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## Chapter 5

### **From the avalanche to the game: White-collar offenders on crime, bonds and morality**

#### **Abstract** <sup>55</sup>

In order to understand the mechanisms that underlie involvement in white-collar crime on a personal level, 26 offenders convicted of a white-collar offence were interviewed. Findings show that a combination of criminogenic circumstances, weakened social bonds and adjusted moral ideas lead offenders down different pathways into white-collar offending. Although in some respondents the process of crime involvement is context-dependent, the interviews indicate that crime involvement is more commonly part of a long-running process, in which bonds were weakened or moral ideas were adjusted before the selection offence, which in turn influenced the decision to engage in the white-collar offence. The paper discusses the complex role of morality in white-collar crime involvement and the bearings of the study on moral theory.

#### **5.1 Introduction**

The role of personal experiences and moral views of those who become involved in white-collar crimes, such as tax evasion, insider trading or embezzlement, remains poorly understood. Do individuals become criminally active in response to a specific situation, or is their crime involvement part of a long-running process? And what are the social and psychological mechanisms that account for this process? In white-collar crime literature, the involvement in white-collar crime is typically conceptualized as the outcome of differential exposure to criminogenic circumstances in business contexts, such as economic strain, the availability of criminal opportunity structures and the corrupting influence of deviant corporate cultures (see e.g., Benson & Simpson, 2009; Sutherland, 1949). Other studies, however, stress that without taking offenders' background and cognitions into account we cannot fully understand how and why individuals become attracted to criminogenic environments in the first place, and how

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55 This chapter has been submitted as: Van Onna, J. H. R. From the avalanche to the game: White-collar offenders on crime, bonds and morality.

and why persons eventually fold under pressure or take advantage of criminal opportunities (e.g. Benson & Manchak, 2014; Cressey, 1953).

A potentially important personal factor in explaining crime involvement is a person's social embeddedness. Social control theorists argue that those who experience weak ties to their social and work environment and conventional society more generally have an increased risk of selecting into and actually taking advantage of criminogenic circumstances (Braithwaite, 1989; Durkheim, 1951; Hirschi, 1969; Sampson & Laub, 1993). While further research is needed into the link between social bonds and white-collar crime, tentative findings show that white-collar offenders may experience a deterioration of social bonds and that this attenuation increases the chance of white-collar crime (Engdahl, 2011, 2015; Piquero et al., 2016; see also Chapter 4).

An individual's personal ethics or morality is another important factor in white-collar offending. An extensive body of literature stresses that the risk of committing white-collar deviance and crime increases sharply when it has been permitted on moral grounds, or has at least not been precluded (e.g., Kish-Gephart et al., 2010; Paternoster & Simpson, 1996; Wenzel, 2004). The literature offers different perspectives on the role of morality in white-collar crime involvement. The white-collar crime literature has usually contended that white-collar offenders neutralize or justify crime involvement during or after the act by normalizing or decriminalizing the criminal act (e.g. Benson, 1985a; Cressey, 1953; Maruna & Copes, 2005). Studies in the field of psychology and business ethics suggest that morality plays a different, more multifaceted role. In one of the most prominent theories on (im)moral behaviour, Rest (1986) identifies four psychological processes that must be in place for people to act morally. When one or more of these processes fail, the risk of misconduct increases. For example, a person may not be sensitive to the moral nature or the consequences of his actions (Rest, 1986, p. 5; *moral sensitivity*). Alternatively, an individual's attitudes to and norms regarding what is permissible conduct in the financial-economic realm may facilitate fraudulent behaviour (Rest, 1986, p. 8; *moral judgement*). However, even if a fraudulent act is regarded as impermissible under normal circumstances, a person may change his moral view in a specific situation and choose another valued option over obeying the law (*moral motivation*). He may also lack the moral restraint necessary to resist temptation at a specific time and place (*moral character*) (Rest, 1986, p. 13, 15). Though Rest's model provides a comprehensive and well-researched framework for understanding workplace-related misconduct (see Craft, 2014; O'Fallon and Butterfield, 2005), this body of – almost exclusively experimental – research fails to provide full insight into moral decision-making in real life. The decision to engage in immoral behaviour in real life is dependent on the

complexities of the specific (criminogenic) situation and on an individual's personal life experiences (Rest, 1986). Under real-life circumstances, Rest proposes, the four psychological processes are likely to occur and influence each other in unique ways.

Studies in which white-collar offenders have been interviewed have predominantly focused on the criminogenic circumstances and have considered respondents' narratives as ways of neutralizing or justifying their crime involvement (e.g., Goldstraw-White, 2012; for overview of this literature, see Klenowski & Copes, 2014; for exception, see Schuster & Levi, 2013). In doing so, these studies have paid little attention to differences in the offenders' psychological make-up and personal background, or to how developments earlier in life may have affected their decision to engage in a white-collar offence. Incidents, social interactions and developments may affect how a person feels attached to conventional society, how an individual assesses situations on the basis of moral considerations and how a person interprets future criminogenic situations (e.g. Laub & Sampson, 2003; Rest, 1986; Ulmer, 2014). The few life-course studies into white-collar crime show that the process of white-collar crime involvement ranges from highly contextual involvement processes where strain and opportunity appear to drive law-abiding individuals into illegality, to long-running development processes from early stages of life (Benson & Kerley, 2001; Weisburd & Waring, 2001; see also Chapter 2). However, as these studies used officially registered data, they provide limited information about the psychological process and the possible role of earlier life-course developments.

Though research indicates that criminogenic contexts, bonds and morality are important factors in white-collar offending, to date the individual-level mechanisms explaining how they contribute to white-collar offending are poorly understood. Building on notions from white-collar crime theory (Cressey, 1953), social control theory (Hirschi, 1969; Sampson & Laub, 1993) and moral psychology (Rest, 1986), I interviewed 26 offenders convicted of a white-collar offence in order to examine the involvement process underlying the white-collar offence. The research question is: How do criminogenic contexts, bonds and morality contribute to white-collar crime involvement, and how do these factors interact in that process?

## **5.2 Method**

### **5.2.1 Procedure**

In 2015, two methods were used to select participants. In the first, a sample of individuals who were irrevocably convicted of a white-collar offence was selected from the Netherlands Public Prosecution Service database. These individuals received a letter, outlining the research goals and the request for an interview, with permission from the Netherlands Public Prosecution Service. Fifteen individuals agreed to participate. However, as it proved challenging to select respondents in this manner, I applied a second method. A sample of individuals who were imprisoned in Dutch prisons for a white-collar offence was selected and approached with the permission and assistance of the Netherlands Prison Authority. Eleven respondents, imprisoned in eight different prisons throughout the Netherlands, agreed to take part in the study. I stopped at 26 participants when no new themes arose from additional interviews and a point of saturation was reached. None of the respondents were paid or received any other form of incentive. The study design, procedure and interview set-up were reviewed and approved by the Ethical Committee of the Department of Criminal Law and Criminology of the VU University Amsterdam (the Netherlands).

### **5.2.2 Respondents**

The selection criterion for the study was that participants had been irrevocably convicted of a white-collar offence punishable under Dutch criminal law (between 2008 and 2016). Most respondents were convicted for tax crimes, mostly corporate tax and turnover tax offences. Respondents were (also) convicted for tax-related offences, such as money laundering, making false statements and bankruptcy fraud. Yet others were convicted for insider trading, securities fraud, swindles and, in one case, credit-card fraud. What this diverse group of participants has in common is that they were convicted for their involvement in a serious form of white-collar crime. In almost all cases, the defrauded money exceeded one hundred thousand euros, typically several hundreds of thousands and in some cases millions of euros.

Participants are almost exclusively male (24 out of 26) and were middle-aged at the time of the interview (30-39: 19 percent; 40-49: 31 percent; 50-59: 27 percent; 60+: 19 percent). Four out of five respondents (20 out of 26) held an executive organizational position as director or company owner at the time of the offence, mostly in smaller- to medium-sized companies. One respondent was employed in a large organization at the time of the offence and five respondents were involved in the selection offence without being formally employed or holding a senior managerial position. The type of economic

activity and economic sector that participants' companies were engaged in is diverse, ranging from transport, the entertainment industry, ICT and agriculture to consultancy.

### **5.2.3 Interviews**

The semi-structured interviews were conducted over a ten-month period between 2015 and 2016. Twenty-five interviews were conducted face-to-face; one respondent did not want to be interviewed in person and was interviewed by telephone. All interviews were tape-recorded, except the telephone interview during which the researcher was able to make extensive notes. The average duration of the interviews was slightly over 100 minutes, with a total of 45 interview hours.

In order to assure a comfortable interview setting, the interviews were conducted in the participant's place of preference, typically at their home or business and in a few cases at the university. The participants who were incarcerated at the time of the interview were interviewed in closed prison visiting rooms, which provided the necessary privacy. After some informal social talk, the interview started out with an introduction about the research and an explanation of the participants' rights. The respondents were then invited to recount, in their own words, the events that had led them to the selection offence. A topic list with themes and concepts relevant to the research question was used. Participants were asked about the selection offence, the personal and business circumstances surrounding the offence, their lives with a focus on work-life experiences, and prior contacts with regulatory bodies and the justice system. They were also asked to reflect on laws and regulations that governed their businesses, the social norms in their business environment and their personal attitudes. At the end of the interview, respondents were asked whether they had anything to add. They were then asked to sign a consent form and thanked for their participation, after which the interview was closed.

The atmosphere during the interviews tended to be relaxed and open. When asked about the reasons for participating, respondents indicated that (among other things) they wanted to help the research project; come clean after a life of crime; escape boredom in prison; do a 'good deed'; warn other entrepreneurs of their mistakes; or that they saw the interview as an opportunity for self-reflection. Respondents seemed to speak freely about the selection offence, earlier life experiences and their attitudes and beliefs about doing business and complying with the law. They also tended to talk openly about their intentions to engage in the offence and referred repeatedly to earlier misconduct.

#### **5.2.4 Analytic strategy**

The tape-recorded interviews were transcribed verbatim. The transcriptions and interview notes were read repeatedly, coded by theme and sub-theme and entered in a qualitative data matrix for further analysis. The themes and sub-themes were all related to the offence, the context and events surrounding the offence, earlier developments in their lives, prior crime and law violations, attitudes and norms regarding the selection offence, and laws and regulations in the financial-economic realm. Then, using notions from Cressey (1953), I first analysed how respondents described the circumstances leading up to the selection offence. Secondly, using notions from Sampson and Laub (1993; Laub & Sampson, 2003), Hirschi (1969) and Rest (1986), I analysed how respondents described their bond to society and talked about their moral considerations. I analysed the changes over their lives in this regard and how this affected crime involvement. In the analysis, I would identify important themes (e.g., the type of criminogenic pressure they experienced during the selection offence) and then focus on this theme and go back to the transcripts to analyse this in more detail. Finally, I again analysed the narratives per participant in order to get a full understanding of how context, bonds and morality interacted and, lastly, identified accounts that were illustrative of key themes in the analysis.

### **5.3 Findings and analysis**

#### **5.3.1 Change, pressure and opportunity**

The events, circumstances and developments surrounding the selection offences varied markedly between respondents. The narratives, however, also showed many similarities. Most participants seemed to go through a three-step process leading up to the white-collar offence. First, the large majority of respondents described how in the circumstances leading up to the selection offence, a *change* of some sort occurred in their economic or private life. In some cases, the change happened gradually, for example a progressively worsening economic situation, resulting in a period of debts or a process in which businessmen join forces first in a legitimate business to later become partners in crime. However, in most instances it was a more or less abrupt event closely related to the selection offence: an economic or personal crisis, the launch of a new company, meeting a co-conspirator, or a request from an important friend or business associate.

Take the narrative of *John* who was working as a tax advisor when a business acquaintance asked him for legal advice in order to set up a trading company in another European country.<sup>56</sup> Even though this type of business was new to him, he decided to run the company himself in parallel to his advisory work:

I don't just want to do advisory work until my retirement. I am also an entrepreneur in the sense that I like to see whether I can earn something through trade, or other businesses in which there is money to be made. Not that I'm such a money-grubber, but I like challenges.

Although he recognized that the fiscal construction his company was part of was perhaps dubious, he argued: 'I don't need to be the police officer and to ask them: do you have a permit? Do you pay your taxes? That's not my role.' Eighteen months after the company launch, he was arrested in the Netherlands in possession of a large sum of undeclared money. He was convicted for his involvement in an international tax-evasion and money-laundering scheme.

In a second phase, the change developed into *criminogenic pressure* (Cressey, 1953). Respondents indicated that they experienced one of three types of criminogenic pressures (or a combination): economic or personal strain, social pressure and temptation. Participants who experienced *strain* tried to minimize economic losses or (re)gain monetary resources. Others suffered a full-blown crisis and were afraid of losing everything they had built up, which subsequently drove them to break the law. The second criminogenic pressure that respondents experienced was *social pressure* from other deviants. In about half of the narratives, the respondents' business partners, associates and acquaintances were involved in the offence. While in most of these cases, the respondents seemed to knowingly engage in the fraud, in some cases the conspirators seemed to be in control and able to persuade, lure or fool respondents into partaking in the fraud. In these instances, the confidants were close to the respondents, well-trusted individuals who were important to them. The third criminogenic pressure that respondents experienced was temptation. Rather than avoiding a loss, fighting oneself out of a crisis or complying with other deviants, the narratives show that the most common pressure was *temptation*: participants wanted to help the company forward, increase profits, make a personal financial profit or keep or acquire customers.

A clear illustration of this latter dynamic can be seen in the case of *Lawrence*, the owner of a wholesale export company. He was approached by a new foreign customer, who asked him to open a new line of trade. This potentially lucrative

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56 All names and other identifiable characteristics of the interviewees have been changed to safeguard their anonymity.



customer suggested using two bills of lading to avoid high import taxes in his country. While he had broken (minor) trade rules before, he was at first reluctant. However:

One is always quickly inclined to take orders. Sometimes too quickly. Without really thinking: what are the consequences? In hindsight, I could have known. By under-invoicing you're of course not providing the correct information to that country, to customs or local authorities. But then you're keen to get the order. You want to help the customer. And so you go along with it.

He falsified the bills of lading and created a double administration to cover up the fraud. He was convicted for violating a customs law and making false statements.

*Lawrence's* case illustrates how participants – motivated to resolve, reduce or take advantage of criminogenic pressures – exploited existing opportunity structures or sought out new ones (the third step). In some instances, the aforementioned change provided respondents with a new criminal opportunity (e.g. a third party that set up a fraudulent scheme), but in most instances their organizational position offered them the necessary opportunity (Cressey, 1953). Being the director or owner of a company, most respondents were in a *position of trust*, had discretionary power and were not closely monitored (Shapiro, 1990). The narratives of the business owners and directors indicate that they typically knew how to take advantage of criminal opportunities from their experience and knowledge of running their business legally (e.g., knowledge of the tax system).<sup>57</sup>

An illustrative example of how participants used available opportunities and knowledge, is that of *Rudolph* who was convicted for making false tax declarations. This experienced but self-declared 'lousy businessman' invested private money in his new business. When a highly anticipated contract fell through, his business went downhill and he started to commit fraud:

A little at a time. Well, a little, for many it is a lot of money. It was a process that sneaked in. It was easy and it allowed me to save my company. It did bother me. But I did not embezzle one million in one go. I made 100 fake invoices and maybe 40 incorrect tax declarations. You see, I had two companies. And when it worked with one of them, I thought: I could also try it with the other.

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57 Participants who were involved in more complex schemes also gathered additional knowledge through prior crimes or from (more experienced) white-collar offenders who participated in the selection offence.

This account also illustrates how the selection offences often started small, with one fake invoice, an incorrect declaration or a minor favour. That first small step made the second step easier, and when they were not caught, participants continued what they had started. The availability of criminal opportunities and the fact they were not caught were critical in this early stage, because it allowed the respondents to continue where they may otherwise have had to stop.

The narratives of *John*, *Lawrence* and *Rudolph* highlight the significance of criminogenic contexts for white-collar crime involvement. Without change, strain, social pressure or temptation and deprived of an opportunity, white-collar crime involvement may have been unlikely, smaller in scale or even impossible. However, without taking participants' background (bonds) and cognitions (morality) into account, we cannot fully understand how and why they end up in a criminogenic context in the first place, and how and why they engage in the selection offence. Analysis of the narratives illustrates that the selection into and actually taking advantage of criminal opportunities ranges from highly situational processes to long-running processes that went beyond the immediate criminogenic context.

### **5.3.2 Situational crime involvement**

The narratives of a minority of respondents illustrate how changing personal and economic circumstances cause pressure and weaken bonds in the period immediately leading up to the selection offence. These participants described themselves as generally law-abiding citizens and labelled the fraudulent acts they committed as impermissible under normal circumstances. Some respondents experienced stressful events in their personal and business lives which dramatically impacted them over a relatively short period of time. During this process, they became estranged from their social surroundings (Hirschi, 1969; Sampson & Laub, 1993). In their isolation, the participants appear to have lost their moral restraint (Matza, 1964; Rest, 1986: *moral character*) and to have chosen an option they deemed important at that time, such as loyalty to their company or protecting their livelihood, over obeying the law (Rest, 1986: *moral motivation*).

An illustrative example of how a crisis can lead to white-collar crime is the case of *Fred*. Over the course of two years, the world of this entrepreneur, who successfully built his own ICT company and had always been close to his family and customers, changed dramatically. Changes in his private life – the birth of his first son, the buying of a new house, the death of his father-in-law – strained his marriage. To make matters worse, during this period in which he already felt isolated, his uncle, who was a father figure to him, died. That is when he started to neglect his business:

I lost some loved ones... who were pillars in my life, and to whom I would turn when I was in trouble. But when those people are not there anymore. I became more and more introvert, because I did not want to show my ex-wife that things were not going well, she was already going through a tough time. And then I wanted to tie up all the loose ends and everything went wrong.

His private and economic life became even more stressful: 'And I felt like that little snowball had become an avalanche.' He started to submit false declarations to the tax authorities to keep his head above water:

I had a house, I had my ex-wife, I had two children. I also had a face to lose, I had to do it. Interviewer: You had your responsibilities... Fred: That was my way of justifying it. Some people call it self-defence. It was me or him. And I respect the fact that you put yourself first...or your child. It may sound stupid, but otherwise you wouldn't be around anymore (...) Interviewer: What were your motives? Fred: It was entirely for myself, to save my company and my private life.

His company still went bankrupt and he was convicted of tax fraud.

White-collar crime involvement also seems to be of a situational nature for the few participants who were in a *transitional phase* at the time of the selection offence. After a (series of) event(s) had changed the direction of their lives and weakened social and economic ties, they engaged in a fraudulent activity they were unlikely to have engaged in during other stages of their lives. In these instances, respondents reported that they were asked by a third party to become part of or help out in a company that they knew little about but in which they eventually carried out fraudulent activities. In all cases, the respondents trusted the inviting party despite being aware of the fact that these individuals had come into contact with the justice system. Although these respondents were irrevocably convicted, they did not seem to take full responsibility for the legal and moral consequences of their actions, arguing that they were insufficiently aware of or simply ignored irregularities (Rest, 1986: a combination of *moral sensitivity*, *moral judgement*).

Take the case of *Mary* who lost her job after having been steadily employed for over 30 years (her 25-year relationship had ended a few years earlier). These events altered her stable and conventional life: she went on social benefits, moved around multiple times and was convicted of a drug charge. During this turbulent transitional period, she met her new partner, a businessman who had been convicted of fraud: 'He already had a bit of a reputation as a con man.' They set up a company with the severance pay from her last job. Although she

was a 'working girl' and knew little to nothing about running a business, the company was put in her name because her husband had been involved in the bankruptcy of another company:

Suddenly they said that I had been involved in fraud and that I had signed false bills. It kind of just happened. Interviewer: What do you mean? Mary: I didn't really know that I had signed anything that was fraudulent or that would not be paid. (...) The judge said that I should never have let the company be placed entirely in my name. Well of course, if I had known everything in advance!

*Mary* and her husband were convicted of a scam worth hundreds of thousands of euros.

### **5.3.3 Crime involvement beyond the context**

In the case of participants such as *Fred* and *Mary*, little in their lives before the selection offence would suggest that one day they would get involved in a serious white-collar offence. The narratives of the majority of respondents, however, suggest a different, less situational involvement process. They not only experienced criminogenic changes, pressures and opportunities before, but they all referred to earlier (typically undetected) fraudulent misconduct: the selection offence was not an isolated affair. What these respondents also have in common is that prior to the selection offence their bond to conventional society was weakened and/or that their attitudes to and norms regarding what is permissible behaviour in the financial-economic realm were adjusted.

#### **5.3.3.1 Weakened bonds in varying degrees**

The narratives of several participants indicate that their bond to their social and economic surroundings and to the (moral) standards of conventional society had been attenuated (Sampson & Laub, 1993; see also Durkheim, 1951; Hirschi, 1969). Ties in their social life, such as to their partner, family and local community, and particularly ties in their professional life seem fluid. Many respondents regularly changed businesses, owned several companies at once, experienced bankruptcies, started new companies, shifted executive positions frequently and were active in several and widely distinct economic sectors.

One such example is *James*, who was a successful entrepreneur before he became involved in investment and tax fraud. Recounting the many different companies and girlfriends he had over the years, he says his life is different from his conventional background and upbringing:

That is my base and where do I stand now? It is totally different. (...) No quiet conventional family life. I tried though. (...) But what I do see is that there is a sort of parallel between my current private and professional life. A kind of unrest. I am 46 and neither my private nor my professional life are on track. But meanwhile I've had a wonderful life. I've travelled the world and indulged in everything that's sinful – except drug use. (...) I have been strong as well [in resisting drugs]. But still it makes me wonder, why was I unable to resist temptation in other areas?

It all went wrong, he says, when he met his business associate and later partner-in-crime: 'It really went wrong because... well, when I think about it... because of meeting the wrong person at the wrong time in the wrong place. And then getting kind of high on success.' When their newly founded investment company started to attract large sums of money overnight, their bonds to conventional standards were increasingly loosened and subsequently they 'kind of went overboard in [their] success' and embezzled a large amount of money from their own investment company and engaged in tax evasion.

The degree to which bonds were attenuated varied between participants. While some respondents, like James, seemed to have *loosened* bonds, other respondents seemed to experience a *disrupted* or *fractured* bond to society. In some participants, this process started at an early age. Their narratives illustrate how poor parenting, street life ('code of the street') and institutionalization broke down social bonds and kick-started a life of crime. Through a continuous process, bonds remained weak until adulthood and contributed to often extensive criminal careers. More commonly, however, the distancing process started in adulthood, for example, as the outcome of a life event that became a turning point and changed the direction of participants' lives.

*Walter's* narrative illustrates how this process can unfold. He was a successful entrepreneur in the ICT sector when he was arrested for an alleged white-collar offence. Eventually charges were dropped, but as a consequence he had to sell his company and he could not maintain his luxurious lifestyle:

I was very angry after the first time. (...) I had been very serious until the first arrest. I had a financial structure with the bank, we really had a lot of customers, we had a seriously big accountancy firm. After that, I kind lost it for a long time. I thought: I don't care anymore. If that's the way it's going to be, then that's how I'm going to do it. Interviewer: A form of resistance to what had happened? Walter: Yes, I think so. If they consider me to be a criminal, then I might as well be one.

Years later, he went back to the sector he had worked in previously, which he knew to be criminogenic. He got in touch with former business associates to start a new line of business. Although his life had changed for the better during this period (a new, more conventional girlfriend, the birth of a daughter), he was still far removed from conventional social standards:

I would never kill anyone or anything like that. I wouldn't even hurt a spider. Hard drugs were a no-go area. But arms trafficking, I could do that. Weed, no problem. Steal money from the government? No problem at all. I really believed that.

He was arrested and convicted for making false statements to the tax authorities and money laundering.

Socialization processes in adulthood can also contribute to losing touch with conventional order and important others. *Peter's* narrative exemplifies how the combination of a life-event and experiences in a company kick-started an extended period of white-collar offending. After successfully working in several sectors, he made a career move and went to work at a bank. Around that time, he lost a substantial amount of money (which he had just inherited) in the stock market:

That totally changed me. I couldn't stand that I had lost my money and that a bank could just create money out of nothing. Or cheat so much. And I thought: I can do that too. I'll get you. That was part of the idea. Revenge.

The corporate culture at the bank, where customers were treated 'really nastily', affected him: 'I noticed that I was getting tougher myself. I thought that if this is how they deal with it, then I can also make money this way.' Feeling vengeful and hardened, he made his first fraudulent step, forging a contract to con a bank. This first step led to another in a process that gradually worsened until finally he was involved in two large investment scams for which he was convicted. Recounting the change in his life from childhood to a prison cell, he says:

I think I always was a very nice, considerate boy. I always had many friends. I was surrounded by a loving family. I had long-term relationships. Twenty-year friendships and relationships that lasted three to four years. (...) So it makes me think – stuff happened. I'm no angel anymore. I am very angry. Angry at society.

The cases of *James*, *Walter* and *Peter* exemplify three important sides of a weakened bond to conventional society and the way it increases the risk of crime involvement. First, it is not an incident or socialization process per se that leads

to a distancing from conventional society. It is the way respondents experience and react to these circumstances that sets them adrift. Second, the distance to conventional society is in important ways a psychological state: respondents *experienced* unrest, *felt* unrestrained or *sensed* a distance. Lastly, the distance to conventional society has a clear moral dimension: they experienced a weakened commitment to the laws, rules and norms of conventional society (Durkheim, 1951; Hirschi 1969: the element of *belief*). However, a lowered commitment to the laws, rules and norms of conventional society is not restricted to respondents with weakened social bonds. Participants who were apparently well bonded to society and lived more conventional lives also expressed deviant norms and attitudes.

### **5.3.3.2 Moral mechanisms beyond the immediate context**

Throughout the interviews, participants expressed, referred to and talked about attitudes to and beliefs about what they consider normal, permissible and fair behaviour in the financial-economic realm. The world of doing business is clearly a moral domain to the respondents, rather than a realm that is guided by mere instrumental motives or opportunities. Respondents typically reported that they underwrite the importance of obeying the law and paying taxes, but at the same time expressed attitudes and norms that contradict these values. Characteristically, these norms and attitudes seemed to provide them with flexibility, room or leverage to choose what is permissible behaviour in particular situations, rather than following laws and regulations per se. Though the components of Rest's model were identifiable in the narratives, they often did not fully capture the complexities of respondents' moral position nor the attitudes regarding the specific moral domain under study, that is compliance to laws in the financial-economic realm.<sup>58</sup> Based on the analysis of the moral considerations expressed by respondents, I identified four *moral mechanisms* that build upon as well as elaborate Rest's framework.

#### *Moral Nonchalance*

The mechanism of moral nonchalance resulted in participants not precluding a fraudulent act on moral grounds (Rest, 1986: a combination of *moral sensitivity*, *moral judgement*, *moral character*). Such nonchalance is recognizable in the

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58 Participants sometimes distinguished between attitudes and norms in the financial-economic realm and those in the private life domain and indicated that they saw a line of conduct as permissible in the business context but not in the private life domain (e.g., Harré, 1983). The present chapter focusses on the attitudes and norms participants expressed regarding the financial-economic realm.

tone respondents use to talk about fraudulent acts, the repeated (smaller) transgressions they are engaged in, and the belief that other businessmen transgress as they do. For example, *Roger*, an entrepreneur who was always seeking out new business opportunities and pushing the limits of legality, expressed his moral nonchalance as follows:

Look, I always say an entrepreneur is never a saint. When you start digging in a company, you'll always find something. That's how it works. Things need to keep going, right? So sometimes you get creative – if you know what I mean. Of course it's forbidden. But hey, Phillips does it too; even the government does it.

This moral nonchalance seems to have spurred the decision to illegally take out company property from one of his companies during a time of economic strain (selection offence):

And then I didn't have any money. Then I used the money from that van to spend privately. And of course I kind of knew. But there you go. When you have employees and you pay taxes for them as you should, and you are an employer, then they [the government] like you. But when things go wrong, you're out on your own. You need help, but you don't get any. As an entrepreneur, you're used taking care of yourself and solving your own problems. So that's what I did. I took the punishment. I needed the money and that's how I got it.

When a fraudulent act is not precluded on moral grounds, compliance to laws and regulations is likely to become instrumental, arguably making external controls the principle obstacle to an individual's misconduct (Paternoster & Simpson, 1996). Take *Joseph's* statement about whether to comply with environmental regulations for spray booths on his business park:

You don't look at what is good or bad for the environment; you look at it from an economic point of view. Something is compulsory. If there hadn't been a law about spray booths, I would have flushed it down the drain.

When discussing the selection offence, *Joseph* gives another telling account. When he saw that a major building job on his business park would be a costly affair, he was tempted to cut costs by hiring a dubious contractor he knew:

We are all on the edge. All businessmen. You let someone else fix it, you get bills and you think you are covered. But in principle, you don't even really look into it properly to see what you will find out. (...) Of course, you can follow a straighter



path, but you could still get into trouble! Though you'd have to be really thick. Still, that's what you get when you always want something for nothing. You also don't want to look beyond what is compulsory. That's it.

*Joseph* was convicted for large-scale turnover tax evasion.

### *Supreme Moral Judgement*

In the second mechanism, a participants' *moral judgement* – his or her beliefs about the world, the government or other social institutions – is the ultimate arbiter of permissible and fair behaviour in the financial-economic realm (Rest, 1986: *moral judgement*). Notions of *fairness* are central in these beliefs; they are often directly associated with ideas about the (un)fairness of the law and regulations, the actions of government agencies or the workings of society and politics more generally (compare Tyler, 2006a). Where the mechanism of moral nonchalance is characterized by a flexible moral compass, here the moral compass is firm but points away from the law, facilitating or even encouraging white-collar crime involvement.

Take *Phillip*, a businessman who was convicted for his role in an illegal organization that helped other businessmen evade taxes through fraudulent schemes (for a fee). His participation in the fraud started 15 years ago when he faced economic hardship in his agricultural business. He was easily convinced to participate in a scheme to con the tax authorities in exchange for money: 'They do it too. And when you see your company go bankrupt, you do things to save it.' In his view, the tax authorities and the government are corrupt and therefore defrauding them is justified:

Well look, if the government and the tax authorities stuck to the rules, then we would too. But you don't see any of that when you look around. Interviewer: Can you elaborate? Phillip: Well things like Greece. Otherwise I would already have taken early retirement at my age. Just look around. The taxes we pay and how much of it goes to Greece. Rutte [Dutch prime minister] is just lying. It's a big disaster. That's my view.

If you con the tax authorities for a thousand euros, they make you out to be the biggest criminal, and they do it all day long for hundreds of millions. Interviewer: And does that influence ... Phillip: Yes, that influences me. When I read a piece in the paper about how someone conned the tax man, or a bank or an insurance company, it makes me smile. No individuals though! No... it's great. They do the same, on a much larger scale.

Other participants stressed the permissibility of a fraudulent act because they considered a specific law or regulation to be unfair. *Brian*'s case illustrates this. As the owner of a construction company, he was involved in price-fixing schemes several years ago: 'I actually think it's fair. I'm not afraid to admit that. It is about getting your bills reimbursed.' He argued that public tenders placed financial strain on construction companies as they incurred expenses without knowing whether they would get the job:

Of course that's also a kind of fraud, but to me it isn't fraud. Interviewer: Why?

Brian: Because you had done a lot of work and only one benefitted. Interviewer:

So it was fair to do it that way? Brian: As far as I know, yes. But it wasn't allowed.

Judging what is permissible behaviour by one's own standard of fairness also seemed to play a role in the selection offence, a tax evasion of several hundred thousand euros. He was approached by a businessman to do construction jobs off the books: 'Look, usually you don't do undeclared work. But with this guy, it was the first time really. I had done a couple of things under the table, but that was peanuts.' He felt he had to accept it out of a sense of responsibility for his employees: 'Look, I always need work. To keep the people going, so I thought well I better do this.'

### *Moral Blockade*

In the third moral mechanism, *moral blockade*, emotional states – anger, bitterness or defiance – hinder or block a moral approach to the decision to engage in or refrain from a fraudulent act, and even encourage it (compare Sherman, 1993). The moral blockade typically originates from and is fuelled by earlier negative events and experiences. This results not only in an open and sometimes blatant rejection of the law, but also in reduced *empathy* for the victims, especially the government and larger institutions such as banks or insurance companies (Rest, 1986: a combination of *moral sensitivity*, *moral judgement*).

The narrative of *Benjamin* illustrates how a moral blockade can lie at the root of an extensive white-collar crime career that, despite his relatively young age (30), included more than 35 scams (the last was the only one he was arrested for: a mass-market consumer fraud). When he conned thousands of companies by promising them a service worth a relatively small amount of money that they would never receive, he knew it was wrong but he explains he did not feel for the victims:

The moral side doesn't count so much. I took their money. That is a little contradictory: I did it knowingly, and knowing that it was wrong. There is no lack of it, it's there. But the choice was just very simple.

Benjamin explained that a reduced empathy for his victims originated from earlier stages in life:

I have become so hard-hearted in that respect. When I look back, there is no feeling of shame or remorse. That has gone completely. Interviewer: What made you so hard-hearted? Benjamin: You can trace it back all the way to my childhood. People caused me so much pain and sorrow in my youth. Really so much. A person only has a limited amount of emotions in one lifetime. And mine had already been burned up by the time I was 10 years old. It's just gone. I can be very tough.

Although the causes behind the moral blockade are typically negative circumstances, participants also seemed to have experienced joy, tension and excitement after a while, which encouraged them to pursue the fraudulent activities (compare Katz, 1988). For example, *Oscar*, an entrepreneur in the transport sector, used his extensive professional knowledge to simultaneously run legitimate and illegitimate businesses. He says that he used to be a law-abiding citizen until his father's transport company, where he had been employed, went bankrupt. The company's closure and its failure to relaunch resulted in anger and bitterness, but also in a large debt. After exploring legal and illegal options to resolve his debt, he started to buy up companies, 'empty them' and file for bankruptcy. When the opportunity arose to carry on a part of his father's old company, he had already taken a different path:

In principle, at that time, I had the 50 trucks .... I could have built up that company in ways you wouldn't believe. But I was so bitter really that I didn't give a shit about anything. And then I also really started enjoying it.

He started off on an extensive criminal career that involved around 200 bankruptcy frauds including the selection offence: 'It became a game and you lived off it.'

#### *Adapted Moral Self*

A fourth and last moral mechanism, *adapted moral self*, is related to how respondents see *themselves* in moral terms. A significant number of participants referred to themselves in an idiom that indicates that they do not see themselves as fully law-abiding: 'I am a benign criminal', 'If I were to do it again, I would

do it on a larger scale’, ‘I will always find a way to make money, legally or illegally’ and ‘I was always the naughty boy at home.’ In such instances the self-regulatory function of the moral self that withholds individuals from misconduct is arguably reduced (Rest, 1986: *moral motivation*; Blasi, 1980; Jennings, Mitchel, & Hannah, 2014: *moral self*). An exemplary illustration of the dynamic nature of the moral self and its role in misconduct is presented in the case of *James*:

As a child, you are taught to obey the law. But as a child you also develop your own personality within which you construct a certain morality. And I think that for many people this can go together later in life. But for many, it will also start to collide.

When I don’t agree with certain regulations, both in business and private contexts, if I find it unjust, then I think my personality or character drive me in a direction where you start to seek out the margins of the regulations, to make it easier for yourself or to gain something from it or to bypass the law. In that I think... I do not see a big difference between private or business contexts. I think it is more of a character trait.

Besides the aforementioned ‘unrest’ and ‘high’, *James*’ adapted moral self-image is likely to have been important in his engagement in evading property taxes, one of the offences he was convicted for. The way he saw himself in moral terms offered him the space to evade taxes, but also freed him to help others conceal money from the government: ‘If somebody asks me “Can you help me with this?”’, then I do not have the moral [integrity] to think: I am an upstanding, law-abiding citizen, I don’t do that kind of thing. No way’.

#### **5.3.4 Summary**

The analysis shows how change, pressure and opportunity, weakened bonds and adjusted morality contributed to white-collar crime involvement. At the time of the selection offence, participants typically experienced some form of change which, in turn, led to pressures that were resolved or taken advantage of by exploiting criminal opportunities open to them. Although this sequence was important, the analysis shows that involvement in white-collar crime cannot be fully understood without taking the offenders’ personal background (bonds) and cognition (morality) into account. Regarding the bond to conventional society, respondents experienced weakened bonds to important others and to the standards, norms and rules of conventional society in varying degrees, ranging from a short-term distancing to prolonged and profound drifts away from conventional society. Concerning morality, the findings show that some

respondents had outspoken prosocial norms but that most participants had adjusted moral ideas of what is permissible in the financial-economic realm. The study identifies four moral mechanisms that go beyond the context, facilitating white-collar crime involvement: *moral nonchalance*, *supreme moral judgement*, *moral blockade* and *adapted moral self*.

The analysis also shows how the three factors interacted and resulted in distinct white-collar offending patterns. In some participants, the involvement in a white-collar offence was an isolated affair and was either the result of a crisis in which bonds were severely strained, or occurred in a transitional phase in which bonds to conventional society were weakened more gradually. Context-dependent moral adjustments freed these participants to act in ways they would not normally have acted. However, more commonly, white-collar crime involvement is part of a long-running process. The narratives illustrate how weakened bonds and flexible moral ideas increased the chance that a person ended up in a criminogenic position or engaged with other deviants and how this affected the way participants responded to pressures (strain, social pressure or temptation) and to criminal opportunities. Some of these respondents were involved in extended criminal careers, experiencing prolonged and profound drifts, sometimes starting in their youth but mostly in adulthood. In these participants in particular, *moral blockade* and *adapted moral self* appear to have played an important role. The analysis also identifies respondents with an intermittent pattern of misconduct who were loosely tied to their social and economic surroundings or who had conventional ties but nonetheless flexible and deviant norms. These respondents were typically characterized by *moral nonchalance* and *supreme moral judgement*.

## 5.4 Discussion

Based on an analysis of interviews with 26 convicted white-collar offenders, the study aimed to provide an in-depth description of the process of involvement in white-collar crime on a personal level. Two findings stand out. First, the findings show that involvement in white-collar crime was the outcome of an interaction of weakened social, psychological and moral bonds to society, adjusted moral ideas and emerging criminogenic forces. Rather than a primarily business-related and context-dependent process, crime involvement was typically part of a long-running process that is characterized by both change and continuity. Several respondents experienced events and developments in adulthood that weakened social bonds or changed moral attitudes and norms, increasing the risk of selecting into and actually taking advantage of criminal opportunities, something they may not have

engaged in previously (compare Laub & Sampson, 2003; Rest 1986). However, considerable continuity is also identifiable. Not only for the respondents who experienced a social, psychological and moral distance to conventional society from early stages of life. Also, respondents, who had apparently successfully adapted to adult economic and social roles, experienced states of ‘unrest’ or drifts over prolonged periods and expressed adjusted moral views that seem to have become part of their world view, professional lives and of themselves (Ulmer, 2014).

Second, the findings highlight the important but complex role of morality in white-collar offending. Following Rest’s recommendation to take his model “as a framework for programmatic research” (1986, p. 4), the study used his ideas to understand the moral considerations that are involved in white-collar offending. The study identifies four *moral mechanisms* that allowed respondents to violate values that they deem important for the proper functioning of society and the economy (e.g., paying taxes). Although the narratives often entailed the separate components of Rests’ model, independently they failed to capture the complexities of respondents’ situation and moral position and the specific attitudes respondents adopted in the particular moral domain under study. The moral mechanisms illustrate how ‘real-life’ moral considerations may be intricately related to a person’s life experiences, thinking and background. Taking earlier experiences over the life span and personal differences into account, the current findings call into question the *extent* to which neutralization theory, the most commonly used moral theory in white-collar criminology, can account for white-collar crime involvement (Cressey, 1953; Sykes & Matza, 1957). The theory starts from the premises that, despite their involvement in offending, all offenders have similar, stable and prosocial (‘middle-class’) ideas about what is permissible behaviour, and that therefore all offenders need to reduce psychological tension by normalizing or decriminalizing the criminal act (“relieve the guilty mind”, Benson, 1985a; see also Maruna & Copes, 2005). However, the findings clearly show significant heterogeneity and change in what is considered permissible behaviour in the financial-economic realm (compare Schuster & Levi, 2013; Wenzel, 2004; Zeitz, 1981). And although respondents, in particular those with outspoken prosocial norms, sometimes seemed to use pre-emptive self-talk to assuage anticipated guilt, most expressed moral mechanisms that appeared to predate the selection offence - allowing misconduct. There would be little or no need to neutralize or justify misconduct when a person thought the act was permissible, when he or she did not feel the moral consequences of the act or when an individual had an adjusted moral self image (Fritzsche, 2005; Minor, 1981). Still, neutralization may have played a role in respondents’ past, as a facilitating element in the gradual process of becoming committed to unconventional norms. In the past, participants

may have had a need to neutralize or rationalize in order to bring their values and behaviour into agreement. This would, in turn, have weakened their commitment to prosocial values until finally there was no longer a need to neutralize, a process described by Hirschi as a “hardening process” (1969, p. 208). In sum, while only experimental research can indisputably establish causal and temporal order between moral considerations and misconduct (for experimental research using Rest’s model, see Craft, 2014; O’Fallon & Butterfield, 2005), the current study clearly suggests that personal morality plays a more complex, dynamic and varied role than proposed in neutralization theory.

In closing, it is important to address issues concerning validity and generalizability. In line with extant literature (e.g., Laub & Sampson, 2003; Van Koppen & De Poot, 2013), the study considers the narratives to be *subjective* descriptions and interpretations of what occurred in respondents’ lives. However, respondents’ descriptions may contain errors, be distorted by time and by the events that followed after the selection offence. As the study aimed to gain an understanding of the psychology of white-collar crime involvement, I did not contrast the narratives with criminal records or case files. Respondents may also have used excuses or have managed impressions towards the researcher or other social audiences, rather than asserting what transpired. However, although respondents may have wanted to present themselves favourably to some degree, the narratives suggest that this was not their main objective for participating in the study. Not only did their grounds for participating in the study indicate otherwise, most respondents recognized their misconduct and typically spoke openly about their intentions to engage in the offence, referred repeatedly to earlier transgressions and crimes, and expressed deviant attitudes and norms, all matters which participants would arguably not have revealed when making excuses or managing impressions. Rather than excuses or impression management, the narratives appear to offer a unique and rich – be it subjective – source for understanding the psychological process behind white-collar crime involvement.

Finally, the size and character of the sample limit the generalizability of the findings. While the sample was small in size, the respondents did resemble other Dutch businessmen in that they were typically directors or owners of small- to medium-sized companies that make up the large majority of companies in the Netherlands (Centraal Bureau voor de Statistiek, 2017). Also, the respondents’ criminal and demographic profiles correspond to those of white-collar offenders in other (large-scale) studies of white-collar offenders in the United States and the Netherlands (Benson & Kerley, 2001; Weisburd & Waring, 2001; see also Chapter 2). Although the study may have some generalizability beyond the sample, its main contribution to the literature is that it provides an in-depth description of the poorly understood process of white-collar crime involvement on a personal level.