

# Getting Tough on Corporate Crime



## **Problem: Corporate criminals do more damage, less prison time than street criminals**

Which frightens you more? Getting mugged outside the grocery store, or paying too much for your groceries because of illegal price-fixing? Chances are you'll lose more money to illegal price-fixing schemes.

When you think about crime, do you think about murder and burglary and robbery or do you think about workplace-related deaths and tax cheating and consumer fraud? In 1997, the FBI reported that there were 15,000 murders. But Professor Jeffrey Reiman estimates there were twice as many workplace-related deaths. The FBI estimates that burglarly and robbery cost society \$3.8 million a year, about \$14 per person. But the costs of white-collar corporate crimes — consumer fraud, deceptive advertising, tax cheating, insurance and medicare fraud, securities fraud, etc. — cost society between \$200 and \$500 billion a year (\$700 to \$1,800 per person), depending on estimates. Unfortunately, the FBI doesn't keep statistics on corporate crime, so nobody knows for sure.



Though the scope of white-collar crime is far greater, the punishments are far more lenient. For example, 99 percent of robbers are sentenced to prison, where they serve an average of five years; 89 percent of burglars are sentenced to prison, where they serve an average of 4.3 years. But only 63 percent of fraudsters are sentenced to prison, where they serve an average of just 16 months, and only 42 percent of tax cheats go to prison, where they serve an average of just 12 months.

Meanwhile, many corporate crimes don't result in any prison, just a minor fine that corporations can write off as a cost of business. After all, when General Electric dumps PCBs into the Hudson River, it is not just one person doing the dumping, but an entire chain of decision-makers, a whole corporation. And you can't send a corporation to prison. (Though states do have the right to revoke corporate charters, something they rarely attempt.)

## **Solution: Start tracking, publicizing and prosecuting corporate crime**

Corporate crime has grabbed more headlines than usual in the wake of Enron, WorldCom and the other corporate scandals. And most people understand that the executives behind these companies were criminals who deceived investors through massive fraud. But accounting and securities fraud are just a small part of the world of corporate crime, and Enron, WorldCom and others are just the tip of the iceberg.



In order to better deal with the problem, we first need to assess the problem. The simplest way to do this would be for the FBI to start tracking white-collar crime, much in the same way it tracks street crime through its Uniform Crime Report-

ing System. Once the data are collected, the FBI could easily create a corporate crime database, which would assist prosecutors, legislators, judges and journalists in their efforts to expose and control corporate crime. This would be a relatively simple task, but the Department of Justice has shown no interest in the project.

Improving the prosecution of corporate crime is a bigger challenge. White-collar cases are typically more difficult to prosecute than street crimes because the crimes themselves are usually more complex, involving reams of paperwork and long lists of witnesses to prove intent.

Corporate criminals can also afford top-notch defense lawyers

Worse, decades of political lobbying by corporations have created many legal loopholes, making much of what should be criminal perfectly legal.

Prosecutors at all levels need to take corporate criminals on with stiff penalties to set an example, going after both corporations and individual managers and executives. They need to start putting corrupt corporations under government control (as they do with corrupt unions) and start revoking corporate charters and licenses. They need to call for fines that will make a difference. They need to show that corporate crime will not be tolerated.

Legislators, meanwhile, need to toughen sentencing guidelines for white-collar crime and increase law enforcement resources. They should also expand protections for corporate whistleblowers.

### **Resources:**

*Corporate Crime and Violence*, by Russell Mokhiber

*The Rich Get Richer and the Poor Get Prison*, by Jeffrey Reiman

*Corporate Corruption*, by Marshall Clinard

*Corporate Crime*, by Marshall Clinard and Peter Yeager

Corporate Predators online: [www.corporatepredators.org](http://www.corporatepredators.org)



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