

SPEECH BY:

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HIDDEN CRIME IN AMERICA; WHITE COLLAR CRIME

WHEN I BEGAN TO THINK ABOUT THE TOPIC OF WHITE-COLLAR CRIME FOR MY PRESENTATION TO YOU HERE TODAY, 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, BURGLARY, ARSON, RAPE, MURDER. BUT WE DON'T HEAR ABOUT "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.

WHITE COLLAR CRIME IS THAT WHICH IS "COMMITTED BY A PERSON OF RESPECTABILITY AND HIGH SOCIAL STATUS IN THE COURSE OF HIS OCCUPATION." IT GENERALLY DOES NOT INVOLVE THE USE OF PHYSICAL FORCE.

WHAT MAKES THE AREA OF WHITE-COLLAR CRIMES SO INTERESTING TO EXAMINE IS THAT UP UNTIL THE 1930'S THERE HAD BEEN ALMOST NO STUDIES ON THE SUBJECT. ALL LITERATURE TILL THAT POINT HAD DEALT WITH ORDINARY CRIME COMMITTED BY WHAT PEOPLE CONSIDER TO BE SOCIALLY DEGENERATE INDIVIDUALS - THOSE WHO CAME FROM A POOR ECONOMIC BACKGROUND, THOSE 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, WHITE-COLLAR CRIMES DO NOT FILL ANY OF THESE STEREOTYPES. THERE ARE TWO PREREQUISITES TO WHITE-COLLAR CRIME: THAT THE CRIME IS COMMITTED AS AN UNDESIRABLE BYPRODUCT OF ONE'S WORK AND THAT THIS WORK IS OF A PROFESSIONAL NATURE. THROUGH THE YEARS, AS PEOPLE BEGAN TO REALIZE THAT THIS WHITE-COLLAR CRIME WAS WIDESPREAD IN THE VERY SOUL OF AMERICAN BUSINESS, PROFESSIONAL AND POLITICAL LIFE, ITS DEFINITION EXPANDED CONSIDERABLY. IT IS NOW MORE CHARACTERISTICALLY DEFINED 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 MONEY OR PROPERTY; OR PERHAPS, BUSINESS OR PERSONAL ADVANCEMENT. 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.

LET'S LOOK FOR A FEW MOMENTS AT 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, CATEGORIZED OVER SIXTY-ONE FORMS OF WHITE-COLLAR CRIME IN HIS RECENT PUBLICATION ON THE SUBJECT. HOWEVER, HE BREAKS THESE DOWN INTO FOUR DISTINCT GROUPINGS. 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 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.

RIGHT NOW, HERE IN NORTH CAROLINA, (JULY, 1973) WE HAVE A SITUATION WHERE A TWENTY-EIGHT YEAR OLD, FORMER ASSISTANT VICE PRESIDENT AND CITY EXECUTIVE OF A BANK HAS BEEN CHARGED WITH MISAPPLYING \$138,000 OF THE BANK'S FUNDS.

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.

ANOTHER CATEGORY 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 VIOLATING WOULD RANGE FROM 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 ILLEGAL BUSINESS MONOPOLIES OR UNFAIR BUSINESS OPERATIONS, 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.

ANOTHER DIVISION ENCOMPASSES CRIMES THAT ACTUALLY 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 HAVE A LOOK AT THE MAGNITUDE OF THESE CRIMES, USING ACTUAL DOLLAR FIGURES.

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.

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 KNOWN 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.

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 AREA 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?

LET'S CONSIDER ANOTHER QUESTION. 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 PRESSURE, 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 THE BACKGROUND OF THE INDIVIDUALS INVOLVED IN ONE MAJOR PRICE-FIXING CASE. 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 OF 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. YET MANY PEOPLE STILL WOULD NOT CONSIDER THEM CRIMINAL OFFENDERS IN SPITE OF THE MAGNITUDE OF THEIR CRIMES.

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 BANKS 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 SENTENCED TO ONLY 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, ONE TEN-THOUSANDTH OF THE AMOUNT EMBEZZLED BY THAT BANK PRESIDENT, USING A GUN INSTEAD OF A PEN, WE COULD RECEIVE UP TO 30 YEARS IN PRISON FOR ARMED ROBBERY. SOMETHING IS WRONG WITH OUR VALUES WHEN THIS CAN OCCUR WITHIN OUR JUDICIAL SYSTEM.

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 BUSINESSMEN AND LEADERS IN YOUR COMMUNITY, THERE IS A

HEAVY BURDEN UPON YOU TO DEAL FAIRLY AND ACCURATELY, NOT ONLY WITH OTHER BUSINESSMEN BUT WITH THE PUBLIC IN GENERAL. I HOPE YOU WILL 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 OFFICER FOR THE STATE OF NORTH CAROLINA HAS SHOWN MY 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 COMMUNITY AND BUSINESS LEADERS TO HELP CORRECT THIS ATTITUDE.