

1471

White Collar Crime.

RHODE ISLAND'S NARRATIVE AND STATISTICAL STUDY TRACKING THE GROWTH OF THIS CRIME CATEGORY, BOTH STATE AND NATION-WIDE.



Former state worker admits she defrauded VA of \$22,984

Ex-city solicitor may help feds in Providence probe

Former parks chief pleads no contest to embezzling

Lawyer pleads no contest to embezzlement

LegalAlerts
PENALTIES

MAKING PUNISHMENT FIT
WHITE-COLLAR CRIME

Warwick salesman sent to prison for tampering with car odometers

10-year statute sought for white-collar crime

at white-collar crime
ation was too great for reporter, bank teller

Woman gets probation for mail, wire fraud



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DEFINITIONS

Fraud - the intentional misrepresentation of fact to unlawfully deprive a person of his or her property or legal rights, without damage to property or actual or threatened injury to persons.

Embezzlement - the misappropriation, misapplication, or illegal disposal of property entrusted to an individual with intent to defraud the legal owner or intended beneficiary. Embezzlement differs from fraud in that it involves a breach of trust that existed between the victim and the offender, for example, an army supply officer who sold government property for personal profit.

Forgery - the alteration of something written by another person or writing something that purports to be either the act of another or to have been executed at a time or place other than was in fact the case.

Counterfeiting - the manufacture or attempted manufacture of a copy or imitation of a negotiable instrument with value set by law or convention, or possession of such a copy without authorization and with intent to defraud by claiming the genuineness of the copy. Federal laws prohibit counterfeiting U.S. coins, currency and securities, foreign money, domestic or foreign stamps, and official seals and certificates of Federal departments or agencies.

White collar regulatory offenses - the violation of Federal regulations and laws other than those listed above that meet the definition of white collar crime and that were typically classified by U.S. Attorneys as white collar offenses.

Source: Based on Dictionary of Criminal Justice Data Terminology, Second Edition, U.S. Bureau of Justice Statistics, 1981

WHITE COLLAR CRIME STUDY

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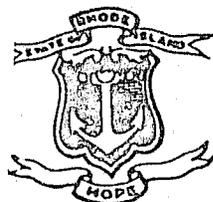
The U.S. Department of Justice defines white collar crime as "those nonviolent offenses which primarily involve elements of deceit, deception, concealment, corruption, misrepresentation, and breach of trust." This definition clearly includes such pervasive crimes as price-fixing, manufacture and sale of harmful foods and drugs, water and air pollution, insurance fraud, bribery, data theft and a seemingly endless list of illegal acts.

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GOVERNOR'S JUSTICE COMMISSION
STATE OF RHODE ISLAND

APRIL, 1988
REPORT NO. 22

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Many professional personnel made significant contributions to this study--either directly or indirectly. Those that did so directly were for the most part State of Rhode Island employees located throughout the state's criminal justice system. Indirect contributors were various authors/experts who have toiled in the field of social science for many years and who chose to concentrate on white collar crime at some segment during their careers. Chief amongst them is the late Edwin Sutherland, who is almost universally thought of as the pioneer in the field of white collar crime study. Another indirect, but valuable contributor, was the U. S. Bureau of Justice Statistics, particularly through their production of BJS Special Reports.

Notably, we were indebted to John Clifford of the court's computer center, better known locally as RIJSS. John provided us with in-depth printouts and information; the magnitude and clarity of excellent quality. We also thank his director, Edward Plunkett, for sharing with us his knowledge and management expertise concerning courts data and information/systems.

Additionally, the State Police's UCR (Uniform Crime Reporting) Center and the FBI's UCR Department in Washington, D. C. are graciously acknowledged for providing us with key arrests data.

As in the past, Dennis Tierney of the GJC/SAC developed and produced many of the statistical tables in behalf of the agency.

Finally, we are indebted to local and national journalists who devoted many hours and newspaper/magazine columns in order to accurately report the current events and long term trends occurring in the white collar arena.

Norman Dakake
April, 1988

SECTION 1

SUMMARY/ HIGHLIGHTS

SUMMARY/HIGHLIGHTS

RHODE ISLAND

- \$250,000,000 or 1/4th of a billion dollars is the *estimated annual costs* for white collar crime in Rhode Island.
- Over the last two decades *arrests* for white collar crimes has increased by 152%.
- The *highest* annual amount of white collar arrests was 1,121, which took place in 1986. The *lowest* was 444 which occurred in 1978.
- By a wide margin, police arrested more individuals for *fraud* than any other white collar crime over the past several years.
- Arrests for the crime of *embezzlement* reached an all-time high in 1986. A total of 71 embezzlement arrests took place that year; a low of 16 embezzlement arrests took place in 1973.
- Within Rhode Island courts, most white collar crimes are disposed of via the *guilty-plea bargaining* process. For example, from 1984 through 1987, persons committing the crime of forgery-counterfeiting pleaded guilty via plea-bargaining 90%, 93%, 83% and 91% of the time, respectively.

SUMMARY/HIGHLIGHTS

- *Dismissal* of white collar cases in the Rhode Island courts occurred most frequently for two criminal offenses as follows:
 - Failure to Report Income
 - Give(ing) False Document to Public Official
- *Not-guilty* court dispositions were not common outcomes. However, the white collar crime "obtain(ing) property by false pretenses" averaged close to 10% not-guilty verdicts for several of the key years studied. Said crime was easily the highest not-guilty resultant.
- Court *charges* for white collar crime reached a peak of 1,797 in 1986, for the four-year period ('84 - '87) studied.
- Most *defendants* were charged and brought before Rhode Island Courts for the following specific white collar crimes:
 - Fraud/Welfare Fraud
 - Embezzlement Over/Under \$500
 - Forgery
 - Giving False Document to a Public Official
- *Female* arrests for fraud, during 1985 and 1986, reached the highest levels ever with 37% and 41% of overall totals resulting, respectively.

SUMMARY/HIGHLIGHTS

- Some *organized crime* is considered white collar crime. For example, it is now commonly known that they conduct their crime activities in a methodical, systematic or highly disciplined and secret fashion, such as the laundering of illegal money through and investment in legitimate business.
- Rhode Island *consumers* and *stockholders*, many times are unaware that they have become victims of white collar crime, particularly the corporate/ business crime type.

NATIONWIDE

- Common or "*popular*" *white collar crimes* occurring frequently around the country are: anti-trust violations, tax fraud, bank embezzlement, mail fraud forgery, securities violations, import and export regulatory offenses.
- *Occupational crimes* are committed largely by individuals or small groups in connection with their occupations. These offenders include politicians, businessmen, labor union leaders, lawyers, doctors, pharmacists, etc.

SUMMARY/HIGHLIGHTS

- *Corporate crimes* are enacted by aggregates of discrete individuals and are considered hardly comparable to the action of a lone individual. For the most part, corporate lawbreakers are handled by quasi-judicial bodies of government such as the Federal Trade Commission and the EPA.
- Some experts claim that corporate crime provides an indication of the *degree of hypocrisy* in our society. They claim it is hypocritical to regard theft and fraud among the lower classes with distaste, and to punish such acts while apparently tolerating upper class deception and calling it "shrewd business practice."
- The indirect *costs of corruption are incalculable*. The National Advisory Commission on Criminal Justice Standards and Goals observed in the 1970's:
 - "Simply put, official corruption breeds disrespect for the law"...
 - "As long as official corruption exists, the war against crime will be perceived by many as a war of the powerful against the powerless; 'law and order' will be just a hypocritical rallying cry, and 'equal justice under law' will be an empty phrase."

SECTION 2

NARRATIVE

WHAT IS WHITE COLLAR CRIME?

As distinguished from ordinary crime, white collar crime consists of two types: occupational and corporate. Occupational crime is committed largely by individuals or small groups of individuals in connection with their occupations. It includes violations of law by businessmen, politicians, labor union leaders, lawyers, doctors, pharmacists and employees who embezzle money from their employers or steal merchandise and tools. Further, occupational crimes encompass income tax evasion; manipulation in the sale of used cars and other products; fraudulent repairs of automobiles, television sets and appliances; embezzlement; check-kiting; and violations in the sale of securities. Politicians and government employees also commit occupational crimes, including direct misappropriation of funds as well as indirect acquisition of public funds through padding payrolls, placing relatives on payrolls, or taking payments from appointees. Their illegal activities are usually more subtle, however; politicians and government employees may gain financially by granting favors to businesses, as in the case of kickbacks for public contracts by issuing fraudulent licenses or certificates and by acquiescing in tax frauds.

Corporate crime, on the other hand, is enacted by collectivities or aggregates of discrete individuals; it is hardly comparable to the action of a lone individual. Corporate and occupational crime can be confused. If a corporate official violates the law in acting for the corporation, it is a corporate crime,

but if he gains personal benefit in the commission of a crime against the corporation, as in the case of embezzlement of corporate funds, it is occupational crime. Occupational crime may involve more than one corporate official.

The study of corporate crime disputes traditional explanations of crime and offers insights into the distribution and exercise of power. More specifically, the argument that poverty or individual pathology "causes" crime, for example, fails completely to account for lawbreaking by corporate executives, who are affluent and, presumably, well-adjusted persons.

Corporate crime is indicative of the distribution of power in our society. An examination of the statute books indicates the kinds of corporate acts that are now included within the criminal and other legal codes and those that go unproscribed. These laws show the influence of corporate power on legislation. Conversely, shifts of power occur, and some corporate activities (e.g., pollution and disregard for product and worker safety) have been successfully challenged by interest groups such as environmentalists, consumers, and labor unions, and the corporations subsequently subjected to government regulation.

DEBATE OVER PROPER DEFINITION OF WHITE COLLAR CRIME

There is much debate over the proper definition of white collar crime. Several experts define it as violations of law "that involve the use of a violator's position of significant power, influence or trust....for the purpose of illegal gain, or to commit an illegal act for personal or organizational gain."

White collar crimes include such traditional illegalities as embezzlement, bribery, fraud, theft of services, theft of trade secrets, forgery, smuggling, tax evasion, obstruction of justice, and others, where the violator's position of fiduciary trust, power, or influence has provided the opportunity to abuse lawful institutions for unlawful purposes. White collar offenses frequently involve deception.

New forms of white collar crime involving political and corporate institutions have emerged in the past decade. For example, the dramatic growth in high technology has brought with it sensational accounts of computerized "heists" by sophisticated felons seated safely behind computer terminals. The specter of electronic penetration of the Nation's financial assets has spurred widespread interest in computer security by business and government alike.

In the area of political crime, exposés of illegal campaign contributions and the ability of powerful financial elements to influence government have gravely disturbed the public.

WHAT IS CORPORATE CRIME?

A corporate crime is any act committed by corporations that is punished by the state, regardless of whether it is punished under administrative, civil, or criminal law. This broadens the definition of crime beyond the criminal law, which is the only governmental action for ordinary offenders. A corporation cannot, of course, be jailed, although it may be fined, and thus the major penalty of imprisonment used to control individual law violators is not available in the case of corporations per se. For the most part, therefore, corporate lawbreakers are handled by quasi judicial bodies of government regulatory agencies; for example, the Federal Trade Commission, the Environmental Protection Agency, and Food and Drug Administration. The administrative and civil enforcement measures generally used in corporate violations include warning letters, consent agreements or decrees not to repeat the violation, orders of regulatory agencies to compel compliance, seizure or recall of commodities, administrative or civil monetary penalties, and court injunctions to refrain from further violations.

Unless this more inclusive definition of crime is used, it is not possible to consider violations of law by corporations in the same context as ordinary crime. In legal terms, business and corporate offenders are "administratively segregated" (Sutherland, 1940) from ordinary offenders not because of differences in illegal actions but because of differences in legal terminology. Because of the more recent origin of many laws that prohibit corporate violations, the economic and political power of the corporate sector has been effectively marshaled to discourage or prevent the provision of criminal penalties.

Some persons might argue that the enforcement actions of the new federal regulatory agencies bear little relation to the traditional concept of crime. They would maintain that every society has had norms and criminal laws against homicide, assault, sex offenses, and stealing, although the boundaries of these behaviors may be differently defined, but no societies until recent times have had laws against pollution and discrimination and to equate these areas is to be blind to both culture and history. Even if one disregards the power exercised by corporations to keep the criminal penalty out of the enforcement tool kit, the argument is weak. The criminal law today, as in the past, is filled with laws that have no traditional basis, such as laws against the drug use or exhibitionism, and other diverse behaviors that subject the violator to fine or imprisonment, such as failing to shovel snow from a sidewalk or misusing water during a drought. Those who argue that pollution, discrimination, and failure to provide a safe workplace should not be regarded as crimes because they are not traditional criminal behavior must bear in mind that more persons have probably been seriously punished by the state for heresy and blasphemy than for any other offenses in history. Moreover, these new areas of law attempt to eliminate behaviors that unnecessarily threaten health and lives, much as do more conventional crimes like assault.

In any event, a combination of legal procedures and media emphases perpetuates the image and the very definition of crime as burglary, robbery, and larceny. Television provides us with a daily diet of programs dealing with the war against ordinary criminals. Consequently, fear of street crime is pervasive; fear of corporate crimes is not. Since most people do not experience rape, robbery,

or other crimes of violence, the perception of the nature and scope of the crime problem is largely a product of criminal conceptions provided by families, educational institutions, politicians, and the mass media.

Such (newspaper) headlines as Violent Crimes Up 10%, Rape Increases 100%, Murder Up 20%, Serious Crime on the Upsurge convey to citizens that the crime problem (street crime) is increasing at an alarming rate. Uniform Crime Reports in both Canada and the United States emphasize "street crimes." Therefore, headlines such as Corporate Crime Up 100%. Price Fixing Increases 50%. Corporate Crimes Death Toll Rises are not usually found in the media. (Goff and Reasons, 1978)

CORPORATE CRIME AS WHITE COLLAR CRIME

Corporate crime is white collar crime; but it is of a particular type. Corporate crime actually is organizational crime occurring in the context of complex relationships and expectations among boards of directors, executives, and managers, on the one hand, and among parent corporations, corporate divisions, and subsidiaries, on the other. This concept of corporate crime has developed rather gradually, and it is only natural that it should often be confused with the broader area of crime in the so-called white collar occupations.

The concept of white collar crime was developed to distinguish a body of criminal acts that involve monetary offenses not ordinarily associated with criminality. White collar crime is distinguished from lower socio-economic crimes in terms of the structure of the violation and the fact that administrative and civil penalties are far more likely to be used as punishment than are criminal penalties. Relatively speaking, white collar crime is a recent addition to criminological theory.

When Edwin Sutherland coined the phrase "white-collar" crime he defined it as criminal acts committed by persons of the middle and upper socio-economic groups in connection with their occupations (Sutherland, 1949). His definition subsequently has been regarded as too restrictive and later definitions have dropped the class of the offender as a relevant element. In this connection:

Edelhertz (1970) defined white collar crime as "an illegal act or series of illegal acts committed by nonphysical means and by concealment or guile, to obtain money or property, to avoid payment or loss of money or property, or to obtain business or personal advantage."

The study of corporate crime disputes traditional explanations of crime and offers insights into the distribution and exercise of power. More specifically, the argument that poverty or individual pathology "causes" crime, for example, fails completely to account for lawbreaking by corporate executives, who are affluent and, presumably, well-adjusted persons.

Corporate crime provides an indication of the degree of hypocrisy in society. It is hypocritical to regard theft and fraud among the lower classes with distaste and to punish such acts while apparently tolerating upper class deception and calling it "shrewd business practice." A review of corporate violations and how they are prosecuted and punished shows who controls what in law enforcement in American society and the extent to which this control is effective. Even in the broad areas of legal proceedings, corporate crime generally is surrounded by an area of politeness and respectability rarely if ever present in cases of ordinary crime. Corporations are seldom referred to as lawbreakers and rarely as criminals in enforcement proceedings. Even if violations of the criminal law, as well as other laws are involved, enforcement attorneys and corporation counsels often refer to the corporation as "having a problem": one does not speak of the robber or the burglar as having a problem.

SOME ORGANIZED CRIME IS WHITE COLLAR CRIME

Organized crime refers to those self-perpetuating, structured, and disciplined associations of individuals or groups, combined together for the purpose of obtaining monetary or commercial gains or profits, wholly or in part by illegal means, while protecting their activities through a pattern of graft and corruption.

Organized crime groups possess certain characteristics that include but are not limited to the following:

.Their illegal activities are conspiratorial.

.In at least part of their activities, they commit or threaten to commit acts of violence or other acts that are likely to intimidate.

.They conduct their activities in a methodical, systematic, or highly disciplined and secret fashion.

.They insulate their leadership from direct involvement in illegal activities by their intricate organizational structure.

.They attempt to gain influence in government, politics, and commerce through corruption, graft, and legitimate means.

.They have economic gain as their primary goal, not only from patently illegal enterprises such as drugs, gambling and loansharking, but also from such activities as laundering illegal money through and investment in legitimate business.

FEDERAL WHITE COLLAR CRIMES STUDY - 1985

During 1985, 10,733 defendants were convicted of Federal white collar crimes, an increase of 18% in the number of white collar convictions since 1980. The conviction rate for white collar defendants was 85% compared to a rate of 78% for all other defendants in Federal criminal cases.

Other findings include the following:

°About 30% of suspects investigated by U. S. Attorneys in the 12 months prior to September 30, 1985, were suspected of involvement in white collar offenses; the majority of suspects were investigated for fraud.

°Criminal cases were filed by U.S. Attorneys against 55% of white collar suspects -- the same filing rate as for non-white collar offenses. The filing rate for tax fraud was the highest (79%), followed by regulatory offenses (65%).

°About 40% of white collar offenders convicted in 1985 were sentenced to incarceration compared to 54% for non-white collar offenders.

°Those convicted of white collar crimes received shorter average sentences of incarceration (29 months) than other Federal offenders (50 months).

°Those convicted of non-white collar crimes were more than twice as likely as white collar offenders to receive a sentence of more than 5 years; white collar offenders were more likely to be sentenced to probation or fined.

°Among white collar offenders, those convicted of counterfeiting were the most likely to be sentenced to

incarceration (59%). They received the longest average sentences (40 months) and were the most likely to be sentenced to more than 5 years.

°Although average sentence lengths for non-white collar crimes did not increase from 1980 to 1985, sentence lengths for white collar crime grew 20%. Among types of white collar crime, sentence lengths for tax fraud grew the most - 86%.

°Those charged with white collar crimes were more likely than other types of defendants to be women, non-white, over 40, and to have attended college.

THE FURTHER DEFINING OF WHITE COLLAR CRIME

Although white collar offenses are less visible than crimes such as burglary and robbery, their overall economic impact may be considerably greater. Among the white collar cases filed by U.S. Attorneys in the year ending September 30, 1985, more than 140 persons were charged with offenses estimated to involve over \$1 million each, and 64 were charged with offenses valued at over \$10 million each. In comparison, losses from all bank robberies reported to police in 1985 were under \$19 million, and losses from all robberies reported to the police in 1985 totaled about \$313 million.

The appropriate definition of white collar crime has long been a matter of dispute among criminologists and criminal justice practitioners. A particular point of contention is whether white collar crime is defined by the nature of the offense or by the status, profession, or skills of the defendant. The 1981 Dictionary of Criminal Justice Data Terminology defines white collar crime as "nonviolent crime for financial gain committed by means of deception by persons... having professional status or specialized technical skills."

More recently, the November 1986 BJS Special Report Tracking Offenders: White-Collar Crime, which discusses processing of white collar offenders at the State level, adopts a definition focusing on the nature of the offense since data on the professional status or skills of offenders are not routinely available. It defines white collar crime as "nonviolent crime for financial gain committed by deception."

WHITE COLLAR CRIME IN RHODE ISLAND:

A DISCUSSION OF RECENT HISTORY

This report represents the first known public documentation of statistics concerning white collar crime in Rhode Island. While, for example, grant applications, papers, etc. have been submitted in Rhode Island relative to the white collar subject no known separate and distinct study has been released for government or public information.

In recent years, Rhode Island has been besieged with a variety of white collar crime episodes; some sensational, most not, but nevertheless law violations were committed. Locally, we have experienced nearly the entire "laundry-list" of white collar criminal violations, such as: embezzlement, bribery, counterfeiting, public official corruption/fraud, violation of banking laws, forgery, credit card fraudulent use, price-fixing, check-kiting, tax evasion, computer fraud, selling altered goods or counterfeited trademarks, antitrust violations, food and drug regulatory offenses, U.S. Postal Service forgery, insurance fraud, misapplication of trust funds, etc., etc.

It must be clearly noted here that the headline-grabbing incidents of recent year concerning the Rhode Island Housing and Mortgage and Finance Corporation (RIHMFC) was not the catalyst that initiated this report, but that the overall statistics when viewed displayed large growth over the past 3-4 years. Further, when arrests for white collar crimes are compared for year 1986 to a period fifteen years ago an increase of 152% results:

| | | |
|---------------------|---|-------|
| WCC Arrests in 1986 | - | 1,121 |
| WCC Arrests in 1972 | - | 633 |

Moreover, other data such as court charges, number of defendants, prosecutorial actions, and national trends/issues to be discussed and highlighted in this study, should alert the reader as to the magnitude of the problem in Rhode Island.

According to a feature article in the Providence Business News (2/1/88), state justice administrators suffered a setback in early 1988. A controversial state Supreme Court ruling in a minor case of corruption in the administration of a former Providence mayor has forced the state's present Attorney General to concede defeat on nine white collar crime cases.

In plain language, the article continues, the Supreme Court decision means that a wide range of misconduct in office, including fraud, embezzlement and falsification of records, cannot be prosecuted unless state officials gather enough evidence to press charges within three years of the alleged offense.

As of this writing, the state's Attorney General was scheduled to submit a bill to the General Assembly that would extend the time limit to 10 years for a broad range of white collar crimes.

Author's Footnote: On February 23, 1988, the House of the General Assembly approved extending the white collar crime statute of limitations to 10 years.

RHODE ISLAND COURTS DATA ANALYSIS

Special computer programs were designed and outlined by representatives of the Governor's Justice Commission (specifically, its SAC Unit) and Courts Administration (specifically its RIJSS Unit) that specified and separated white collar crime exclusive of other felony/misdemeanor crimes. The RIJSS provided the GJC with data for the following four year period: 1984 through 1987.

More specifically, the annual amounts of individual defendants that were brought before the Rhode Island courts for committing white collar crimes from 1984 through 1987 were manually tabulated in order to:

- avoid duplicate, triplicate, etc. counting of defendants, thus eliminating "inflated" totals; or more simply stated a defendant count that is more than fairly accurate, and
- clearly identify what specific white collar crimes are most commonly occurring in Rhode Island.

Results for white collar, courts related data collected and tabulated for years 1984 through 1987 are as follows:

| <u>Year</u> | <u>Rank</u> | <u>Total</u> | <u>Male</u> | <u>Female</u> |
|-------------|-------------|--------------|-------------|---------------|
| 1987 | 4 | 435 | 339 | 96 |
| | | | 64% | 36% |
| 1986 | 3 | 656 | 482 | 174 |
| | | | 73% | 27% |

| <u>Year</u> | <u>Rank</u> | <u>Total</u> | <u>Male</u> | <u>Female</u> |
|-------------|-------------|--------------|-------------|---------------|
| 1985 | 2 | 660 | 513 78% | 147 22% |
| 1984 | 1 | 723 | 464 64% | 259 36% |

Noticeably, 1984 yielded the highest amount of white collar defendants with a total of 723. However, this is not startling since events of recent year have indicated that large amounts of indictments commenced around 1984. The activity for indictments/courts defendants, according to the illustration above, depicts a rather busy two years for 1985 and 1986, averaging 658 defendants - thus a level of activity very close to 1984's. Conversely, the annual totals for white collar defendants in 1987 fell approximately 66% to a low of 435. Specific explanations, for the 1987 drop are very difficult to explain even for justice system practitioners, thus the SAC must allow readers to draw upon their own conclusions/analysis.

Over the four year period studied the white collar crime/defendant that occurred most frequently was for forgery and counterfeiting. Each year over 100 defendants were brought-up on charges for this crime. Specifically, the range was from a low of 107 to a high of 164 defendants.

The following white collar criminal charges/offenses were brought most frequently before Rhode Island's Superior Court.

(Please See Following Page)

| <u>Frequency Rank</u> | <u>Court Charge/Offense</u> |
|-----------------------|--|
| 1 | Forgery/Counterfeiting |
| 2 | Obtaining Money Under False Pretenses |
| 3 | Use of Fraudulent Checks Under \$100/ To \$500 |
| 4 | Giving False Document to Public Official |
| 5 | Giving False Document to Employer |
| 6 | Fraudulent Use of Credit Card |
| 7 | Embezzlement Over \$500 |
| 8 | Welfare Fraud |
| 9 | Obtain Property by False Pretenses |
| 10 | Failure to Report Income |

At least five of the above offenses can be considered crimes of the public-type. That is, either an ordinary citizen/resident or a public official committed or planned to commit, a "crime against the state" as charged. While neither of the above offenses are termed "public corruption", crimes of record and statistical data clearly indicate that such is the case. For example, under the embezzlement crime category a public corruption incident may occur by reason of its Uniform Crime Reporting definition, which is: "Misappropriation or misapplication of money or property entrusted to one's care, custody, or control." In short, over the past five years or so, Rhode Island has not been spared public corruption situations. Given the small geographical size of the state, its population of less than a million, and its past public administration reputation for fiscal integrity, such unpopular incidents have both shocked and disappointed the vast majority of Rhode Islanders.

RHODE ISLAND ARRESTS DATA ANALYSIS

The Statistical Analysis Center examined a fifteen (15) year period of white collar crimes arrests in Rhode Island in order to gather sufficient information for long-term trend analysis. From 1972 to 1980 arrests for WCC remained somewhat constant, averaging less than 600 arrests per year. Then, in 1980 arrests shot-up markedly to 1,027 arrests. Except for years 1983 and 1984 arrests during the 1980's were over 1,000 per year; the highest recorded year thus far has been 1986 when 1,121 arrests were recorded by the state's law enforcement agencies. Clearly, the numbers indicate that white collar crime is on the increase in Rhode Island. Moreover, no new legislation was instrumental in causing these numbers to rise dramatically. However, a theory persists that perhaps the varied styles of the state's Office of the Attorney General may lend support as to the sharp rise in arrests. In other words, a particular Attorney General may have chosen to heavily investigate the area of business/economic crimes as a key departmental goal, thus leading to more arrests. However, successfully prosecuting the arrestees is an entirely different activity, not to be discussed here.

For the most part, arrests information for WCC in Rhode Island includes the illegal activities of fraud, embezzlement, and forgery and counterfeiting. The arrests percentage spread over the years studied have remained rather constant, to wit: fraud 82% of arrests; forgery and counterfeiting 12% and embezzlement 6 %.

Fraud is by far the white collar crime for which, most arrests are made in Rhode Island (following the investigation of illegal activities). The year 1986 experienced the highest amount of arrests for any white collar crime category, peaking at 928 offenses. (See Table 3).

Likewise, embezzlement also peaked in 1986; a total of 71 arrests were made. The fifteen (15) years surveyed for embezzlement trends clearly indicates that from 1981 through 1986, a steady rise of annual embezzlement arrests took place. (See Table 5). Concerning the remaining major white collar crime, forgery and counterfeiting, for the fifteen (15) year cycle studied, a picture appears that is indicative of constant peaks and valleys. Stated more clearly, this means that we experienced high years, low years, high years, low years and so on during the entire fifteen (15) years studied. Although neither 1985 nor 1986 were peak years for forgery and counterfeiting arrests, they nevertheless should not be taken lightly as they resulted in fairly high annual amounts with 131 and 122 arrests, respectively.

While the arrests of males is growing proportionately to overall white collar crime arrests, female growth is greater. For example, concerning the crime of fraud (i.e., fraudulent use of computer, credit cards, public assistance, food stamps, etc.) the total amount of fraud arrests reached highest peaks during 1985 and 1986; 370 and 340, respectively. These numbers represent more than 2 and 3 times the numbers of arrests that took place during the 1970's. Although, female arrest for embezzlement returned to a normal level in 1986, a peak year was experienced in 1985 when 21 females (36% of total) were arrested. Female arrests for the crimes of forgery and counterfeiting have vacillated between high and low peaks during the 15 year period studied. On average, approximately 31 females (27% of total) were arrested for forgery and counterfeiting during the 15 year period examined.

DIRECT AND INDIRECT COSTS OF WHITE COLLAR CRIMES

A) Direct Costs - An Estimate for Rhode Island

Published or firm estimates of the annual costs of white collar crime do not exist. Both public and private sources have refrained from performing academic or business analyses of the estimated annual or long-term costs to the United States. Perhaps there is no systematic way of accounting for white collar losses or that substantive economic crime data is nearly impossible to tabulate; whatever the case, no singular group seems willing to be an estimate leader.

Our research, however, does note that a rather "popular number" for the annual estimated costs for white collar crime in America during the 1980's is \$70 billion dollars. Based on this reoccurring figure, the SAC has chosen to estimate the annual white collar crime costs in Rhode Island. Without due regard for scholarly theory or an in-depth systematic approach, the SAC utilized a formula containing the \$70 billion estimate, the U. S. population and Rhode Island's population. Again, it must be emphasized that the following estimate is not tested, does not claim to be validated by a higher authority, etc., and is to be considered a rough estimate; no more, no less. The previous having been said, we estimate that the annual costs for white collar crimes in Rhode Island is:

\$250,000,000 OR 1/4TH OF A BILLION DOLLARS

Given that, for example, the entire State of Rhode Island annual budget is approximately \$1 billion dollars, the enormity of the estimated costs of white collar crime are both obvious and staggering. To summarize, the Rhode Island estimated costs takes into consideration the entire range of white collar crime, e.g., the singular person committing welfare fraud to the huge corporation who bilks thousands of people through price-fixing.

Moreover, generally speaking, victims of ordinary crime know when they have been victimized. However, on the other hand, victims of corporate crimes are often unaware that they have been taken. Examples are shareholders who receive a falsified balance sheet, consumers who have paid an inflated price for a product as a result of anti-trust collusion, or consumers who have accepted with confidence the misleading advertising claims for a product without knowledge of its financial or health effects on them. Generally, the costs of ordinary crimes are estimated in financial terms, along with the social costs involving the fear that such crimes cause in the general population. Far more varied are the criteria used to calculate the costs of corporate crimes. These involve not only large financial losses but also injuries, deaths and health hazards. Further, such crimes destroy public confidence in business and in the capitalist system as a whole and they seriously hurt the public image of the corporations themselves and their competitors. Price-fixing offenses victimize the consumer and federal, state, and municipal governments, as well as private companies. Income tax crimes deprive the government and those who are dependent on it of needed revenue.

B) Indirect Costs - Via Corruption

The indirect costs of corruption are incalculable. For example, the National Advisory Commission on Criminal Justice Standards and Goals observed in its 1973 report the following:

- "Simply put, official corruption breeds disrespect for the law,
- Public corruption makes an especially sinister contribution to criminality by providing an excuse and rationalization for its existence among those who commit crime, and
- As long as official corruption exists, the war against crime will be perceived by many as a war of the powerful against the powerless; 'law and order' will be just a hypocritical rallying cry, and 'equal justice under law' will be an empty phrase."

Finally, Charles E. Silberman, author of Criminal Violence, Criminal Justice summarizes indirect costs of corruption this way:

"If street crime threatens the social fabric of American life, governmental crime destroys the political fabric by undermining the trust and belief in the legitimacy of government on which our entire political system is based."

He also noted:

- "Our government is the potent, the omnipresent teacher, 'For good or ill, it teaches the whole person by its example (Justice Louis Brandeis),
- Crime is contagious. If the government becomes a lawbreaker, it breeds contempt for laws; it invites every man to become a law unto himself; it invites anarchy, and

-An armed robber, now forcibly retired, puts it more simply:
"Instead of taking money with a pistol, they just take it
with a pen."

SECTION 3

STATISTICS / TABLES

Rhode Island
Table 1

White Collar Crimes

Total Annual Arrests

| <u>Year</u> | <u>Total</u> | <u>%</u> | <u>Year-to-Year Increase (+)/Decrease (-)</u> |
|-------------|--------------|----------|---|
| 1986 | 1,121 | | +4% |
| 1985 | 1,082 | | +71% |
| 1984 | 632 | | -14% |
| 1983 | 737 | | -22% |
| 1982 | 939 | | -9% |
| 1981 | 1,027 | | +54% |
| 1980 | 667 | | +44% |
| 1979 | 464 | | +5% |
| 1978 | 444 | | -45% |
| 1977 | 805 | | +37% |
| 1976 | 589 | | +10% |
| 1975 | 537 | | -26% |
| 1974 | 725 | | +48% |
| 1973 | 491 | | -22% |
| 1972 | 633 | | -22% |

15 Year Summary:

Highest Year 1,121 (1986);

Lowest Year 444 (1978);

A + 152% Difference

WHITE COLLAR CRIME

1985 and 1986 Arrests Distribution

1986

| <u>THE OFFENSE</u> | <u>ANNUAL # OF REPORTED OFFENSES</u> |
|--------------------------|--|
| Forgery & Counterfeiting | 122 |
| Fraud | 928 |
| Embezzlement | <u>71</u> |
| TOTAL: | 1,121* |

1985

| <u>THE OFFENSE</u> | <u>ANNUAL # OF REPORTED OFFENSES</u> |
|--------------------------|--|
| Forgery & Counterfeiting | 131 |
| Fraud | 892 |
| Embezzlement | <u>59</u> |
| TOTAL: | 1,082 |

* White Collar Crime arrests increased by 47% in 1986. The year 1986 was the highest recorded year for arrests ever experienced in Rhode Island.

Rhode Island
Table 3

Fraud
Arrests Data/15 Year Study

| <u>Year</u> | <u>Total</u> | <u>Male</u> | | <u>Female</u> | |
|-------------|--------------|-------------|----------|---------------|----------|
| | | <u>#</u> | <u>%</u> | <u>#</u> | <u>%</u> |
| 1986 | 928 | 588 | 63% | 340 | 37% |
| 1985 | 892 | 522 | 59 | 370 | 41 |
| 1984 | 516 | 333 | 65 | 183 | 35 |
| 1983 | 585 | 437 | 75 | 148 | 25 |
| 1982 | 743 | 510 | 69 | 233 | 31 |
| 1981 | 774 | 530 | 68 | 244 | 32 |
| 1980 | 536 | 360 | 67 | 176 | 33 |
| 1979 | 345 | 257 | 74 | 88 | 26 |
| 1978 | 327 | 214 | 65 | 113 | 35 |
| 1977 | 615 | 426 | 69 | 189 | 31 |
| 1976 | 478 | 359 | 75 | 119 | 25 |
| 1975 | 450 | 307 | 68 | 143 | 32 |
| 1974 | 565 | 405 | 72 | 160 | 28 |
| 1973 | 366 | 266 | 73 | 100 | 27 |
| 1972 | 442 | 313 | 71 | 129 | 29 |

Rhode Island
Table 4

Forgery & Counterfeiting
Arrests Data/15 Year Study

| <u>Year</u> | <u>Total</u> | <u>Male</u> | | <u>Female</u> | |
|-------------|--------------|-------------|----------|---------------|----------|
| | | <u>#</u> | <u>%</u> | <u>#</u> | <u>%</u> |
| 1986 | 122 | 102 | 84 | 20 | 16 |
| 1985 | 131 | 85 | 65 | 46 | 35 |
| 1984 | 70 | 55 | 79 | 15 | 21 |
| 1983 | 101 | 75 | 74 | 26 | 26 |
| 1982 | 141 | 100 | 71 | 41 | 29 |
| 1981 | 188 | 141 | 75 | 47 | 25 |
| 1980 | 97 | 61 | 63 | 36 | 37 |
| 1979 | 88 | 57 | 65 | 31 | 35 |
| 1978 | 75 | 55 | 73 | 20 | 27 |
| 1977 | 153 | 99 | 65 | 54 | 35 |
| 1976 | 74 | 49 | 66 | 25 | 34 |
| 1975 | 68 | 48 | 71 | 20 | 29 |
| 1974 | 137 | 98 | 72 | 39 | 28 |
| 1973 | 109 | 88 | 81 | 21 | 19 |
| 1972 | 169 | 147 | 87 | 22 | 13 |

Rhode Island
Table 5

Embezzlement
Arrests Data/15 Year Study

| <u>Year</u> | <u>Total</u> | <u>Male</u> | | <u>Female</u> | |
|-------------|--------------|-------------|----------|---------------|----------|
| | | <u>#</u> | <u>%</u> | <u>#</u> | <u>%</u> |
| 1986 | 71 | 61 | 86 | 10 | 14 |
| 1985 | 59 | 38 | 64 | 21 | 36 |
| 1984 | 46 | 30 | 65 | 16 | 35 |
| 1983 | 51 | 36 | 71 | 15 | 29 |
| 1982 | 55 | 42 | 76 | 13 | 24 |
| 1981 | 65 | 47 | 72 | 18 | 28 |
| 1980 | 34 | 24 | 71 | 10 | 29 |
| 1979 | 31 | 20 | 65 | 11 | 35 |
| 1978 | 42 | 32 | 76 | 10 | 24 |
| 1977 | 37 | 28 | 76 | 9 | 24 |
| 1976 | 37 | 35 | 95 | 2 | 5 |
| 1975 | 19 | 14 | 74 | 5 | 26 |
| 1974 | 23 | 19 | 83 | 4 | 17 |
| 1973 | 16 | 14 | 88 | 2 | 12 |
| 1972 | 22 | 18 | 82 | 4 | 18 |

WHITE COLLAR CRIME

Court CHARGES

Annual Totals

| <u>YEAR</u> | <u>TOTAL WCC CHARGES</u> |
|-------------|--------------------------|
| 1987 | 1,643 |
| 1986 | 1,797 |
| 1985 | 1,492 |
| 1984 | 1,778 |

SOURCE: RIJSS, Courts

Rhode Island
Table 7

Number of DEFENDANTS Brought Before
the Rhode Island Courts For
White Collar Crimes, 1984 - 1987

| <u>Year</u> | <u>Total</u> | <u>Male</u> | <u>Female</u> | <u>Rank</u> |
|-------------|--------------|-------------|---------------|-------------|
| 1987 | 435 | 339 | 96 | 4 |
| | | 64% | 36% | |
| 1986 | 656 | 482 | 174 | 3 |
| | | 73% | 27% | |
| 1985 | 660 | 513 | 147 | 2 |
| | | 78% | 22% | |
| 1984 | 723 | 464 | 259 | 1 |
| | | 64% | 36% | |

Number of Defendants CHARGED
With White Collar Crime: Ten (10) Most
Frequently Committed Offenses

YEAR 1987

| <u>Rank</u> | <u>Offense</u> | <u>No. Defendants</u> |
|-------------|--|-----------------------|
| 1 | Forgery - Counterfeiting | 107 |
| 2 | Obtain Money False Pretenses Over \$500 | 47 |
| 3 | Utter Fraudulent Checks Over \$100 | 46 |
| 4 | Embezzle over \$500 | 36 |
| 5 | Give False Document to Public Official | 33 |
| 6 | Fraudulent Use of Credit Card | 24 |
| 7 | Obtain Prop. by False Pretenses | 19 |
| 8 | Welfare Fraud | 18 |
| 9 | Obtain Money/False Pretenses Under \$500 | 15 |
| 10 | Obtain Controlled Substance by Fraud | 11 |

YEAR 1986

| <u>Rank</u> | <u>Court Charge (Offense)</u> | <u>No. Defendants</u> |
|-------------|---|-----------------------|
| 1 | Forgery and Counterfeiting | 158 |
| 2 | Utter Fraudulent Checks Over \$100 | 74 |
| 3 | Obtain Money-False Pretenses Over \$500 | 71 |
| 4 | Give False Document to Public Official | 64 |
| 5 | Obtain Property by False Pretenses | 48 |
| 6 | Embezzle Over \$500 | 46 |
| 7 | Welfare Fraud | 30 |
| 8 | Failure to Report Income | 28 |
| 9 | Utter Fraudulent Checks Under \$100 | 25 |
| 10 | Fraudulent Use of Credit Cards | 20 |

Number of Defendants CHARGED
With White Collar Crime: Ten (10) Most
Frequently Committed Offenses

YEAR 1985

| <u>Rank</u> | <u>Court Charge (Offense)</u> | <u>No. Defendants</u> |
|-------------|--|-----------------------|
| 1 | Utter Fraudulent Checks Over \$100 | 183 |
| 2 | Forgery & Counterfeiting | 121 |
| 3 | Obtain Money False Pretenses | 91 |
| 4 | Utter Fraudulent Checks Under \$100 | 45 |
| 5 | Give False Document to Public Official | 38 |
| 6 | Embezzle Over \$500 | 32 |
| 7 | Fraudulent Use Credit Card | 27 |
| 8 | Give False Document to Employer | 19 |
| 9 | Obtain Controlled Substance by Fraud | 17 |
| 10 | Failure to Report Income | 11 |

YEAR 1984

| <u>Rank</u> | <u>Court Charge (Offense)</u> | <u>No. Defendants</u> |
|-------------|---------------------------------------|-----------------------|
| 1 | Forgery & Counterfeiting | 164 |
| 2 | Utter Fraudulent Checks Under \$500 | 100 |
| 3 | Obtain Money by False Pretenses \$500 | 67 |
| 4 | Give False Document to Employer | 62 |
| 5 | Welfare Fraud | 61 |
| 6 | Failure to Report Income | 48 |
| 7 | Utter Fraudulent Checks Under \$100 | 45 |
| 8 | Embezzle Under \$500 | 34 |
| 9 | Obtain Property by False Pretenses | 33 |
| 10 | Fraudulent Use of Credit Card | 31 |

Rhode Island
Table 10

WHITE COLLAR COURT DISPOSITIONS:
% (Percent) to Total Results
1984-1987

| OFFENSE | 1987 | | | | 1986 | | | | 1985 | | | | 1984 | | | |
|--|--------|-------------|------------|-----------------|--------|-------------|------------|-----------------|--------|-------------|------------|-----------------|--------|-------------|------------|-----------------|
| | Guilty | Guilty-PLEA | Not Guilty | Dismissed/Filed | Guilty | Guilty-PLEA | Not Guilty | Dismissed/Filed | Guilty | Guilty-PLEA | Not Guilty | Dismissed/Filed | Guilty | Guilty-PLEA | Not Guilty | Dismissed/Filed |
| Forgery-Counterfeiting | 1% | 91% | - | 8% | - | 83% | 2% | 15% | - | 93% | - | 7% | - | 90% | - | 10% |
| Utter Fraudulent Checks Over \$100 | - | 67% | - | 33% | - | 77% | - | 23% | - | 87% | - | 13% | - | - | - | - |
| Embezzle Over \$500 | 3% | 91% | - | 6% | - | 83% | - | 17% | - | 86% | 3% | 9% | - | - | - | - |
| Utter Fraudulent Checks Under \$500 | - | - | - | - | - | 77% | - | 23% | - | 80% | - | 20% | - | 100% | - | - |
| Give False Document of Public Official | - | - | - | - | 1% | 38% | 2% | 59% | 3% | 71% | 2% | 24% | - | - | - | - |
| Obtain Property by False Pretenses | 3% | - | 3% | - | - | 59% | 8% | 33% | - | - | - | - | - | 45% | 10% | 45% |
| Welfare Fraud | - | 72% | - | 18% | - | 87% | - | 13% | - | - | - | - | - | 87% | - | 13% |
| Fraudulent Use of Credit Card | - | 83% | - | 17% | - | 80% | - | 20% | - | 78% | - | 22% | - | 84% | - | 16% |
| Obtain Money/False Pretenses Over \$500 | 4% | 64% | - | 32% | - | 65% | 3% | 32% | - | - | - | - | - | - | - | - |
| Obtain Money/False Pretenses Under \$500 | - | 93% | - | 7% | - | - | - | - | 5% | 70% | 4% | 21% | - | 61% | - | 39% |
| Obtain Controlled Substance by Fraud | - | 73% | - | 27% | - | - | - | - | - | - | - | - | - | - | - | - |
| Failure to Report Income | - | - | - | - | - | 39% | - | 61% | - | 45% | - | 55% | - | 15% | - | 85% |
| Give False Document to Employer | - | - | - | - | - | - | - | - | - | 37% | - | 63% | - | 18% | - | 82% |
| Embezzle Under \$500 | - | - | - | - | - | - | - | - | - | 88% | 3% | 9% | - | 71% | - | 29% |

Table 11 Suspects Investigated in
Matters Received by U. S. Attorneys,
October 1, 1984, to September 30, 1985

| Offense | Suspects Investigated Number | Percent |
|--|---------------------------------|---------|
| All Offenses | 80,949 | 100% |
| White Collar | 24,507 | 30% |
| Tax Fraud | 2,013 | 2 |
| Lending and credit fraud | 1,398 | 2 |
| Wire fraud | 3,919 | 5 |
| Other fraud | 7,251 | 9 |
| Embezzlement | 4,921 | 6 |
| Forgery/counter- feiting ^a | 3,719 | 5 |
| Regulatory offenses | 1,286 | 2 |
| Non-White collar | 46,942 | 58% |
| Conspiracy and un- idifferentiated offenses ^b | 9,500 | 12% |

^a Data does not permit separate classification
of forgery and counterfeiting suspects

^b Cannot be classified as white collar or non-
white collar.

Table 12 Federal White Collar Crime Convictions, 1985

| Offense | Convictions | |
|---------------------------------------|-------------|--------|
| | Percent | Number |
| Fraud | 100% | 5,972 |
| Tax | 20 | 1,204 |
| Lending and credit | 9 | 540 |
| Wire and mail | 24 | 1,428 |
| Other ^a | 47 | 2,300 |
| Embezzlement | 100% | 1,753 |
| Bank | 48 | 842 |
| Government | 10 | 173 |
| U. S. Postal Service | 18 | 313 |
| Other ^b | 24 | 425 |
| Forgery | 100% | 2,014 |
| U.S. Government documents | 79 | 1,594 |
| U.S. Postal Service | 8 | 152 |
| Securities | 13 | 254 |
| Other | 1 | 14 |
| Counterfeiting | 100% | 503 |
| White collar regulatory offenses | 100% | 491 |
| Import and export ^c | 26 | 127 |
| Antitrust | 23 | 114 |
| Transportation | 23 | 113 |
| Food and drug | 17 | 84 |
| Labor | 8 | 37 |
| Agriculture and agricultural material | 3 | 16 |
| Total white collar convictions | 100% | 10,733 |

Note: Data include cases brought by U.S. Attorneys and the Criminal Division of the Department of Justice.

^aIncludes false claims and statements; government program fraud; fraud concerning bankruptcy, commodities, securities, passports, or citizenship; and conspiracy to defraud.

^bIncludes labor organizations, Indian tribal organizations and other Federally protected victims.

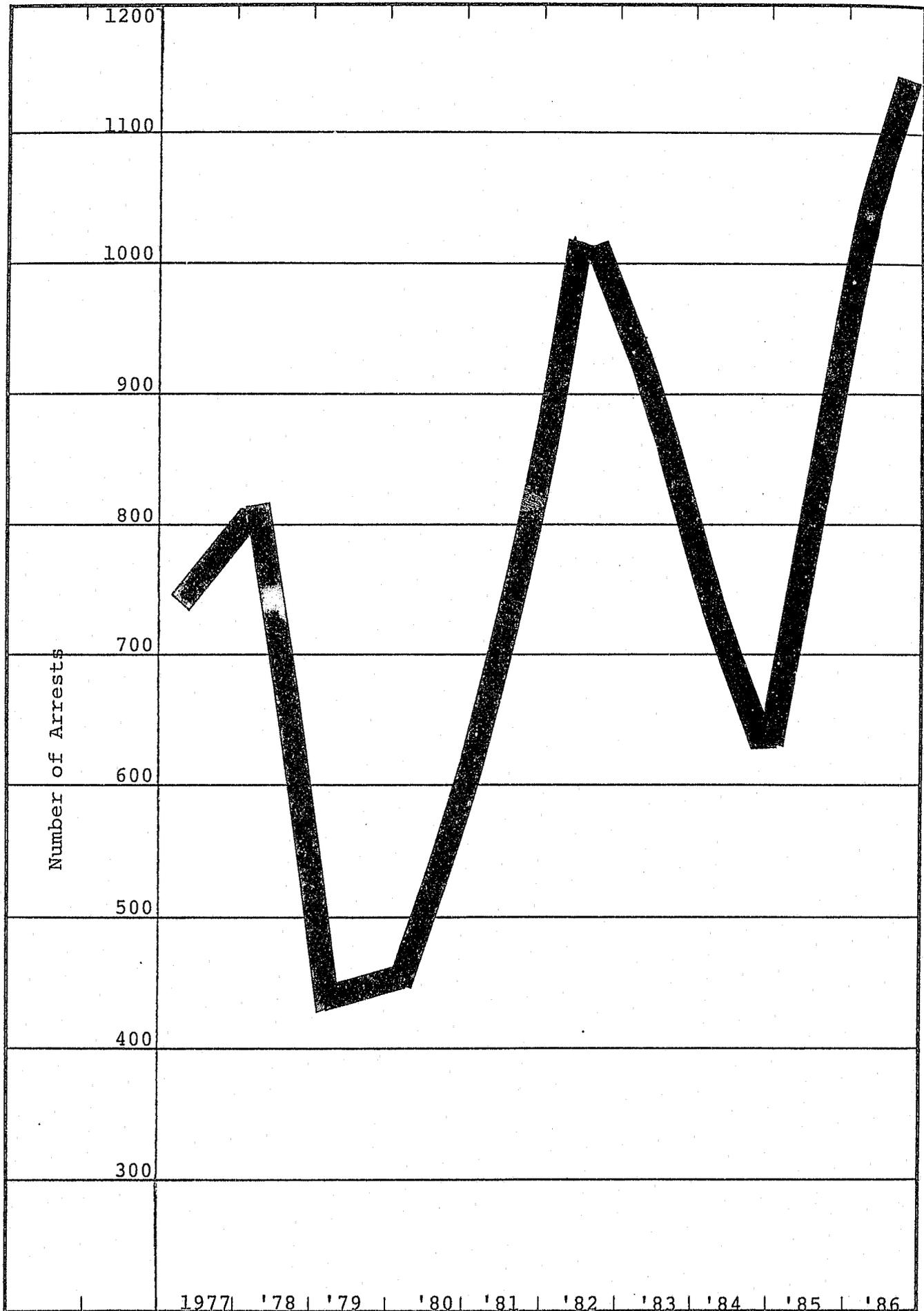
^cIncludes customs violations and export of restricted defense materials and information; does not include drug offenses.

SECTION 4

GRAPH / BIBLIOGRAPHY

Graph 1
Rhode Island

White Collar Crimes
Annual Amounts Of Arrests



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