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ON THE RAMIFICATIONS OF WHITE COLLAR CRIME

WHEN I BEGAN TO THINK ABOUT THE TOPIC OF WHITE-COLLAR CRIME FOR MY PRESENTATION TO YOU HERE THIS EVENING, I REMEMBERED A FAMOUS AMERICAN FOLK BALLAD WRITTEN BY WOODIE GUTHRIE IN THE LATE 1930'S. THE SONG IS THE BALLAD OF "PRETTY BOY FLOYD" AND IN IT, WOODIE GUTHRIE SINGS:

AS THROUGH THIS WORLD I'VE RAMBLED  
I'VE SEEN LOTS OF FUNNY MEN,  
SOME ROB YOU WITH A SIX GUN,  
AND SOME WITH A FOUNTAIN PEN.

WE HEAR FREQUENTLY ABOUT VARIOUS CRIMES OF VIOLENCE: ROBBERY, BURLARGY, ARSON, RAPE, MURDER. BUT WE DON'T HEAR ABOUT THE VARIOUS FORMS OF "FOUNTAIN PEN" OR WHITE-COLLAR CRIME - CRIME THAT IS OFTEN UNKNOWN AND UNSEEN AND WHICH ACTUALLY IS MORE COSTLY TO BOTH YOU AND ME THAN CONVENTIONAL CRIMES. OFTEN IT IS RELATIVELY EASY TO APPREHEND AND CONVICT ONE ACCUSED OF A CRIME OF VIOLENCE BUT IT MAY TAKE YEARS TO PINPOINT WHITE COLLAR CRIMES, ALTHOUGH IT DRAINS MILLIONS AND PERHAPS BILLIONS OF DOLLARS FROM ITS VICTIMS.

WHAT EXACTLY IS WHITE-COLLAR CRIME? TO OBTAIN A CLEAR UNDERSTANDING OF THIS TERM AND ITS IMPLICATIONS, LET US FIRST EXAMINE THE TERM AS IT WAS POPULARIZED BY EDWIN H. SUTHERLAND FORTY YEARS AGO. IN HIS PIONEERING STUDY ON THE SUBJECT, HE DEFINED WHITE-COLLAR CRIME AS ANY CRIME THAT IS "COMMITTED BY A PERSON OF RESPECTABILITY AND HIGH SOCIAL STATUS IN THE COURSE OF HIS OCCUPATION." SUTHERLAND INDICATES THAT THESE CRIMES DO NOT INVOLVE THE USE OF PHYSICAL FORCE.

WHAT MADE THIS STUDY SO INTRIGUING WAS THAT VIRTUALLY ALL LITERATURE UP UNTIL THIS POINT HAD DEALT WITH ORDINARY CRIME COMMITTED BY WHAT PEOPLE CONSIDERED SOCIALLY DEGENERATE INDIVIDUALS - THOSE WHO HAD COME FROM A POOR ECONOMIC BACKGROUND - WHO HAD INADEQUATE SCHOOLING, WHO WERE PRODUCTS OF A BROKEN HOME, OR WHO HAD SUFFERED CHILDHOOD EMOTIONAL INSECURITIES.

IT WOULD BE EASY TO GO ON WITH OTHER STEREOTYPES OF THE BACKGROUND OF A SO-CALLED "CRIMINAL TYPE INDIVIDUAL". HOWEVER, THE CRIMES WHICH INTERESTED SUTHERLAND DID NOT FILL ANY OF THESE STEREOTYPED PRE-CONDITIONS. THE TWO PREREQUISITES: THAT THE CRIME IS COMMITTED AS AN UNDESIRABLE BYPRODUCT OF ONE'S WORK AND THAT THIS WORK IS OF A PROFESSIONAL NATURE UNDOUBTEDLY SHOCKED MANY INDIVIDUALS; PEOPLE BEGAN TO REALIZE THAT CRIME WAS WIDESPREAD IN THE VERY SOUL OF AMERICAN BUSINESS, PROFESSIONAL AND POLITICAL LIFE.

SINCE 1939 WHEN SUTHERLAND DEFINED WHITE-COLLAR CRIME, ITS DEFINITION AND THE UNDERSTANDING OF IT HAVE EXPANDED CONSIDERABLY. IT IS NOW MORE CHARACTERISTICALLY DOCUMENTED AS AN ILLEGAL ACT OR SERIES OF ACTS WHICH ARE COMMITTED BY NON-PHYSICAL MEANS AND BY CONCEALMENT OF GUILT. THE PURPOSE OF SUCH ACTS IS TO OBTAIN ONE OR ALL OF THE FOLLOWING THREE ITEMS - FIRST, MONEY OR PROPERTY; SECOND, IMMUNITY FROM THE PAYMENT OR LOSS OF MONEY OR PROPERTY; OR FINALLY, BUSINESS OR PERSONAL ADVANCEMENTS. THUS, WE CAN UNDERSTAND THAT WHITE-COLLAR CRIME ENCOMPASSES ANY SORT OF PERSONAL GAIN THAT IS ILLEGALLY OBTAINED.

UNTIL THE LATTER PART OF THE 19TH CENTURY, BUSINESS COULD FOLLOW WHAT IS KNOWN AS A LAISSEZ-FAIRE, OR A "DO AS YOU PLEASE" PHILOSOPHY. THEN, WITH THE INCREASING NUMBER OF UNREGULATED BUSINESSES, GOVERNMENT LAWS AND POLICIES WERE SLOWLY ADOPTED TO MAKE VARIOUS PREVIOUSLY PERMISSIBLE ACTS ILLEGAL. RESTRAINT OF TRADE, FALSE ADVERTISING, INSOLVENCY OR THE INABILITY OF BANKS TO PAY OFF DEBTS DUE TO FRAUD, SALE OF NON-EXISTENT SECURITIES, MISUSE OF TRADEMARKS, AND MANY OTHER PRACTICES BECAME ILLEGAL. THUS, WHILE "FOUNTAIN PEN" CRIME WAS NOT NEW IN THE HISTORY OF MANKIND, THIS WAS THE FIRST TIME THAT LAWS AND REGULATIONS WERE ENACTED TO CONTROL IT.

THE STATUTES THAT PROHIBIT SUCH ACTS ARE FOUND IN ANTI-TRUST LAWS, SUCH AS THE SHERMAN ANTI-TRUST ACT OF 1890 OR IN VARIOUS FOOD AND DRUG LAWS SUCH AS THOSE OF THE PURE FOOD AND DRUG ADMINISTRATION. OTHER FORMS OF CONTROL MAY BE SEEN IN THE NUMEROUS SAFETY AND HEALTH LAWS, LICENSING SYSTEMS, AND HOUSING CODES.

IT MAY SURPRISE YOU TO LEARN THAT THERE IS STILL CONTROVERSY ABOUT EXACTLY WHAT SORT OF COVERT OR HIDDEN CRIMINAL BEHAVIOR SHOULD BE INCLUDED IN THE DEFINITION OF WHITE-COLLAR CRIME. SOME CRIMINOLOGISTS BELIEVE THAT IT SHOULD INCLUDE ONLY OCCUPATIONAL CRIMES OR THOSE DIRECTLY CONNECTED WITH ONE'S EMPLOYMENT. THUS SUCH ACTIONS AS INCOME TAX EVASION WOULD BE EXCLUDED. OTHERS STILL MAINTAIN THAT IT SHOULD BE INTERPRETED MORE LOOSELY.

LET'S STOP AT THIS POINT TO SINGLE OUT SOME SPECIFIC TYPES OF CRIME THAT COULD BE INCLUDED AS WHITE-COLLAR ONES.

HERBERT EDELHERTZ, PREVIOUS CHIEF OF THE FRAUD SECTION OF THE JUSTICE DEPARTMENT UNDER PRESIDENT JOHNSON, CATEGORIZES OVER SIXTY-ONE FORMS OF WHITE-COLLAR CRIME IN HIS RECENT PUBLICATION ON THE SUBJECT. HOWEVER, HE BREAKS THESE DOWN INTO FOUR DISTINCT GROUPINGS.

THE FIRST ONE GENERALLY INCLUDES CRIMES BY A PERSON ACTING IN SOME MANNER AGAINST THE INTERESTS OF HIS EMPLOYER.

ONE OF THE MOST FREQUENTLY PUBLICIZED FORMS OF THIS SORT OF CRIME IS EMBEZZLEMENT - WHERE MONEY IS ILLEGALLY TAKEN FOR ONE'S PERSONAL USE THROUGH SOME FORM OF DECEIT.

TAKE FOR EXAMPLE, THE CASE OF A SMALL TOWN BANK PRESIDENT IN EDENTOWN, NEW JERSEY. THIS INDIVIDUAL, WHO EARNED \$22,000 A YEAR AT THE AGE OF THIRTY-NINE, IS SUDDENLY CAUGHT AND CHARGED WITH EMBEZZLING FIVE MILLION DOLLARS.

JUST THIS PAST JANUARY, THE FORMER PRESIDENT OF A BANK IN CARTERSVILLE, GEORGIA, WAS CONVICTED OF SIPHONING OFF 4.7 MILLION DOLLARS IN BANK FUNDS AND GAMBLING MUCH OF IT AWAY. THE CHARGES AGAINST HIM INCLUDED EMBEZZLEMENT, MISAPPLICATION OF FUNDS, AND MAKING FALSE ENTRIES IN THE BANK'S BOOKS.

SOME OTHER FAIRLY COMMON CRIMES IN THIS SAME CATEGORY, WHEREIN A PERSON ACTS AGAINST HIS EMPLOYER, WOULD INCLUDE CONFLICT OF INTEREST CASES AND THE ACCEPTANCE OF BRIBES OR KICKBACKS. FOR THOSE OF YOU NOT FAMILIAR WITH THE TERM, A "KICKBACK" OCCURS WHEN AN INDIVIDUAL WHO SUPPOSEDLY HAS IMPARTIALLY NEGOTIATED A CONTRACT IN THE BEST INTEREST OF HIS EMPLOYER TAKES MONEY FROM THE PERSON WITH WHOM HE IS CONTRACTING SO AS TO GUARANTEE THAT THEY WILL RECEIVE THE CONTRACT RATHER THAN THE FAIREST OR LOWEST BIDDER.

A SECOND FORM OF WHITE-COLLAR CRIME IS THAT COMMITTED BY A PERSON ACTING ALONE IN A NON-BUSINESS CONTEXT. THE

FRAUDULENT PRACTICES ASSOCIATED WITH THIS CATEGORY WOULD INCLUDE LOAN AND CREDIT CARD DECEPTIONS. ANOTHER EXAMPLE WOULD BE INCOME TAX EVASION.

THE THIRD CATEGORY WHICH MR. EDELHERTZ CITES INCLUDES CRIMES WHICH ARE COMMITTED BY INDIVIDUALS TO FURTHER BUSINESS OPERATIONS BUT AT THE SAME TIME ARE APART FROM THE CENTRAL PURPOSE OF THE BUSINESS. EXAMPLES OF SUCH VIOLATIONS WOULD INCLUDE THE FAIRLY INNOCUOUS BUT ALL TOO COMMON PRACTICE OF SHORT WEIGHING PRODUCTS, SUCH AS MEATS OR FRUITS IN THE FOOD STORES, ALL THE WAY TO THE GIGANTIC RAMIFICATIONS OF ANTI-TRUST VIOLATIONS WHEREIN ILLEGAL BUSINESS MONOPOLIES OR UNFAIR BUSINESS OPERATIONS TAKE PLACE. HOUSING CODE VIOLATIONS WHERE A CONTRACTOR PUTS TOO FEW ELECTRICAL OUTLETS OR TOO FEW DOORS OR IMPROPER EXITS INSIDE A BUILDING ALSO FALL WITHIN THIS GROUPING.

THE FINAL DIVISION ENCOMPASSES CRIMES BY AN INDIVIDUAL WHEREIN THEY ACTUALLY ACT TO SUPPORT OR FURTHER THE CENTRAL PURPOSE OF THE BUSINESS OR SOME SPECIFIC ACTIVITY. PHONY CONTESTS, CHAIN LETTERS, HOME IMPROVEMENT SCHEMES, FALSE CHARITIES, INSURANCE AND SCHOOL FRAUDS ARE ALL INCLUDED IN THIS AREA. AND IT HAS BEEN IN THIS CATEGORY ESPECIALLY, THAT WE IN THE NORTH CAROLINA ATTORNEY GENERAL'S OFFICE HAVE WORKED SO HARD TO PROTECT THE CITIZENS OF OUR STATE. I AM SURE MOST OF YOU ARE AWARE OF THE CONSUMER PROTECTION DIVISION.

THIS DIVISION, CONSISTING OF ATTORNEYS AND INVESTIGATORS, WORKS FULL-TIME TO SEEK OUT THE FALSE, THE FRAUDULENT, THE PHONY, AND TO PROTECT OUR CITIZENS FROM THEM.

SO FAR WE'VE DISCUSSED SOME EXAMPLES OF WHITE-COLLAR CRIMES. BUT NOW LET'S TAKE A LOOK AT THE MAGNITUDE OF THESE CRIMES, USING ACTUAL DOLLAR FIGURES.

YOU SHOULD REALIZE FROM THE BEGINNING THAT IT IS QUITE DIFFICULT TO ACCURATELY DETERMINE THE FULL EXTENT OF WHITE-COLLAR CRIME SINCE MANY INFRACTIONS GO COMPLETELY UNDETECTED. FOR ORDINARY CRIMES, SUCH AS ROBBERY OR MURDERS, THE FEDERAL BUREAU OF INVESTIGATION ISSUES NATIONAL CRIME STATISTICS IN THE UNIFORM CRIME REPORTS TO DOCUMENT THE EXTENT OF THESE CRIMINAL LAW VIOLATIONS. NO SUCH REPORTS ARE AVAILABLE TO DOCUMENT MANY WHITE-COLLAR CRIMES BECAUSE THERE ARE NO VICTIMS TO REPORT THEM, DUE TO THE SECRET NATURE OF THE CRIMES WE ARE DISCUSSING.

HOWEVER, IT IS ESTIMATED THAT THE ACTUAL LEVEL OF FINANCIAL LOSSES ATTRIBUTABLE TO WHITE-COLLAR CRIME IS BETWEEN 25 AND 40 BILLION DOLLARS A YEAR. TO GIVE YOU ANOTHER FIGURE, THE LOS ANGELES POLICE DEPARTMENT ESTIMATES THAT THE COST OF SUCH WHITE-COLLAR CRIMES AS SHORT WEIGHT FOOD AND GROCERY PRODUCTS, DOOR-TO-DOOR SELLING SCHEMES, FAKE CHARITIES, AND EMBEZZLEMENT COST EVERY MAN, WOMAN AND CHILD IN THIS COUNTRY FIFTY DOLLARS A YEAR.

TO GAIN A BETTER UNDERSTANDING OF HOW EXORBITANT THIS FIGURE IS, NOT ONLY IN TERMS OF DOLLARS BUT ALSO IN TERMS OF THE NUMBER OF CRIMES COMMITTED IN RELATION TO THE OVERT CRIMINAL ACTIONS WE SO OFTEN SEE IN THE NEWSPAPERS, I WILL BRIEFLY CITE SOME COMPARATIVE FIGURES.

IN 1967 PRESIDENT JOHNSON'S COMMISSION ON LAW ENFORCEMENT AND THE ADMINISTRATION OF JUSTICE GAVE THE FOLLOWING ESTIMATES COMPARING KNOWN CASES OF SPECIFIC TYPES OF WHITE-COLLAR CRIME WITH UNKNOWN CASES OF SPECIFIC TYPES OF PROPERTY CRIMES. DISCOVERED CASES OF EMBEZZLEMENT RAN AT A RATE OF 200 MILLION DOLLARS ANNUALLY, WHILE THE TOTAL AMOUNT OF ROBBERIES AMOUNTED TO 27 MILLION DOLLARS; NOW, REMEMBER, THE 200 MILLION DOLLARS WAS A KNOWN FIGURE. ADD TO THAT THE UNKNOWN CASES OF FRAUD, TAX EVASION, EMBEZZLEMENT, AND KICKBACKS AS OTHER SOURCES OF POSSIBLE WHITE-COLLAR CRIME INFRACTIONS AND YOU ARE TALKING ABOUT A FANTASTIC AMOUNT OF MONEY. EVEN IF WE ADDED TO THE 27 MILLION DOLLARS IN KNOWN ROBBERIES, THE AMOUNT OF ALL OTHER BURGLARIES, AUTO THEFTS AND LARCENIES, WE WOULD REACH ONLY ABOUT 50 MILLION DOLLARS. THUS IT IS OBVIOUS THAT WHITE-COLLAR CRIMES IN AND OF THEMSELVES CREATE AN ENORMOUS AMOUNT OF FINANCIAL DISASTER.

VIRGINIA H. KNAUER, FORMER SPECIAL ASSISTANT TO PRESIDENT NIXON FOR CONSUMER AFFAIRS, ESTIMATES THAT ONE BILLION DOLLARS IS SPENT ANNUALLY ON WORTHLESS FOOD, DRUGS



AND COSMETICS. AND SHE NOTES THAT THIS ESTIMATE IS REALLY VERY CONSERVATIVE.

WHILE WE ARE EXAMINING VARIOUS FINANCIAL INCIDENTS, LET US BRIEFLY LOOK AT SEVERAL AREAS WHICH MORE CLOSELY TOUCH EACH OF US. SENATOR PHILIP HART OF MICHIGAN, VICE CHAIRMAN OF THE COMMERCE SUBCOMMITTEE ON CONSUMERS, ESTIMATED THAT ACTAULLY 30 TO 40 PERCENT OF ALL CONSUMER SPENDING IS FOR WORTHLESS SERVICES. HE FEELS THAT THIS TRANSLATES INTO APPROXIMATELY 200 BILLION DOLLARS ANNUALLY FOR SERVICES AND GOODS WITH LITTLE OR NO PRODUCT VALUE. THE SENATE JUDICIARY SUBCOMMITTEE ON ANTI-TRUST AND MONOPOLY CITED AROUND 45 BILLION DOLLARS BEING LOST TO THE CONSUMER FROM MONOPOLISTIC PRICING POLICIES INCLUDING EIGHT TO TEN BILLION DOLLARS FOR INADEQUATE, NON-EXISTENT AUTO REPAIRS AND 14 BILLION DOLLARS LOST BECAUSE OF DECEPTIVE GROCERY LABELING.

AS EARLY AS 1941, A STUDY WAS CONDUCTED ON THE COST OF AUTOMOBILE REPAIRS. FOR THAT STUDY, THE INVESTIGATORS DISCONNECTED A FAIRLY OBVIOUS COIL AND THEN PROCEEDED TO TAKE THE CAR IN TO OVER 347 SHOPS IN 48 STATES TO SEE WHAT WOULD HAPPEN NEXT. OUT OF THESE 347 SHOPS, 129 IMMEDIATELY NOTED THE TROUBLE AND CHARGED NOTHING OR MADE SOME SORT OF MINIMAL CHARGE. THE REMAINDER OF THE GARAGES, OR 63 PERCENT, OVERCHARGED, MANY OF THEM ADDING UNNECESSARY ADDITIONAL PARTS.

RECENTLY A SIMILAR STUDY WAS CONDUCTED BY THE STAFF OF THE WALL STREET JOURNAL, AGAIN USING AN AUTOMOBILE WITH A VERY INSIGNIFICANT PART DELIBERATELY DAMAGED. THE CAR WAS CARRIED TO A TOTAL OF 50 SHOPS, ALL IN HOUSTON, TEXAS. ONLY 12 FIXED THE PART WITH EITHER LITTLE OR NO CHARGE. THE REMAINDER, IN THE OPINION OF THE REPORTERS, GROSSLY OVERCHARGED FOR THE WORK THEY DID. IN ADDITION, OVER 25 PERCENT OF THE SHOPS REPORTED SOME OTHER PART OF THE VEHICLE AS BEING SERIOUSLY DAMAGED AND IN NEED OF REPAIR.

A NEWSPAPER IN NORTH CAROLINA, A FEW WEEKS AGO, RAN A SIMILAR TEST WITH TV REPAIRS. THE RESULTS WERE EQUALLY DISCOURAGING.

THUS FAR I HAVE ONLY TOUCHED ON THE NUMERICAL AND FINANCIAL ASPECTS OF THESE CRIMES. WHILE WE MAY THINK THAT THE KIND OF CRIME WE ARE TALKING ABOUT TODAY IS NOT BEING PHYSICALLY HARMFUL, THIS CAN BE A GRAVE MISCONCEPTION.

WHAT HAPPENS WHEN BUILDING CONSTRUCTORS TAKE SHORT CUTS REPLACING ONE TYPE OF MATERIAL, LET US SAY WHICH MUST BE FIREPROOF, WITH A LESS EXPENSIVE MATERIAL WHICH IS NOT? OR LET US REMEMBER THE ENTIRE FOOD AND DRUG ARENA WHERE MANUFACTURERS' NEGLIGENCE MAY RESULT IN SERIOUS ILLNESS OR DEATH ON THE PART OF THE INDIVIDUAL WHO USES OR EATS THE SPECIFIC PRODUCT ... NEED I SAY MORE?

THE VERY ASPECTS WHICH WE LIKE TO ASSOCIATE WITH LIFE IN A DEMOCRATIC GOVERNMENT ARE JEOPARDIZED WHEN A POLICY-MAKER TAKES A BRIBE IN AN EFFORT TO ACQUIRE SOME SORT OF PERSONAL GAIN. ONCE AGAIN, THIS SORT OF SITUATION IS OFTEN DIFFICULT TO DETECT UNTIL YEARS AFTER THE ACTUAL DAMAGE IS DONE, IF THEN. LET ME GIVE YOU A SPECIFIC EXAMPLE.

TWO YEARS AGO, IN THE CITY OF NEW YORK, TWO OF THE CITY'S THREE WATER COMMISSIONERS WERE INDICTED AND FOUND GUILTY OF RECEIVING BRIBES. THESE MEN, ALL OF WHOM HAD OUTSIDE, FULLTIME PROFESSIONS, RECEIVED FROM THE CITY OF NEW YORK \$20,000 A YEAR AND A CHAUFFEUR-DRIVEN CAR IN THEIR CAPACITY AS WATER COMMISSIONERS. IT HAS BEEN ESTIMATED THAT THE TOTAL TIME NECESSARY FOR THEM TO MEET THEIR COMMITMENTS TO THE CITY OF NEW YORK WAS LESS THAN TEN HOURS A MONTH. YET, ON TOP OF THEIR SALARY AND FRINGE BENEFITS, THEY CHOSE TO ACCEPT A BRIBE FROM A COMPANY WHICH WAS INTERESTED IN RECEIVING A RESERVOIR CLEANING CONTRACT.

THESE MEN THEN AWARDED THE CONTRACT TO A COMPANY WHICH WAS NOT THE BEST, NOT THE LOWEST BIDDER, BUT WHICH GAVE EACH OF THEM \$14,000 IN ILLEGAL BRIBES. NOT ONLY DID THE PEOPLE OF NEW YORK CITY SUFFER IN THAT THE CITY PAID TOO MUCH MONEY FOR THE SERVICE IT RECEIVED, BUT IN THIS PARTICULAR CASE, THE COMPANY AWARDED THE CONTRACT WAS KNOWN BY OTHER CITY EMPLOYEES TO DO ITS WORK POORLY. THUS THE LOSS SUFFERED BY THE PEOPLE WAS TWO-FOLD.

WHY DOES SO MUCH WHITE-COLLAR CRIME TAKE PLACE? THIS IS AN AREA CURRENTLY BEING SCRUTINIZED BY CRIMINOLOGISTS AND SOCIOLOGISTS WHO HOPE TO DISCOVER NEW POSSIBILITIES FOR PREVENTIVE MEASURES AND NEW DETECTION DEVICES. THEY STILL ARE NOT SURE WHY MANY WELL-TO-DO INDIVIDUALS STEAL, COMMIT FRAUD, ACCEPT BRIBES AND FIX RATES. WE ARE STILL LOOKING FOR ANSWERS.

HOW DOES THE EXECUTIVE OR THE MANAGER WHO IS INVOLVED IN WHITE-COLLAR CRIME VIEW HIMSELF? ONE OF THE BIGGEST FACTORS CONTRIBUTING TO WHITE-COLLAR CRIME SEEMS TO BE THAT THE WHITE-COLLAR CRIMINAL DOES NOT CONSIDER HIMSELF A CRIMINAL AT ALL. A PERSON WHO EMBEZZLES JUSTIFIES THE ACT AS BEING MERELY TEMPORARY TO GET THROUGH A DIFFICULT PERIOD OF TIME. UNFORTUNATELY THESE ACTS ALL TOO SOON BECOME A HABIT OR A NECESSITY. SOCIETY REINFORCES THIS SELF-IMAGE BY NOT BEING ABLE TO UNDERSTAND AND DEAL WITH THE INCONSISTENCY THAT A BUSINESS LEADER, A "PILLAR OF SOCIETY" MAY ALSO BE IN EVERY SENSE OF THE WORD A "THIEF".

CORPORATIONS OFTEN FURTHER REINFORCE FEELINGS OF ACCEPTANCE FOR WHITE-COLLAR CRIMES BY IGNORING AN EXECUTIVE WHO COMMITS SUCH A CRIME IF IT BENEFITS THE CORPORATION ITSELF. BUSINESS ASSOCIATES WHO ARE ALREADY ENTRENCHED IN WHITE-COLLAR CRIME MAY PUSH FOR OTHERS TO BECOME INVOLVED.

INCREASING PRESSURES, OVER-EXTENDED BANK ACCOUNTS, AND ECONOMIC RECESSION - ALL LEAVE THE DOOR OPEN FOR INFRACTIONS. BANKS OFTEN FAIL TO PROSECUTE OFFENDERS FOR FEAR THE PUBLIC WILL THEN LOSE CONFIDENCE IN THE BANK AND ITS SECURITY MEASURES. CORPORATIONS OFTEN FAIL TO PROSECUTE ITS OFFICERS AND EMPLOYEES, AND IF IT DOES NOT ACCEPT THEIR CONDUCT, WILL THEN JUST RELEASE THEM FROM THEIR EMPLOYMENT WITHOUT GIVING ANY WARNING TO FUTURE EMPLOYERS OF THE EMPLOYEE'S PAST CONDUCT.

LET'S LOOK AT ONE PARTICULARLY LARGE CASE OF WHITE-COLLAR CRIME, THE CASE OF THE ELECTRICAL MACHINERY INDUSTRY'S PRICE-FIXING IN 1960. TWENTY-NINE COMPANIES WERE CONVICTED OF ILLEGALITIES IN THE SALE OF HEAVY EQUIPMENT TO THE GOVERNMENT AND PRIVATE FIRMS. THE COMPANIES HAD DIVIDED UP AREAS FOR EACH OF THEM TO SELL THEIR PRODUCTS IN, THUS NOT GIVING THE PUBLIC THE BENEFIT OF OPEN-PRICE COMPETITION AS SHOULD EXIST UNDER THE FREE ENTERPRISE SYSTEM. IN THIS CASE, SEVERAL OF THE VICE PRESIDENTS OF GENERAL ELECTRIC CORPORATION AND WESTINGHOUSE ELECTRIC CORPORATION WERE ALSO CHARGED WITH CONSPIRATORIAL PRICE-FIXING.

HOW ABOUT THE BACKGROUND OF THESE INDIVIDUALS? ONE OF THE PRIMARY ORGANIZERS WAS EARNING \$135,000 A YEAR, HAD THREE CHILDREN, SPENT HIS FREE TIME AS DIRECTOR OF A BOY'S CLUB, AND ON THE BOARD APPOINTED BY THE GOVERNOR OF THE STATE TO INVESTIGATE THE POSSIBILITIES FOR ECONOMIC EXPANSION IN HIS HOME COUNTY.

ANOTHER CONVICTED EMPLOYEE WAS A DEACON OF HIS CHURCH, AS WELL AS AN ACTIVE MEMBER OF THE CHAMBER OF COMMERCE AND THE BOARD OF THE LOCAL HOSPITAL. ALL IN ALL THEY HAD SPOTLESS RECORDS AND CERTAINLY WERE WELL-ESTABLISHED AND RESPECTED IN THEIR COMMUNITY. THEY EXPLAINED THEIR ACTIONS AS ACTS OF ALTRUISM TO HELP "STABILIZE" PRICES. HOWEVER, THEY KNEW WHAT THEY WERE DOING BECAUSE, AS THE COURT CASE BROUGHT OUT, THEY USED CODE NAMES FOR THEIR OPERATIONS, MET IN OBSCURE LITTLE TOWNS, FALSIFIED TRAVEL VOUCHERS, ETC. THERE IS NO DOUBT ABOUT IT; THESE MEN KNEW THEY WERE BREAKING THE LAW.

THE FEDERAL COURT FINES RESULTING FROM THIS CASE TOTALED SOME \$1.9 MILLION AGAINST THE COMPANIES. OF THE COMPANY EXECUTIVES INVOLVED, SEVEN WERE FINED, SEVEN GOT 30 DAYS IN JAIL, AND THE REMAINING 24 RECEIVED SUSPENDED SENTENCES. IN REVIEWING SIMILAR CASES, ONE CANNOT HELP BUT NOTE THAT THIS ELECTRIC EQUIPMENT CASE WAS ACTUALLY UNUSUAL IN THE SEVERITY OF THE FINES IMPOSED FOR THE WHITE-COLLAR CRIMES; FREQUENTLY, THERE ARE NO FINES OR JAIL SENTENCES AT ALL. IN SPITE OF THE MAGNITUDE OF THEIR CRIMES, THESE INDIVIDUALS JUST ARE NOT CONSIDERED CRIMINAL OFFENDERS.

LET'S GO BACK TO THE BANK PRESIDENT FROM GEORGIA THAT I MENTIONED TO YOU EARLIER IN MY TALK. CONVICTED OF STEALING 4.7 MILLION DOLLARS IN BANK FUNDS, AND BY THE WAY, HAVING GAMBLED MOST OF IT AWAY IN POSH CASINOS AROUND THE WORLD, THE BANK PRESIDENT PLED GUILTY. HE COULD HAVE BEEN GIVEN

300 YEARS IN PRISON AND FINES OF \$300,000. HE WAS ONLY SENTENCED TO 10 YEARS IN PRISON. AFTER SENTENCING, THE JUDGE TOOK UNDER ADVISEMENT A MOTION THAT THE FORMER BANKER BE ELIGIBLE FOR PAROLE WITHIN 30 DAYS.

LET'S THINK ABOUT THAT SENTENCE. TEN YEARS. YET IN NORTH CAROLINA, IF YOU OR I WERE TO STEAL \$470 DOLLARS, USING A GUN INSTEAD OF A PEN, WE COULD RECEIVE UP TO 30 YEARS IN JAIL FOR ARMED ROBBERY.

IN CONCLUSION, I EMPHASIZE THAT I DO NOT BELIEVE THAT ALL BUSINESSMEN, PROFESSIONAL PEOPLE AND POLITICIANS, ARE CRIMINALS. THEY ARE NOT AND MOST CONDUCT THEIR AFFAIRS ON A HIGH ETHICAL BASIS. WHAT I AM SAYING IS THAT WE MUST RE-EXAMINE OUR ATTITUDE TOWARD THOSE WHO DO NOT AND RECOGNIZE THE TREMENDOUS IMPACT OF THEIR CRIMINAL ACTIVITY UPON OUR SOCIETY AND ECONOMIC SYSTEM.

AS FUTURE BUSINESSMEN AND BUSINESS LEADERS ACROSS OUR STATE, THERE WILL BE A HEAVY BURDEN UPON YOU TO DEAL FAIRLY AND ACCURATELY, NOT ONLY WITH OTHER BUSINESSMEN BUT WITH THE PUBLIC IN GENERAL. DO NOT TOLERATE THE ATTITUDE OF THOSE WHO ARE OUT TO MAKE A QUICK DOLLAR AT THE EXPENSE OF THE PUBLIC. BELIEVE ME, MY EXPERIENCE AS CHIEF LAW ENFORCEMENT OFFICER FOR THE STATE OF NORTH CAROLINA HAS SHOWN ME TIME AND TIME AGAIN THAT AN HONEST BUSINESSMAN, WHO DEALS FAIRLY

WITH THE PUBLIC, WILL REAP GREATER REWARDS THAN THOSE WHO LOWER THEMSELVES TO COMMITTING FRAUDULENT PRACTICES ON THE PUBLIC. AND I KNOW THEY HAVE MORE PEACE OF MIND.

IN MY OPINION NO ASPECT OF AMERICAN SOCIETY IS MORE HYPOCRITICAL THAN OUR EAGERNESS TO CONDEMN "SIX-GUN" CRIMES WHILE CONDONING THE "FOUNTAIN PEN" CRIMES WE HAVE JUST DISCUSSED. I URGE YOU AS YOUNG LEADERS TO HELP CORRECT THIS ATTITUDE.

IN ADDITION, I URGE YOU AS YOUNG BUSINESS LEADERS TO PURSUE CAREERS CHARACTERIZED BY INTEGRITY AND FAIR-DEALING. YOU, THROUGH YOUR EXAMPLE, CAN STRENGTHEN THE FREE ENTERPRISE SYSTEM IN OUR COUNTRY AND PREVENT THE KIND OF EROSION OF CONFIDENCE WHICH WHITE-COLLAR CRIME PRECIPITATES.

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