end of 2008, the 10 shares would only have been worth a total of $0.3. Investors lost billions, and this example proves yet again that the severity of white collar crime does not stop at the crime itself, but spills over into big investor losses as well.

It is already obvious that consumers pay the price for white collar crime in both a direct and indirect way. Perhaps the most direct way consumers suffer the consequences is by paying higher prices. A common place where this happens is through a very simple concept that most people are aware of: tax evasion. No one, businesses and consumers alike, enjoy paying taxes. Everyone is constantly looking for tax breaks or ways to get around paying. Unfortunately, however, corporate tax evasion results in a lot of missing money for the government, and bad effects for consumers. When multi-million dollar corporations hide their money in secret, illegal bank accounts to avoid paying taxes, consumers often must make up the difference in the tax burden with increased rates (Dininni). A billion dollar corporation must pay a huge amount of taxes compared to a single consumer, so the missing revenue effectively gets spread out to many consumers in small amounts. This isn't fair to consumers, who are forced to pay the billions of dollars in lost tax revenue. If more regulation was put on corporations to follow the rules, and more effort into finding these hidden accounts, consumers would see benefits of lower tax rates.

Another area where consumers often pay higher prices because of white collar crime is in the health care sector. Health care costs have been on the rise, due to health care insurance fraud. About 3% of all health care spending, which equals about $68 billion, is lost to health care fraud (Articlesbase.com). The FBI estimates this number could be as high as 10%, and is only expected to rise as the baby boomers age. As health care fraud rises, consumers will have to pay higher premiums to replace the money that is lost in the system (Articlesbase.com). "Businesses and consumers are not only losing financially; People are losing lives and savings, their health is put in danger, the cost of everyday goods are higher, honest people are losing their jobs and honest businesses are losing money" (Articlesbase.com). This is a different concept than investor losses, because not everyone chooses to invest in the stock market, but almost everyone chooses, if capable, to purchase healthcare in some form. It is extremely unfair to have high premiums in order to build in a 3% - 10% loss due to fraud. No law abiding citizen should have to pay for the actions of a criminal, yet they do every time they pay a higher premium for health care.

Although housing prices have dropped since 2008, before the market crash there were some horrific scandals going on in the housing market, resulting in higher home prices. In the 2000s, one of the largest home builders in the nation, Beazer Homes, got prosecuted for mortgage fraud. "Investigators found that Beazer had been offering a lower mortgage rate if buyers paid an extra fee, but then not giving them the lower rate. And it was enticing homeowners by offering down payment assistance, but not disclosing that it then raised the price of the house by the same amount" (Morgenson). In 2007, Beazer's audit committee hired a law firm to conduct an internal investigation. In 2009, a deal was reached, with Beazer agreeing to pay consumers and the government about $55 million, as well as another $55 million to the law firm (Morgenson). Fortunately, in this case, the audit committee recognized the scam and hired the law firm, making sure justice was served in the form of repayment, both to the consumers and to the government. In many cases, the scam does not get reported, or gets swept aside, and the money is never seen again. More of this honest auditing and prosecution is needed, even if the criminals do not end up going to jail.

Job loss is a devastating effect from corporate crime, and unfortunately it is most often the innocent that suffer the biggest loss. Obviously the employees committing the fraud deserve to lose their jobs, but what about the innocent guy who shows up to work each day, does his job well, and collects his pay check at the end of the week to bring home to his family? There are hundreds of examples of job loss to innocent people when corporate crime is committed, including the Enterasys Networks example mentioned in the beginning of this section. The biggest examples always make headlines because they are so disastrous, and WorldCom was no exception. WorldCom declared bankruptcy in July of 2002, after getting caught for fraudulent bookkeeping, overvaluing acquisitions, and claiming a $7.6 billion pretax profit for the year 2000, when in reality they had lost $48.9 billion (Romar). When the company reemerged as MCI, they were down by 33,000 jobs. The majority of the 33,000 people were not doing anything wrong; just showing up to work every day and thinking the company they work for was doing billions in sales and emerging as a market leader. Unfortunately, the job problems did not stop with WorldCom, but spread throughout the entire industry. WorldCom was a telecommunications company, so when they touted sales in the billions, other companies planned and benchmarked off of them. AT&T, in particular, was hit especially hard. "According to Michael Armstrong, then chairman and CEO of AT&T, 'For some period of time, I can recall that we were back-filling that expectation with laying cable, something like 2,200 miles of cable an hour.' He adds: 'Think of all the companies that went out of business that assumed that that was real'" (Romar). Overall, the entire telecommunications sector hit an eight year low after the fall of WorldCom. Since March 2001, roughly 300,000 telecommunications workers lost their jobs, with major corporations such as Lucent Technologies, Nortell Networks, and Corning suffering job losses and reduced share prices. In December of 2005, AT&T no longer existed as an independent company (Romar). WorldCom is a particularly interesting case when studying white collar crime, because while a job loss of 33,000 is a ripple effect of WorldCom's corporate crime, that ripple effect created other job loss ripples within the entire telecommunications industry. The devastating cost of this is impossible to sum, although the total must be in the billions. There is no punishment or amount of repayment that can begin to cover the losses from this crime, and the losses that spread out from that.

Tyco is another company where thousands of jobs were lost, many people suffered, and repayment was not substantial enough to cover the complete loss. Tyco is a highly diversified global manufacturing company. They were incorporated in Switzerland, but have a strong presence in the United States as well. In 2005, Dennis Kozlowski and Mark Swartz, former CEO and former finance chief respectively, were prosecuted on 22 counts of grand larceny, falsifying business records, securities fraud, and conspiracy (Msnbc.com). Together, they stole around $600 million from the company, living lavishly on the money with things such as a"…$2 million toga birthday party for Kozlowski's wife on a Mediterranean island and an $18 million Manhattan apartment with a $6,000 shower curtain" (Msnbc.com). Their restitution, surprisingly, was only $134 million, as well as an additional $70 million for Kozlowski and $35 million for Swartz, despite thousands of people losing their jobs and pension nest-eggs (Msnbc.com). In November 2003, just a little over a year after Kozlowski came under fire for fraud, Tyco announced a restructuring effort that would cut 7,200 jobs (Answers.com). This means 7,200 more people wanting to collect unemployment, potentially not having healthcare, and potentially defaulting on bills and mortgages. Although not as great a loss of jobs as WorldCom, still a significant amount of people suffered due to poor choices made by a few executives.

In the same time period, Adelphia, one of the nation's largest cable firms, also dealt with job loss due to corporate fraud. Adelphia was founded in 1952 by John Rigas, and later joined by his sons Timothy and Michael (Msnbc.com). In 2002, Adelphia disclosed financial problems, and in July of 2004 John and Timothy Rigas were convicted on 15 counts of securities fraud, as well as other counts. Both face 30 years in prison (Msnbc.com). Roughly 300 jobs were lost at Adelphia, and many jobs were absorbed by Time Warner only as "transitional employees", meaning their jobs could be terminated at the end of a transitional period (Satelliteguys.us). Although this is not as big a job loss as WorldCom or even Tyco, a loss of 300 jobs, plus the potential for more after a transitional period, is significant, and caused great dismay for many within the company. This costs the country more money in unemployment, healthcare and lost productivity.

From this section of the paper focused on job loss, it is demonstrated that most corporate crime is committed by top executives, but the effects are widespread and greatly felt by employees. In each case, only a few executives committed the crime and faced charges, but thousands of employees lost their jobs and had to deal with the aftermath of that. When a job is lost there is unemployment that must be paid, families often need to relocate to find another job, bills go unpaid, mortgages fall through, and dozens of other problems occur. The country also loses the productivity of a once employed person, who becomes a strain on the system, instead of a productive member of society, until he finds another job. Often times the amount of money all of these effects adds up to is so great that the court cannot order the convicted criminals to pay it all back. The amount is inconceivable. These costs ripple out so much that the full cost is not measurable by anyone. A job loss is never good for the economy; a healthy economy needs low unemployment and high productivity.

Unfortunately, the combined ripple effects of the crime itself, as well as court costs, jail time, investor losses, higher consumer prices, and job loss, means that the United States has no idea what the full cost of white collar crime really is. There is no feasible way to measure many of the ripple effects, such as the hardship on a family that had to move to find new jobs. There are small ripple effects on blue collar crimes, but none as widespread as white collar. These types of crimes involve huge amounts of money, making them attractive to executives, but devastating when they fall apart. Big money means severe consequences, and places like Enterasys Networks are still cleaning up from the scandals. Restitution can never be enough to completely cover the losses, and that makes corporate crime extremely dangerous. After the AIG scandal, the U.S. economy went into a recession that is just finally beginning to ease. Money is powerful and dangerous, and when misused can have disastrous effects.

While a number of examples have been covered so far, truly the best way to show the sheer impact of white collar crime is through more illustrations. The following account was told by Sam E. Antar, the cousin of Eddie Antar, in what has come to be known as the “Crazy Eddie

Scandal". The scandal occurred in the 1970s and 1980s had an enormous impact on many people. In the 1970s, an electronic store called Sights and Sounds operated in Brooklyn, New York. Back in the 1970s, electronics operated under a fair trade law; meaning manufacturers required retailers to sell their products for the same price to avoid price competition. Unfortunately, big chain stores with lots of advertising were able to attract most of the sales, making it harder for smaller stores, such as Sights and Sounds, to compete. The owners, Eddie Antar and his father Sam M. Antar, bought excess merchandise from other retailers and grey markets in order to sell it at discounted prices to consumers and circumvent the fair trade laws (Antar). In 1972, fair trade laws were removed and Eddie Antar was looked at as a hero for rebelling against the system and ultimately contributing in the removal. The name of the store was changed to "Crazy Eddie" and business began to expand rapidly. It was at this point that the fraud began to pick up more rapidly as well. "There was a culture at Crazy Eddie that said nothing should go to the government. Cash sales were routinely skimmed to steal sales taxes and avoid paying income taxes. We did not want to support the government with our tax dollars. It did not deserve our hard earned money" (Antar). As Crazy Eddie stores slid down this slippery slope of deceit, there was no going back to a legitimate business.

As the years went by, Eddie and Sam Antar had to develop other ways to keep their profits high. As they were known for their extremely low prices, they had to figure out ways to still make a profit while bringing in an extremely low margin on products. The following shows the complex ways Crazy Eddie developed to stay profitable in the industry.

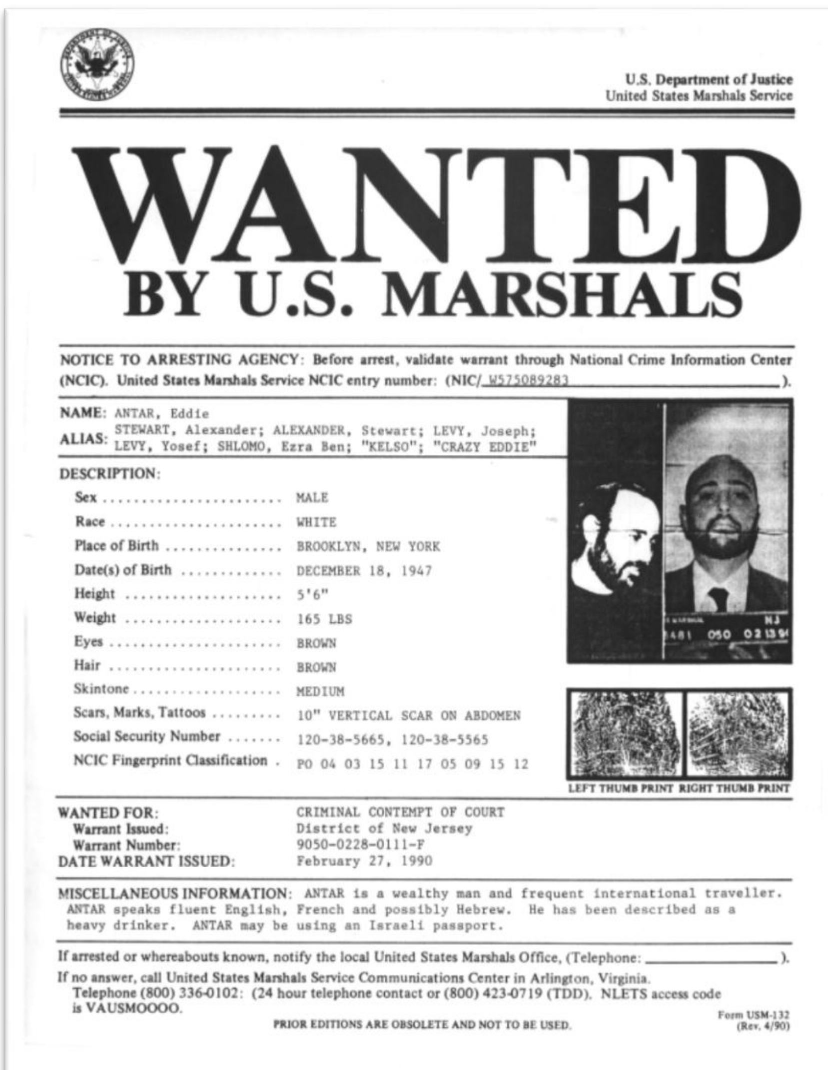
> *"Our Crazy Eddie crime spree evolved in three phases:*
>
> *1969-1979: Skimming and under-reporting income (tax fraud) prior to the big plan to go public*

1980-1984: Gradually reducing skimming to increase profit growth in preparation for the initial public offering, i.e., committing securities fraud by "going legit"

1984-1987: As a public company, overstating income to help insiders dump stock at inflated prices using a variety of fraudulent tricks

- *"The Panama Pump" -- money laundering to increase revenues and reported profits*
- *Fraudulent asset valuations -- inflating inventory assets to increase reported profits*
- *Accounts payable cut-off fraud – decreasing accounts payable liabilities to increase reported profits*
- *Debit memo fraud -- concealing liabilities and expenses to increase reported profits*
- *Covering up crimes by changing financial statement disclosures"* (Antar).

Ultimately, the Crazy Eddie scheme began to fall apart in the late 1980s. The company began losing money for the first time, and the stock price dropped from $80/share to around $5/share (Antar). The biggest problem, however, was "internal rivalries, jealousies, and infighting among family members" (Antar). As family members began to scam to destroy each other, the secrets began to fall apart. Crazy Eddie got bought out, and new management discovered inflated inventory as well as a whole host of other lies. In February of 1990, Eddie



U.S. Department of Justice
United States Marshals Service

WANTED
BY U.S. MARSHALS

NOTICE TO ARRESTING AGENCY: Before arrest, validate warrant through National Crime Information Center (NCIC). United States Marshals Service NCIC entry number: (NIC/W575089283).

NAME: ANTAR, Eddie

ALIAS: STEWART, Alexander; ALEXANDER, Stewart; LEVY, Joseph; LEVY, Yosef; SHLOMO, Ezra Ben; "KELSO"; "CRAZY EDDIE"

DESCRIPTION:

Sex	MALE
Race	WHITE
Place of Birth	BROOKLYN, NEW YORK
Date(s) of Birth	DECEMBER 18, 1947
Height	5'6"
Weight	165 LBS
Eyes	BROWN
Hair	BROWN
Skintone	MEDIUM
Scars, Marks, Tattoos	10" VERTICAL SCAR ON ABDOMEN
Social Security Number	120-38-5665, 120-38-5565
NCIC Fingerprint Classification	PO 04 03 15 11 17 05 09 15 12

LEFT THUMB PRINT RIGHT THUMB PRINT

WANTED FOR:	CRIMINAL CONTEMPT OF COURT
Warrant Issued:	District of New Jersey
Warrant Number:	9050-0228-0111-F
DATE WARRANT ISSUED:	February 27, 1990

MISCELLANEOUS INFORMATION: ANTAR is a wealthy man and frequent international traveller. ANTAR speaks fluent English, French and possibly Hebrew. He has been described as a heavy drinker. ANTAR may be using an Israeli passport.

If arrested or whereabouts known, notify the local United States Marshals Office, (Telephone: ________).

If no answer, call United States Marshals Service Communications Center in Arlington, Virginia. Telephone (800) 336-0102: (24 hour telephone contact or (800) 423-0719 (TDD). NLETS access code is VAUSMOOOO.

PRIOR EDITIONS ARE OBSOLETE AND NOT TO BE USED.

Form USM-132 (Rev. 4/90)

Antar fled the country to avoid a court order. His official wanted poster can be seen on the previous page. Eddie was eventually captured in June of 1992 in Yavne, Israel (Antar). Overall, “this securities fraud cost investors hundreds of millions of dollars, cost many people their life savings, cost many people their jobs and careers, cost creditors hundreds of millions of dollars, and many people's suffering that cannot be measured” (Antar). Eddie was eventually sentenced to six years in prison and repayment of $75 million. Various other civil judgments within the Antar family exceeded $1 billion. Unfortunately, defrauded shareholders only recovered about $0.35 per dollar lost on their Crazy Eddie stock (Antar). The Crazy Eddie scandal was huge, took place over a number of years, and cost millions. There is absolutely no way to put a price on the amount of damage they did, but it is easy to see from this story how quickly things spiral out of control. The business was built on scams and lies until there was nothing else to do but build more lies and keep pushing forward. The close knit family culture made it impossible for any outsiders to come in and discover the fraud, so without family strife and declining profits, the scandal could have gone on forever.

A more popular and recent example occurred in early 2007 with TJX. They discovered there had been a major security breach starting back in 2005, where 94 million credit and debit cards were stolen by hackers (Goodin).

> *“TJX said it believes hackers invaded its systems in July 2005, on later dates in 2005 and also from mid-May 2006 to mid-January 2007. The company said no customer information was stolen after Dec. 18, one day before it hired General Dynamics Corp. and IBM Corp. to investigate. By Dec. 21, those investigators determined that the*

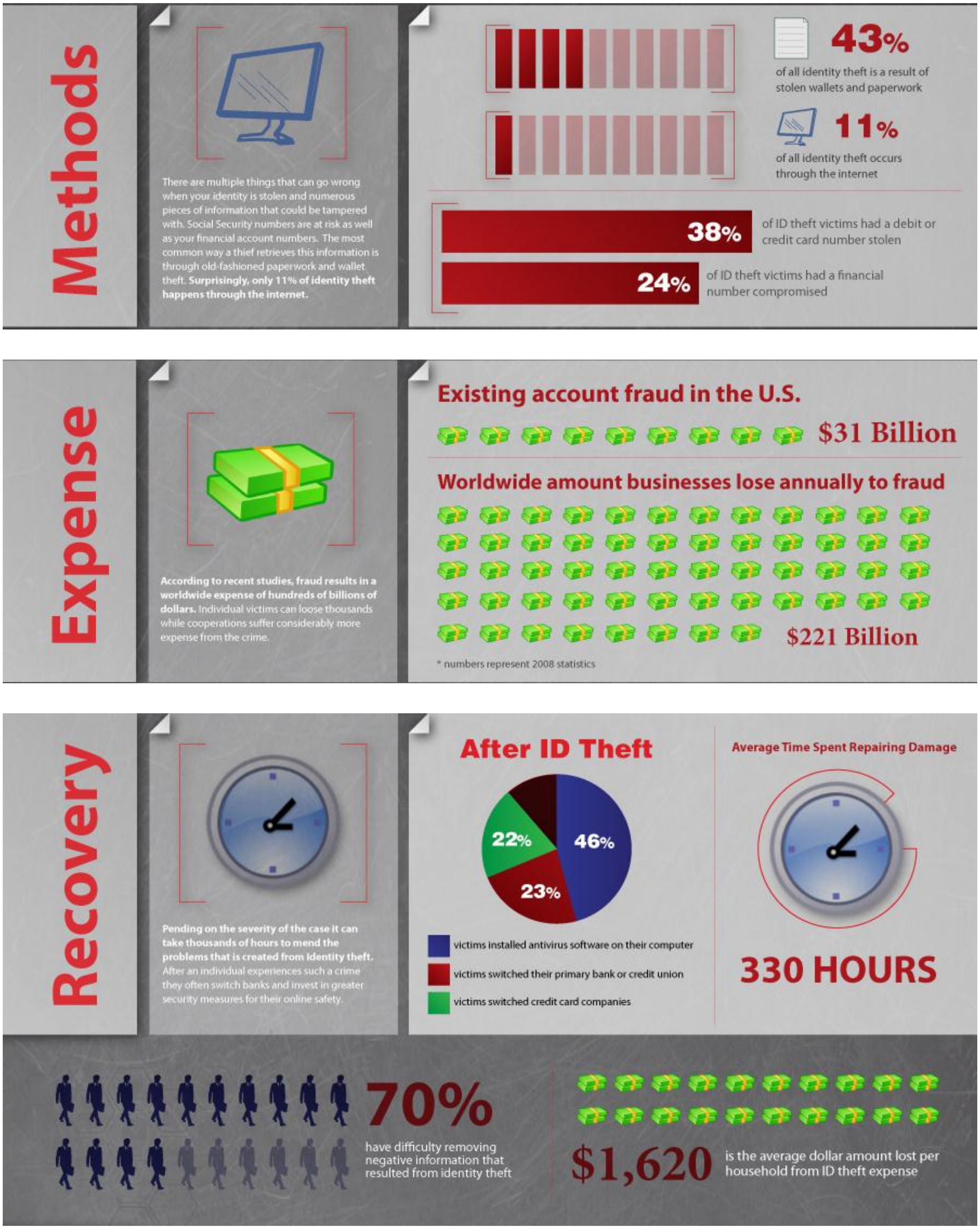
> *computer systems had been breached and that an intruder remained on the systems"* (Msnbc.com).

The cleanup from this effort cost TJX millions. In response to this incident, TJX did the following:

> - *"Worked with all major credit and debit card firms to help investigate potential fraud.*
> - *Worked with law enforcement officials including the U.S. Department of Justice, U.S. Secret Service, and the Royal Canadian Mounted Police.*
> - *Directly contacted customers whose information was known to have been exposed because of the intrusion.*
> - *Offered additional customer support to people concerned that their data may have been compromised.*
> - *TJX spent $5 million in a three-month period dealing with this breach including costs incurred to investigate and contain the network intrusion, harden computer security and systems, communicate with customers, and technical, legal, and related fees.*
>
> *Following the disclosure, banks said that tens of millions of dollars of fraudulent charges were made on the cards. The Massachusetts Bankers Association sued TJX for negligence. The FTC filed a complaint alleging TJX did not have the proper security measures in place to prevent unauthorized access to the sensitive, personal customer information. The total cost of the data breach was an estimated $197 million"* (Wps.com).

In addition, TJX was forced to strengthen their computer and network security, as well as spend more money to hire General Dynamics and IBM to investigate the incident (Wps.com). All of this cost millions of dollars, as well as causing some very bad press for TJX. Fortunately, their stock price didn't take a dramatic dip and their profits actually grew over the next year, albeit the $197 million that came off their bottom line from the cleanup of this disaster. In this case, the consumer didn't actually bear the expense of TJX's breach, but there are many cases where most of the expense does fall on the consumer, such as identity theft.

Identity theft often comes at a huge expense to individuals and families. Often, people forget that identity theft is a part of white collar crime because it isn't on the corporate level, but it is a growing epidemic that shows no signs of stopping. The average loss to a person when their identity is stolen is $1,620 (Creditloan.com). That is a lot of money to lose for something that is entirely someone else's fault. Besides losing roughly $1,620, "That raided account, maxed out credit card, or abused social security number leaves a trail burrowing deep into your credit history negatively impacting your credit score…" (Creditloan.com). Consumers can end up cleaning up after a stolen credit card for years to come. The graphics below and on the following page show some of the horrifying statistics involving identity theft.



Prevention is obviously the best way to save millions of Americans from going through the pain and frustration of an identity theft. Even if half of the total money lost from identity theft, $31 billion from the above graphic, was spent on prevention, that would be roughly $15 billion going a long way towards preventing future identity theft. The reason identity theft is such a common crime goes back to the very beginning of this paper. Blue collar crimes are often very intimate and personal; a face-to-face murder, mugging, or robbery. Someone stealing credit card numbers and putting bogus charges on an account is infuriating and annoying to deal with, but not exactly dangerous or personal. The victim never interacts with the perpetrator. Unfortunately, this also means the offender never sees the impact the crime creates, including hours dealing with banks and credit card companies, lost money, and bad future credit scores that affect events such as buying a home and opening credit cards. Identity theft is a silent epidemic that is traveling across the country rapidly, and will continue as long as no effort is made to stop it from happening.

From these examples, Crazy Eddie, TJX, and identity theft, and from the many others discussed in the paper, it is obvious that white collar crimes spiral out of control easily, and the effects are devastating. The Crazy Eddie scandal showed how a company could be built off of lies so deep-rooted that there becomes no other way of doing business. It becomes corporate culture to skim profits and inflate inventory. TJX showed that something as simple as buying a shirt on a credit card in a store could cause an identity theft problem years later when someone hacks that store’s customer database. There are hundreds of real life examples involving white collar crimes that demonstrate the ripple effects that can occur, but each example in this paper attempts to demonstrate a different type of company with different ways of committing white collar fraud, but always with the same disastrous effects. It doesn’t matter how it starts, but once a white collar crime is committed it becomes challenging to clean up the mess entirely; it spreads too quickly.

Capturing the true cost of white collar crime is impossible, but by studying the ripple effects that occur when a corporate crime is committed, it is clear that more resources need to go towards preventing the crime from happening because the aftereffects on business and society are devastating. In no way does this mean the effects of blue collar or violent crime are not disastrous or should have resources taken away from them; simply that white collar crime has such a great impact that it cannot be ignored. When a blue collar crime is committed, close family and sometimes the surrounding community feel the effects, however when a white collar crime is committed the effects can be national, or even global. Job loss, stock price drops, jail time, court costs, and consumer price increases occur, costing billions of dollars. It is dangerous to society when these things happen. WorldCom's 33,000 in layoffs obviously had a big impact on society; suddenly there are 33,000 more people looking to collect unemployment and potentially defaulting on mortgages and other bills, causing even more problems. Each ripple effect can cause even more ripple effects, creating a spinoff that never ends. This makes it extremely challenging to quantify a single white collar crime, never mind an attempt to quantify white collar crime for the entire nation. The facts are evident; white collar crime is costing the United States billions and becoming dangerous to business and society.

From this paper, it is evident that white collar crime is having a disastrous effect on business and society. The facts are there, and the country cannot continue to afford to be only reactive towards the problem. The Sarbanes Oxley act was a good start, but clearly not a complete success at preventing white collar crime from occurring. In the future there needs to be better checkpoints set up so companies such as Crazy Eddie or Enterasys cannot get away with scandal for so long. Once a crime gets started it's extremely difficult to go back and legitimize a business, so if the business can be kept legitimate in the first place it could save the country billions of dollars. People would lose their jobs less often, therefore continue to pay their bills and feel greater job satisfaction; stock prices would be less volatile and investors wouldn't suffer huge losses; courts wouldn't be tied up with lengthy white collar trials, and lawyers wouldn't spend time and money attempting to locate fraudulent documents in the discovery process; and finally, consumers wouldn't face higher prices and frustration. These benefits are huge and would save the country billions. Going forward it is highly necessary to make some changes and start preventing white collar crime from happening; the country cannot afford not to. With businesses having such a massive impact on society it is crucial to prevent huge scandals from happening in the future and keep the financial volatility that comes with white collar crime to a minimum.

Works Cited

"Adelphia Founder John Rigas Found Guilty". MSNBC online. 08 July, 2004. <http://www.msnbc.msn.com/id/5396406/ns/business-corporate_scandals/t/adelphia-founder-john-rigas-found-guilty/#.T6g0x-hDzfI>.

Antar, Sam. "White Collar Fraud". 2005. <http://www.whitecollarfraud.com/index.html>.

Barnett, Cynthia. "The Measurement of White-Collar Crime Using Uniform Crime Reporting (UCR) Data". U.S. Department of Justice, F.B.I. <http://www.fbi.gov/about-us/cjis/ucr/nibrs/nibrs_wcc.pdf>.

"Blue-Collar Crime" Mojo Law online. 2007. <http://www.mojolaw.com/info/cl020>.

Caesar, Chris. "Police Nab One Suspect in Mini-Mart Robbery". Malden Patch online. 08 Apr. 2012. <http://malden.patch.com/articles/police-nab-one-suspect-in-mini-mart-robbery>.

"Candlestick Profits- Still Untapped, Stocks & Commodities Magazine". Candlestick Trading Forum. 2003. <http://www.candlestickforum.com/PPF/Parameters/12_65_/candlestick.asp>.

"Crime Plagues Malden, Mass. Store". NECN online. 05 Apr. 2012. <http://www.necn.com/searchNECN/search/v/54238248/crime-plagues-malden-mass-store.htm>.

Dininni, Jeanne. "The Impact of White Collar Crime in America". Yahoo! Voices Business online. 31 Jan. 2007. <http://voices.yahoo.com/the-impact-white-collar-crime-america-177982.html>.

Dwyer, Ann Marie. "Should Criminals Convicted of Non-Violent Crimes Face Jail Terms?" Helium online. 18 Nov. 2011. <http://www.helium.com/items/365585-should-criminals-convicted-of-non-violent-crimes-face-jail-terms>.

"Ex-Tyco Executives Get up to 25 Years in Prison". MSNBC online. 20 Sept. 2005. <http://www.msnbc.msn.com/id/9399803/ns/business-corporate_scandals/t/ex-tyco-executives-get-years-prison/>.

Garner, W. David. "Former Enterasys Executives Sentenced in Accounting Scandal". Information Week online. 05 Jul. 2007. <http://www.informationweek.com/news/200900499>.

Google Finance American International Group, Inc. stock price history. <http://www.google.com/finance?q=AIG>.

Gross, Grant. "Networking Execs Sentenced for Accounting Fraud". Network World online. 03 Jul. 2007. <http://www.networkworld.com/news/2007/070307-networking-execs-sentenced-for-accounting.html>.

Gunter, Whitney D. "Countermeasures Against White Collar Crime". International Foundation For Protection Officers". Jun. 2004. <http://ifpo.org/articlebank/white_collar.html>.

Hagan, Frank E. "White Collar Crime – Occupational and Corporate". Sage Publishing online. Jan. 2010. <http://www.sagepub.com/upm-data/36058_10.pdf>.

"Identity Theft Facts". Identity Restore online. 2003. <http://www.identityrestore.com/fact.php>.

"Identity Theft in America by the Numbers". The Credit Blog. <http://www.creditloan.com/blog/2011/06/08/identity-theft-in-america-by-the-numbers/>.

Kane, John and April D. Wall. "The 2005 National Public Survey on White Collar Crime". National White Collar Crime Center online. 2006. <http://www.nw3c.org/research/national_public_survey.cfm>.

Karnitschnig, Matthew, Deborah Solomon, Liam Pleven, and Jon E. Hilsenrath. "U.S. to Take Over AIG in $85 Billion Bailout; Central Banks Inject Cash as Credit Dries Up". 16 Sept. 2008. <http://online.wsj.com/article/SB122156561931242905.html>.

"Lehman Brothers Holdings Inc.". NYTimes online. 04 Apr. 2012. <http://topics.nytimes.com/top/news/business/companies/lehman_brothers_holdings_inc/index.html>.

Levine, Matt. "White Collar Crime: Selling Fake Reinsurance Works Out Much Better Than Selling Fake Livers". Dealbreaker online. 01 Aug. 2011. <http://dealbreaker.com/2011/08/white-collar-crime-selling-fake-reinsurance-works-out-much-better-than-selling-fake-livers/>.

"Look at the Cost of White-Collar Crime, Too". NYTimes online. 27 Apr. 1996. <http://www.nytimes.com/1996/04/27/opinion/l-look-at-the-cost-of-white-collar-crime-too-004006.html>.

McArthur, David L., Daniel Magana, Corinne Peek-Asa, and Jess F. Kraus. “Local Television News Coverage of Traumatic Deaths and Injuries. Western Journal of Medicine. Dec. 2001. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1275967/>.

McCord, Michael. “Enterasys to Cut 300+ Jobs”. 02 May 2005. <http://disaffecteddems.proboards.com/index.cgi?board=jobs&action=print&thread=2462>.

Pate, Stephen. “A Proposal to Rein in Runaway Discovery”. Bloomberg Law Reports. 2010. <http://www.thefederation.org/documents/Pate-May%2020101.pdf>.

Payne, Brian. “White-Collar Crimes Leaves a Dirty Stain on Georgia’s Communities”. Georgia Municipal Association. 07 Nov. 2011. <http://www.gmanet.com/Viewpoints.aspx?CNID=66233>.

Podgor, Ellen S. “2012 ABA White Collar Crime Conference- Back to Basics – Sentancing”. 04 Mar. 2012. <http://lawprofessors.typepad.com/whitecollarcrime_blog/sentencing/>.

Pleyte, Marla. “White Collar Crime in the Twenty-First Century”. Business Law Journal. 01 Dec. 2003. <http://blj.ucdavis.edu/archives/vol-4-no-1/White-Collar-Crime-in-The-Twenty-First-Century.html>.

Romar, Edward J. and Martin Calkins. “WorldCom Case Study Update” Santa Clara University. Feb. 2006. <http://www.scu.edu/ethics/dialogue/candc/cases/worldcom-update.html>.

Schultz, Jennifer Saranow. “The Rising Cost of Identity Theft for Consumers”. NYTimes online. 09 Feb. 2011. <http://bucks.blogs.nytimes.com/2011/02/09/the-rising-cost-of-identity-theft-for-consumers/>.

Serani, Deborah. “If It Bleeds, It Leads: Understanding Fear-Based Media”. Psychology Today online. 07 Jun. 2011. <http://www.psychologytoday.com/blog/two-takes-depression/201106/if-it-bleeds-it-leads-understanding-fear-based-media>.

Story, Gretchen Morgenson And Louise. "Behind the Gentler Approach to Banks by U.S."*The New York Times*. The New York Times, 08 July 2011. Web. <http://www.nytimes.com/2011/07/08/business/in-shift-federal-prosecutors-are-lenient-as-companies->.

Taub, Stephen. “Sentencing Starts for Former Enterasys Finance Execs”. CFO online. 29 Jun. 2007. <http://www.cfo.com/article.cfm/9427370/c_9425647?f=home_todayinfinance>.

"The Ratings Game". PBS Local News online. 2001.

<http://www.pbs.org/wnet/insidelocalnews/ratings.html>.

"Time Warner Offers Jobs to Hundreds at Adelphia". 18 April 2005.

<http://www.satelliteguys.us/live-industry-news-feeds/66909-time-warner-offers-jobs-hundreds-adelphia.html>.

"T.J. Maxx Data Theft Worse Than First Reported". MSNBC online. 29 Mar. 2007.

<http://www.msnbc.msn.com/id/17853440/ns/technology_and_science-security/t/tj-maxx-data-theft-worse-first-reported/#.T6wsWuhDzfI>.

"Tyco International Ltd." <http://www.answers.com/topic/tyco-international-ltd>.

Van der Veen, Wilma. "Crime". 21 April 2006.

<http://husky1.stmarys.ca/~evanderveen/wvdv/crime.htm>.

"White Collar Crime and Its Effects on Consumers". Articlesbase online. 22 Jul. 2008.

<http://www.articlesbase.com/economics-articles/white-collar-crime-and-its-effects-on-consumers-493020.html>.

"White-Collar Crime: An Overview". Legal Information Institue. Cornell University Law School online. 19Aug. 2010. <http://www.law.cornell.edu/wex/White-collar_crime>.

"White Collar Crime Convictions for January 2012". 19 Apr. 2012.

<http://trac.syr.edu/tracreports/bulletins/white_collar_crime/monthlyjan12/gui/>.

"White-Collar Crime – Falsifying Corporate Data". Library Index online.

<http://www.libraryindex.com/pages/484/White-Collar-Crime-FALSIFYING-CORPORATE-DATA.html>.

Yahoo! Finance Lehman Brothers stock price history.

<http://finance.yahoo.com/echarts?s=LEHMQ.PK+Interactive#symbol=lehmq.pk;range=20060407,20120424;compare=;indicator=volume;charttype=area;crosshair=on;ohlcvalues=0;logscale=off;source=undefined;>.