

I. CORPORATE CRIME / WHITE COLLAR CRIME

DEFINITIONS

white-collar

adjective [before noun] • **UK**  /,waɪt'kɒl.ə/ **US**  /,waɪt'kɑːlə/

★ relating to people who work in offices, doing work that needs mental rather than physical effort:

white-collar workers/unions

blue-collar

adjective [before noun] • **UK**  /,blu:'kɒl.ə/ **US**  /,blu:'kɑːlə/

★ Blue-collar workers do work needing strength or physical skill rather than office work.

Source: Cambridge Online Dictionary

White Collar Crime

The term "white collar crime" was coined in 1939 by American sociologist Edwin Sutherland. His work attempted to shift criminology's focus away from the blue-collar street crimes committed by the working classes - according to prevailing theory, crime was intrinsically linked with poverty. Instead, he chose to study the financially motivated, non-violent crimes committed by professional, often wealthy, businessmen and other pillars of society. His definition of a white collar crime was one "committed by a person of respectability and high social status in the course of his occupation." Sutherland claimed that offenses white-collar felons committed were more likely to be seen as matters for civil rather than criminal law. And compared with their counterparts in the lower classes, they were far more likely to "get away" with them.

Source: The Crime Book (DK)

ACTIVITIES

Find good definitions for the following white collar crimes:

1. *bribery*
2. *insider trading*
3. *embezzlement*
4. *fraud*
5. *tax evasion / tax avoidance*
6. *money laundering*
7. *wage theft*
8. *forgery*

II. CASE STUDY - THE BERNIE MADOFF SCANDAL

What Is a Ponzi Scheme - Bernie Madoff Ponzi Scheme Explained by Kalen Smith

<https://www.moneycrashers.com/bernie-madoff-ponzi-scheme-explained>

On March 12, 2009, Bernie Madoff pled guilty to the largest Ponzi scheme in history. He successfully swindled investors out of \$65 billion. Although many Wall Street experts revered Madoff as a genius, many financial professionals were not surprised to learn that he was one of the biggest crooks they had ever come across. Some people were afraid they'd be ostracized if they spoke out against Madoff, and they simply kept quiet about their concerns about his investment portfolio and earnings.

Unfortunately, Ponzi schemes are fairly common, but this one was one of a kind. Most Ponzi schemes operate on a very small scale, but Madoff was clearly a big thinker who caused major damage.

Background on Ponzi Schemes

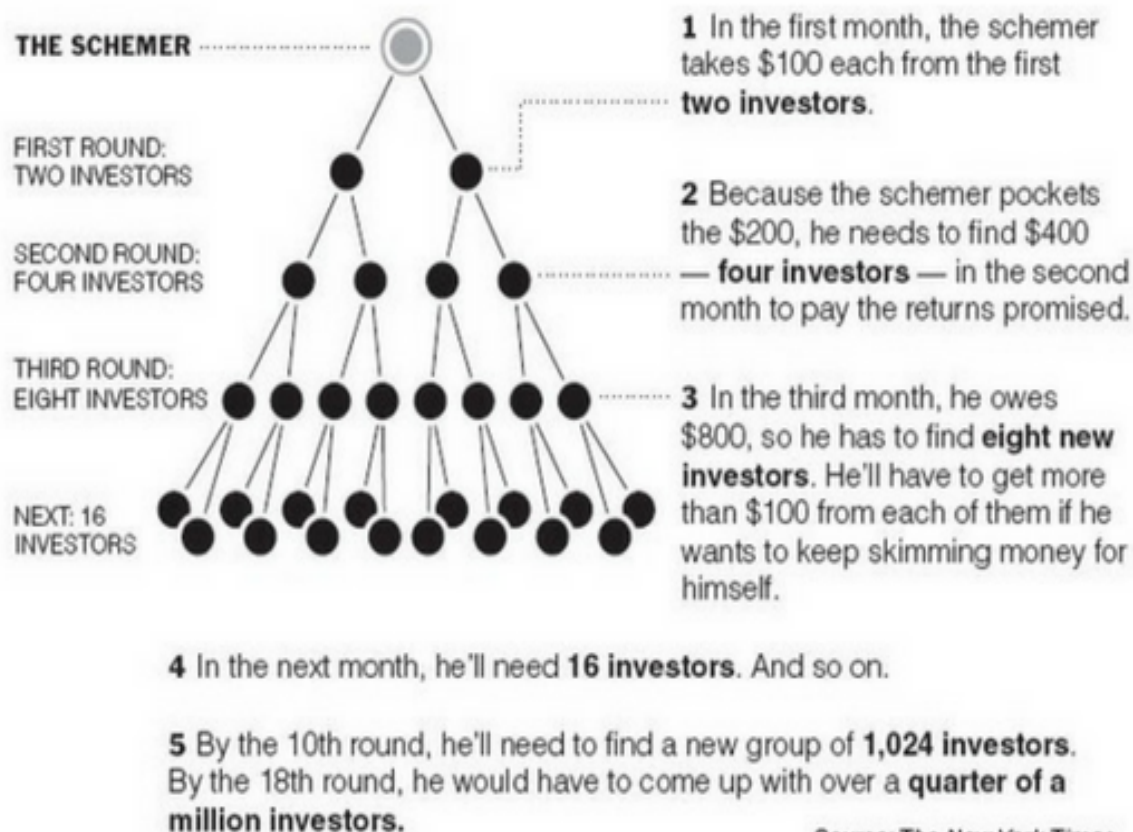
Ponzi schemes are fairly complex, even when they operate on a small scale. Unlike pyramid schemes, in which victims unknowingly rope in more targets, Ponzi schemes rely on a single person or group to coordinate every aspect of the fraud. To keep the scam going, the masterminds behind the plan convince numerous victims that they're investing in a legitimate fund that promises great returns. Then the scam artists take money from new "investors" and use it to pay off existing investors. But for the scam to truly work to everyone's benefit, the orchestrators would need access to an infinite supply of new victims.

Sooner or later, the pool of new participants runs out and funds dry up. Sometimes, this trouble starts earlier than the Ponzi schemers expected because of outside factors like sudden changes in the economy. When the scheme starts running low on victims, it starts to fall apart and investors lose everything they put into it. Often, the person behind the scheme vanishes before anyone figures it out, since if they're caught they'll face the impossible situation of needing to return all of the lost money to all of the participants. While the government may help pay restitution, victims will have trouble recovering everything they lost.

Anatomy of a Ponzi Scheme

As they unfold, Ponzi schemes ultimately require an unsustainably large pool of investors to keep the racket going.

In this simplified example, the schemer starts by taking \$100 from investors, promising to double it within a month. But instead of investing their money, he pays them with funds from larger, successive rounds of investors.



Source: The New York Times

How Madoff Stole from Thousands of Investors

Madoff set up his portfolios to look like he was matching the returns of the S&P 500. This strategy prevented him from needing to pay too much to existing investors, but it still made his purported holdings appeal to new targets. And he remained under the radar by doing everything he could to keep his scheme low key. He targeted specific, elite groups of investors, keeping his victims close and the SEC off his back. He also stayed off the grid by keeping his paperwork up to date and consistent. While most other Ponzi schemes operate by giving out large returns and then collapsing, Madoff was able to tread water with his smaller returns and keep his scam going for years.

Madoff did very little to arouse suspicion among his victims. As investors, they believed they could withdraw their money almost immediately, so they had no reason to think anything was wrong. Some analysts, however, felt that something was off when they tried to replicate his performance. Tracking the funds, one of them argued to the SEC that his firm couldn't possibly have boasted the returns Madoff claimed. The SEC ignored these claims, even though Bernard Madoff Securities had already been investigated.

How Madoff's Scheme Started to Fall Apart

After more than a decade of duping the SEC and his investors, Madoff saw his scheme lose steam in late 2008. He was borrowing money and couldn't keep up with all of the investors who were desperate to liquidate their assets as the market continued to deteriorate. Eventually, Madoff realized he was in over his head and confessed to his sons, who were partners in Bernard Madoff Securities. Mark and Andrew Madoff turned their father into the FBI, putting an end to the scheme. After his arrest and guilty plea in 2009, Madoff, at seventy years old, was sentenced to 150 years in prison.

4 Signs You're Looking at a Ponzi Scheme

Bernie Madoff's scheme was legendary, but there are probably thousands of similar schemes going on at any given time. During bad economies and recessions, when people are desperate for easy money, victims are abundant. To avoid getting caught in one of these webs, you need to know what to look for.

1. **Unclear business models.** Crafters of Ponzi schemes will try to distract you with big numbers, hoping that you don't notice that the business doesn't make sense. In hedge funds or investment pools like Madoff's, the numbers won't add up if you take the time to look at them. Schemers will often discourage you from asking questions or run around them every time you do.
2. **Aggressive sales techniques.** Have you noticed how scam artists will go to any length to get someone to sign up with them? If they were for real, they would just let their results speak for themselves.

3. **Promises of high returns for no work.** Anyone who tells you that you can get rich quick is probably doing something illegal. If someone promises you “easy money,” don’t give them a moment of your time.
4. **Difficulty withdrawing funds.** Madoff’s scheme was unusual, because he made it easy for investors to withdraw their money fairly easily. Generally, a Ponzi scheme discourages its investors from withdrawing and creates delays for dispensing funds.

Final Word

Madoff orchestrated the most high-profile Ponzi scheme in history. The destruction he caused sent a rippling effect that affected everyone he ever worked with. Charity foundations which had invested in Madoff had to shut down, cancer research projects took a hit and even bone marrow transplants by a foundation called "gift of life" had to be delayed because their financial supporters were unable to keep up their donations. After his scheme fell apart, investors realized they had lost billions of dollars. Some former employees and associates were investigated or arrested for their involvement. At least three committed suicide, including Madoff’s oldest son Mark.



One of the biggest lessons that the Madoff scheme taught investors was that Ponzi schemes can seem legitimate, so buyers should always be on the lookout for scams. Madoff’s practice seemed legitimate and was even praised by many Wall Street investors, despite the fact that his numbers simply didn’t add up. Before investing, you should look at the holdings of a fund and make sure that their performance is consistent with the activity of the stock market.

Though an unclear business model is a primary sign of a scam, the scheme itself is very carefully thought out. You really need to pay attention to what you are getting yourself into so that you don’t fall victim to one of these scams. What warning signs do you look for before you commit to an investment fund?

COMPREHENSION

- 1) *Explain the mechanism of a ponzi scheme.*
- 2) *Why were some experts suspicious about Madoff? What did they do about it?*
- 3) *What is the SEC and what is their job?*
- 4) *Why did Madoff's ponzi scheme collapse?*
- 5) *Be able to list the 4 main characteristics that may help to expose a ponzi scheme.*
- 6) *White collar crime is supposed to be non-violent. Do you agree in Bernie Madoff's case?*

III. CASE STUDY: LUXLEAKS

PRE-READING TASKS

- 1) *Find a good definition for the term "whistleblower"?*
- 2) *Do you know any other famous whistleblowers?*
- 3) *Try to explain the concept of "national security".*

Antoine Deltour: LuxLeaks whistleblower's long legal battle continues by Transparency International

Source: https://www.transparency.org/news/feature/antoine_deltour_luxleaks_whistleblowers_long_legal_battle_continues



On Thursday 23 November, the Court of Cassation of Luxembourg will hold a hearing on the appeal of Antoine Deltour, the whistleblower who revealed aggressive tax avoidance schemes in Luxembourg by sharing the 'LuxLeaks' documents with journalists in 2014.

Deltour shone a light on so-called 'sweetheart deals' between the Luxembourg government and some 340 companies, including Apple, Amazon, Ikea, Pepsi and Deutsche Bank. Some of the companies had managed to secure tax rates of less than one per cent on their profits by registering their businesses in the Grand Duchy.

The LuxLeaks disclosures helped spur the Luxembourg government, the European Commission, the OECD and the G20 to take action to fight tax avoidance. For showing journalists the proof of these deals, however, Deltour was charged and convicted of theft, fraudulent access to a computer system, laundering acquired data, and violating professional secrecy and trade secrets.

In a later appeal, the courts recognised Deltour's role as a whistleblower, and that his revelations were in the public interest. He was acquitted of violating professional secrecy and trade secrets, but still received a suspended 6-month prison sentence and fine of €1,500 for the other charges.

Now, the High Court is examining the legal basis for that decision. Unfortunately, though, even if the court decides in Antoine's favour he would simply return to a lower court to be tried again - his long and costly legal battle is far from over.

Ironically, even while being tried and convicted in Luxembourg, Deltour has been celebrated by the European Union. In 2015, he was awarded the European Citizens' Prize – an award given to those who promote mutual understanding and European values.

His case could have been avoided had comprehensive whistleblower protection been passed across the EU and properly implemented at the national level. That's exactly what Transparency International are campaigning for, because individuals must be able to speak out against wrongdoing if corruption is to be tackled. More and more EU countries are adopting whistleblower protection legislation (such as Italy), but others are still lagging behind (such as Poland). Last week, we handed EU law-makers in Brussels a petition signed by tens of thousands of citizens who believe in protecting the right to speak out.

Will the highest court in Luxembourg at least recognise that whistleblowers are not thieves? We'll find out soon.

COMPREHENSION

- 1) *What exactly did Antoine Deltour uncover?*
- 2) *What happened to Deltour after his leaks?*
- 3) *Wherein lies the irony of Deltour's conviction?*
- 4) *What are Transparency International fighting for?*
- 5) *Who do you think is the guilty party in this case? Why?*
- 6) *Why is this story a good example to show the difference between morality and legality?*
- 7) *Are whistleblowers heroes or traitors?*
- 8) *List the pros and cons of Luxembourg's "sweetheart deals" for our country.*

ORAL PRESENTATIONS

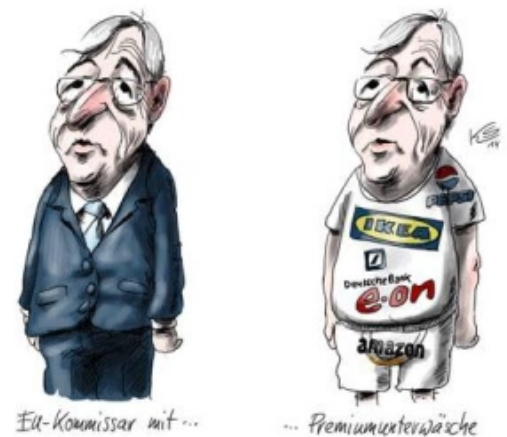
Prepare short oral presentations on other famous corporate crimes.
Respect the following rules:

- Time limit : 4-7 minutes
- Notes : one piece of paper with a maximum of 7 key words

- 1) Siemens Bribery Scandal
- 2) Volkswagen Emissions Scandal
- 3) Enron Scandal
- 4) Jérôme Kerviel
- 5) Charles Ponzi
- 6) Panama Papers

ACTIVITY

1. Discuss the cartoons below.



IV. GLOBAL EXCHANGE

A HUMAN RIGHTS ORGANIZATION EXPOSING CORPORATE CRIME

Each year, Global Exchange releases a “Top Corporate Criminals” list to highlight the world’s corporate worst-of-the-worst on issues like unlivable working conditions, low pay, tax evasion, violations of human rights and voting rights, climate change denial, and environmental destruction, just to name a few. More importantly, we create this list to bring your attention to these gross violations and call on you to act.

We have worked long and hard to stop the destruction of people and planet for corporate profits and to limit the influence corporations have over our government, our communities and our lives. And we have all watched with horror as Trump has named unqualified billionaires, corporate cronies, and climate deniers to his Cabinet and to head agencies that they aim to undermine and de-regulate.

We must now work harder than ever to resist the influence of corporate power in the White House, the halls of Congress, and in our communities. Join us. Together, we hold the power to rein in corporate abuse and reclaim our democracy. We can use our purchasing power to endorse Fair Trade, pressure companies to do the right thing, boycott those that violate human rights and the environment, and call on our representatives to represent the people not corporations. In doing so there is potential to pressure these companies to put people and planet ahead of profits. We at Global Exchange encourage you to exercise your power as a global citizen to rein in corporate power, demand social justice and defend the Earth.

Global Exchange’s 10 Top Corporate Criminals of 2017

1. **The Trump Organization**: For corruption, exploitation and crossing every conflict of interest and ethics line by taking advantage of the presidency of Donald Trump to increase profits.
2. **Wells Fargo**: For financing environmentally and socially detrimental projects and for creating millions of fraudulent customer accounts to increase profits.
3. **Core Civic & Corizon**: For profiting from the private incarceration of American citizens and immigrants.

4. **Sinclair Broadcasting Group**: For being the largest owner of television stations in the US and forcing affiliates to insert right-wing commentary into news programming.
5. **Chevron**: For its continued abuse of communities and environmental destruction for oil – from the Ecuadorian Amazon to the Arctic Barents Sea to Richmond, California and beyond.
6. **Blackstone**: For being one of the largest multi-national private equity, investment and financial services corporations in the world and leveraging ties to Trump to gain business advantage, from tax loopholes to securing contacts in Saudi Arabia.
7. **Tyson Foods**: For being one of the largest meat-producing industries in the world and dumping 104 million pounds of pollutants into US waterways between 2010 and 2014 – the 2nd highest volume of toxic discharges reported by any company.
8. **Amazon Inc.**: For poor labor conditions and unjust treatment of workers and for putting local small and mid-sized stores out of business, destroying local retail jobs and thriving downtowns.
9. **Pepsi Corporation**: For violating worker rights, along with destroying rainforests, harming local communities and Indigenous Peoples' lands, and causing massive greenhouse gas emissions by draining and burning of peatlands for production of palm oil.
10. **General Electric**: For being the top corporate US tax evader; its tax rate was -9% from 2008-2013.

COMPREHENSION

- 1) *What is the prime motivation behind all these white collar crimes?*
- 2) *How do these crimes affect our society as a whole?*
- 3) *What role do we as individuals play in all of this?*
- 4) *What needs to be done to tackle corporate crime?*