The Devastating Effects of White Collar Crime

Saul Rosen  October 20, 2016

Embezzlement, fraud and money laundering are all examples of white collar crimes that cost companies billions of dollars each year.

(Newswire.net -- October 20, 2016) -- White collar crime is a combination of greed and decent that many business around the world have to deal with. Embezzlement, fraud and money laundering are all examples of white collar crimes that cost companies billions of dollars each year.

While white collar crime is inherently non-violent, it is far from a victimless crime. Not only do businesses suffer, but investors, employees and their families can all lose money and job security when white collar crime runs rampant in the business world. We interviewed a criminal defense attorney and compiled a quick guide to white collar crime and the devastating effects it can have on everyone.

What is White Collar Crime?

White collar crime is any non-violent crime that someone commits for personal financial gain. Those who commit these crimes are usually business professionals, such as employees, managers or executives, but certain cons like pyramid schemes can be perpetrated by anybody with the knowledge and willingness to do so.

As mentioned before crimes such as money laundering (the concealment of illegally-gained money by making it appear to the government as having come from legal means), embezzlement (the misappropriation of funds) and all types of fraud (deception for financial gain) are all considered white collar crimes.

One of the most recent -- and famous -- examples of white collar crime is Bernie Madoff’s Ponzi Scheme that duped investors out of nearly one billion dollars from the 1970s to mid 2000s. What did he get for his crimes? 150 years in prison.

There have been many more instances of white collar crime and not all of them involve hundreds of millions of dollars.

Who Does it Affect?

Unfortunately, nearly any business can be affected by white collar crime. Sometimes, the crimes aren’t noticed for several reasons, but they can go on for years without the proper supervision. This can cost the company a lot of money or, in extreme circumstances, be enough to put them out of business for good.

But businesses aren’t the only victims.

Many ordinary citizens fall prey to white collar crimes every year, mostly getting caught up in Ponzi Schemes or other financial advisor’s illicit plans to represent their clients interest, but only look out for their own instead. Oftentimes, the victims of white collar crimes believe they are positioning themselves for a stock that is sure to take off soon, or a startup that looks promising, but all the while, the white collar criminal is just taking their money and giving them falsified data instead.

How Much Does White Collar Crime Cost?

On the whole, white collar crimes cost the country’s economy somewhere between 300 and 600 billion dollars per year. This includes both business and ordinary citizens and is a major problem that authorities constantly try to deal with.

In general, business can lose nearly five percent of their revenue to fraud each year. This means that for every one million dollars a company earns, up to $50,000 is taken away by someone committing white collar crimes. This doesn’t even take into account the large crimes like Madoff’s that can send shockwaves throughout the financial world.

There is also lost tax revenue for the government to consider. Many times, especially with money laundering, the money that is stolen is not reported to the IRS. This can give the government impetus to raise taxes when more
How to Prevent White Collar Crime

Fortunately, there are many things that businesses can do to cut down on the chances of becoming victims of white collar criminals.

Strong internal checks and balances are key to preventing fraud. When there is a good supervision, from entry level positions all the way up to the CEO, then there is less of a chance that someone can get away with white collar crime. A good training program can also help, as employees without the proper training with regards to fraud will have a difficult time detecting it on their own. Business can set up anonymous hotlines that allow employees and others to report their suspicions of white collar crime and give the company a chance to root it out before it's too late.

For everyday people, vet anyone who approaches you with a “sure thing:” they rarely work out and can cost you a lot of money. Only use known professionals with good reputations.

Harley Miah is at law school and enjoys using her research and knowledge to write law related articles for a wide online audience. Outside of school she enjoys playing tennis and hanging out with her young nephews.