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Hypotheses on the Causes of Financial Crime

Vincenzo Ruggiero
Middlesex University
London, UK

Abstract

Historian G.M Trevelyan (2005) said that the rebellions of 1848 constituted a turning point at which history failed to turn. The same can be said of the 2007-2008 financial collapse. The crash defied the ideology of market self-regulation, proving that the doctrines around the efficient distribution of goods can cause calamitous consequences. And yet financial business carried on as usual, and 'none of the leading bankers whose fraudulent products caused the economy to crash went to jail; criminal prosecution took a back seat to the stability of the system.' (Kuttner, 2018: 62).

This paper examines the aftermath of the crisis, it attempts to identify a range of causes that determined it and are likely to trigger similar events in the future. The analytical tradition established by the study of white-collar crime provides the background for such an examination, which also avails itself of some conceptualizations derived from classical economic thought.

Key words: ignorance, entitlement, recklessness, efficiency

Before and after Sutherland

When discussing 'the brigandage of the nobility', Tarde (1902; 2012) argued that criminal careers could easily lead to business and politics, and vice-versa. His analysis of what we now call the crimes of the powerful started with considerations around the notion of value. In his view, this notion can be applied in three fields: that of truth, that of utility and that of beauty (Latour and Lépinay, 2009). Political economy chooses to concentrate on utility, making it the only field worthy of attention. It is political economy, in this way, that shapes economic behaviour, not the reverse. And if truth and beauty are sacrificed, economic activity per se may veer towards falsehood and ugliness. For Tarde, financial operators exemplify these negative qualities, as they conceal feelings under abstractions such as interest and revenues, making them measurable: the economic 'science' is thus equated to physics or chemistry. The financial sphere, therefore, belongs to the passionate interests predominating in the economic 'science', but how can such a science claim that it is disinterested when it is entirely based on the defense of interests? The financial world is where 'prodigious ambitions of conquest' prevail and where billionaires are inebriated with the hope of winning, with the pride of life, and the thirst for power' (Tarde, 1902: 24). Financial criminals, in the analytical framework provided by Tarde, are perfect incarnations of homo economicus, namely individuals with 'nothing human in their heart' (ibid: 25). They bring the prevailing values to their natural consequences, manifesting the common passions and convictions in a pure, new form.

Only a few years later, those exploiting 'social vulnerabilities' were termed by Ross (1907) *criminaloid*, namely individuals adopting illegal practices who did not deem themselves culpable, nor did they appear such in the eyes of the public. Approaching a definition of white-collar crime, Ross focused on the high social status of perpetrators, their respectability, and the impersonality of their relationships with those they victimised. His findings prompted the need for a redefinition of crime and a re-conceptualisation of its aetiology. The destructive practices adopted by the elite, in his view, were more dangerous than those of their low-browed cousins such as street offenders. The latter caused limited damage, while the new class of offenders, sporting the livery of virtue, were 'beasts of prey' and could 'pick a thousand pockets', poison and pollute thousands of minds and imperil numerous lives (Ross, 1907: 30). Big business *criminaloids* rob and kill on a grand scale, he intimated, but manage to escape punishment and ignominy while repelling the criminal label (Ruggiero, 2017).

A manifestation of the weakening of altruism, caused by the prevailing economic arrangements, crime epitomizes egoism, which in the subaltern classes is stigmatized and punished, while among the dominant classes is condoned and rewarded. This is the opinion of Bonger (1916; 1936), who includes 'greedy bankers' among the class of people manifesting unfettered egoism. In the late 1920s, such bankers 'continued to sell the bonds of several Latin American countries after they had been told that the countries had stopped paying interest' (Kindleberger and Aliber, 2005: 147).

According to Bonger, the misdeeds of the wealthy are more serious than the crimes of the excluded, in that they spread raw self-interest and infinite material hunger: 'If one has much, the other, an imitator, wants the same' (Bonger, 1916: 113). In his view, people whose work brings them in touch with money are most tempted to appropriate it, legally or otherwise. When addressing the thefts of large sums of money, Bonger does not hesitate to single out financial operators who, 'from the nature of their work, have the opportunity to appropriate other people's money' (ibid: 109).

Later, Sutherland's celebrated theory of differential association provided an analytical framework which was destined to survive to our days. He noted that 'more important crime news may be found on the financial pages of newspapers than on the front pages' (Sutherland, 1940: 2). Among the several types of white-collar crimes which concern us here, he included misrepresentation in corporate financial statements, manipulation of stock exchange, embezzlement and misapplication of funds, tax frauds, misuse of funds in receiverships and bankruptcies, namely all conducts that Al Capone called the legitimate rackets.

The 1929 crash proved that social interdependence can at times be troublesome or even disastrous. Honest operators and investors became committed to crooks and, before clearly realising the nature of their commitments, found it necessary to defend them in order to defend themselves. They became part of a subculture, an enclave that was forced by the events to adopt specific techniques and rationalisations to perpetuate themselves and their acts. From such events and dynamics, Sutherland (1983) distilled his theory: crime results from exposure to an environment in which positive definitions of violation of law are predominant, and the financial sphere offers such an environment.

Many subsequent formulations tend to encompass several, if not all, illicit conducts adopted by while collar and powerful offenders, thus at times deflecting attention from the specificities of financial crime. For instance, some analyses focus on the state and its organized force, concluding that the core capitalist states remain the greatest source of harm, violence and injury (Rothe and Ross, 2009; Chambliss, Michalowski and Kramer, 2010). In contributions pertaining to the economic sphere, concepts belonging to classical Marxism such as mode of production, surplus value and class struggle remain central explanatory variables (Pearce, 1976), leading to fundamental questions about the nature of the world's free enterprise system.

Supplementing approaches centred on state formation or focused on economic variables, are perspectives inspired by criminological theory itself. Anomie and control theory, for example, have both been mobilized to explain the crimes of the powerful. The former may posit that the settings in which the elite operates are already largely normless, thus encouraging experimental conducts and allowing for the arbitrary expansion of practices. Passas (2009: 153), for instance, argues that pressure to attain goals is constantly experienced by people in the upper social reaches, and that, therefore, 'they are far from immune to pressures towards deviance'. Sykes and Matza's (1957) techniques of neutralization appear to lend themselves ideally to explanatory efforts addressed at the crimes of the powerful. For instance, such techniques may be used by powerful offenders to deny the harm they cause, to deny the existence of a specifically identifiable victim, to claim that other conducts are far more harmful than those they adopt, or that, in any case, their conduct reflects their loyalty to the social group they belong to. Leaving here, at least provisionally, the relevant review of the literature, we can begin to identify further variables that are located somewhere within this wide theoretical backdrop.

Ignorance

It is well known that the 2007-2008 crash was linked to the US housing bubble and the subprime mortgage derivatives, sold to high-risk loans homeowners who were unlikely to pay back (Will, Handelman and Brotherton, 2012; Friedrichs, 2013; Davies, 2015). Originally, these derivatives appeared on Wall Street in the early 1980s, they were accepted by US regulators, and 'disseminated like financial toxins globally' (Kuttner, 2018: 62). Moreover, just before the crisis, the Annual Report of the International Monetary Fund predicted 'continued stability thanks to the growth of the market in derivatives' (Collier, 2018: 7). The Managing Director and Chair of the Executive Board wrote that the year ending on April 30, 2006, had been one of continuity and progress for the global economy. Growth, he highlighted, continued at an impressive pace, with expansion becoming more broadly spread geographically, and financial market conditions remaining substantially benign. The environment was free of economic crisis, although 'we need to deepen our understanding of financial and capital markets' (IMF, 2007: 4). We can detect an 'honest' confession in this statement, where the need to 'deepen our understanding' sounds like a sincere admission of 'ignorance'. Honesty and ignorance returned in successive admissions by high-ranking experts.

The Executive Director for Financial Stability at the Bank of England, Andrew Haldane, admitted that the financial crash made 'the riches be privatised and the rags socialised'. But it was nobody's fault: 'For the most part the financial crisis was not the result of individual wickedness or folly. It was not a story of pantomime villains and village idiots. Instead, the crisis reflected a failure of the entire system of financial sector governance' (Haldane, 2013: 21). Putting events in historical perspective, he also explained that in the first half of the nineteenth century the business of banking was simple: the owners-managers backed the bank's losses with their own personal finances. Shareholder funds (so-called equity capital) protected clients from loss, and bank directors excluded investors who were financially weak in facing risk. Things changed with the emergence of giants embracing the 'too big to fail' doctrine.

> At the start of the 20th century, the assets of the UK's three largest banks accounted for less than 10 per cent of GDP. By 2007, that figure had risen above 200 per cent of GDP. When these institutions hit problems, a bad situation can become catastrophic. In this crisis, as in past ones, catastrophe insurance was supplied not by private creditors but by taxpayers' (ibid: 22).

Bank governance and control, in Haldane's argument, should be improved through the injection of increasing expertise and the expansion of power entrusted to risk committees. Voting rights within banks should be extended to wider groups of stakeholders, thus establishing genuine principles of democratic governance.

In his evolutionary analysis, Haldane highlighted the prominent role played by 'economic formality', with mathematics underpinning models, and predictions and concepts so formalised to the point of shaping a theological doctrine. Businesses, in the past, would have on their boards experts in the area in which they operated. Now, he noted, all businesses, irrespective of the area, employ experts in economics and financial matters. However, he acknowledged, even experts have imperfect information and are surrounded by uncertainty, and economists in general should have a narrower view of themselves (Davies, 2012). As for the crisis, Haldane concluded, mistakes were made, although they were 'honest', not fraudulent mistakes, and anyone would have made them given how uncertain the world is. While the emphasis on 'mistakes' echoes the well-known description of 'honest fraud' offered by Galbraith (2004), the variable uncertainty hints again at a specific variant of ignorance.

The uncertainty of the world associated with ignorance also reminds us of Keynes' reaction to the 1929 crisis (Ruggiero, 2013). Keynes claimed that in the financial sphere there was little knowledge about speculators and their actions. In the *New York Evening Post* of 25 October 1929, he talked of 'the extraordinary speculation on Wall Street', while many commentators who filled the pages of the *Economist* shared his opinion. In 1930, he started his series of essays on 'one of the greatest economic catastrophes of modern history', which threw the system into a 'colossal muddle', showing how easy, in his view, is to lose control of a 'delicate machine, the working of which we do not understand' (Keynes, 1972: 127). In brief, the variable 'ignorance' in the form of lack of knowledge and understanding, played an important role in Keynes' analysis.

Entitlement

Ignorance relating to the workings of the financial system is accompanied by a feeling of permanent uncertainty, as we have seen. Violations, therefore, may be encouraged, on the one hand, by the 'objective' dynamics of the free enterprise system (see above) and, on the other, by contingent economic and political conditions. Economic actors are often led to offend by their own assessment of their immediate financial circumstance, by the forecast of future economic development, and by the perception that their acts will be met with impunity (Yeager, 2007). Ignorance, at the same time, turns into what Max Weber (1978) detected in markets, namely something substantially antithetic to the very notion of community, an element of substantive irrationality encouraging speculation and 'pure gambling interest'. Uncertainty, in turn, shapes a specific fear of the future experienced by powerful financial operators, who see their hopes and expectations challenged by the 'inexorable sense of contingency and insecurity generated by our awareness of the future' (Poggi, 2001: 11). Hobbes was right in saying that humans alone, among animals, can feel tomorrow's hunger today. Powerful financial operators, by the same token, may commit crime due to their obsessive relationship with their future, and in doing so attempt to accumulate and augment what they already posses in case future events may lead them to lose it.

Surely, financial crime entails a well developed risk-taking attitude, but also requires inhabiting specific *generative worlds* guided by key cultural elements facilitating criminality: unbridled competition, a pervasive sense of arrogance, and an ethic of entitlement. According to Shover (2007: 88), these are among the reasons why 'not only taverns and jails but also worlds of privilege and corporate offices can be breeding grounds for transgression'. In the variable 'competition' we find an echo of previous analyses focused on free market economies as criminogenic environments. The variable 'arrogance', in turn, alludes to the confidence accumulated through 'the habit to give orders' and the insolence gained through the lack of defiant responses. Finally, 'entitlement' implies the offenders' belief that external forces interfere with their just desert, namely their right to pursue wealth without external restraint. 'What is instructive about this is confirmation that an ethos of entitlement can become so pervasive among occupational practitioners or organizational managers that it becomes taken for granted and erodes willingness to comply with law' (ibid: 92).

Entitlement so understood also derives from the self-perception of those inhabiting the financial sphere as a special elite whose ignorance, nevertheless, appears to be less accentuated when compared to that of outsiders. The inner world of finance is comprised of individuals holding doctorates in macroeconomics from good universities, who display their esoteric skills through the apparent command of mathematical formulae. Their very 'special' position is displayed as evidence of the validity of their major beliefs: first, deregulation makes the sector more competitive, second, the enrichment of bankers benefits society a s whole. Nobel Laureate George Akerlof has noted that, had a tenure-seeking young economist applied for a PhD with a research question hypothesizing the looming crisis, she would have been rejected (Collier, 2018).

That ignorance and entitlement blatantly contradicted the sacred principle that financial initiative should not be hampered by state intervention became soon clear.

Reversing Keynes?

In the US, public intervention was opposed by both the right and the left, the Federal Reserve was initially asked not to intervene and renounce to use its legal authority to act as lender of last resort. Soon later, however, chairman Ben Bernanke turned the Fed into the world's central bank, issuing credit on demand aimed at preventing the global economy from collapsing. The conventional narrative claiming that markets thrive when external authorities refrain from regulating them was thus shattered. Tooze (2018) lists the concrete bail out measures introduced in the system, including deposit guarantees, loans to banks, outright capital transfers, and purchases of nearly worthless securities. In this respect, it is worth returning to Keynes' thought.

Keynes's explanation of the 1929 crisis revolved around the attitude of lenders and borrowers, with the former distrusting the efficacy and reliability of the latter, therefore requiring high interest rates, and the latter growing increasingly reluctant to borrow money for fear that the sale of the goods produced, with the fall of prices, would not bring sufficient returns to cover costs. Hence, his well-known proposal logically followed: it is a serious misunderstanding that, in periods of crisis, saving should be prioritized, for example by refraining from expenditure on new amenities or new public works. In his view, schemes of 'greatness and magnificence' should be designed:

> 'I read a few days ago of a proposal to drive a great new road, a broad boulevard, parallel to the Strand, on the south side of the Thames, as a new thoroughfare joining Westminster to the City. That is the right sort of notion. But I should like to see something bigger still. For example, why not pull down the whole South London from Westminster to Greenwich, and make a good job of it – housing on that convenient area near to their work a much greater population than at present, in far better buildings with all the conveniences of modern life, yet at the same time providing hundreds of acres of squares and avenues, parks and public spaces… Would that employ men? Why, of course it would! Is it better that the men should stand idle and miserable, drawing the dole? Of course it is not' (Keynes, 1972: 139).

Activity, doing things, spending, setting great enterprises afoot, these were the solutions suggested, not the government's 'foolish programme' to reduce its expenditure which, as Keynes warned, has disastrous effects on employment.

'Reverse Keynesianism' designates those practices which, instead of redistributing wealth, supplementing wages, supporting the unemployed or benefiting those on low incomes, grant advantages to economic operators who enjoy advantages already. It supports producers rather than consumers, namely those very actors whose failure has revealed the necessity for regulatory measures. Reverse Keynesianism diverts intervention from demand towards supply. As Stiglitz (2012: xv) summed up: 'The wealth given to the elite and to the bankers seemed to arise out of their ability and willingness to take advantage of others'. But on reflection, the bail out measures beg a key question: is there in Keynes's arguments some oblique recommendation that funds should be given to businessmen and entrepreneurs rather than to ordinary consumers? On the one hand, he suggested that wages given to disadvantaged people 'would mean an increase in effective purchasing power which would give a general stimulus to the economy' (Skidelsky, 1992: 302). On the other hand, he identified a number of main motives which lead individuals to refrain from spending. These include building up a reserve for unforeseen contingencies or for the predictable future (education of offspring, old age), to secure a *masse de manoeuvre* to carry out speculative or business projects, or to satisfy pure miserliness. These motives might be called precaution, foresight, enterprise, and avarice.

There are, therefore, some objective factors which influence the propensity to spend: ordinary consumers are very prudent and do not spend more money as their income increases. On the contrary, for them 'rising income will often be accompanied by increased savings' (Keynes, 1973: 97).

In brief, those unaccustomed to income increases are unreliable spenders, which leaves the 'wealth-owning class' the ideal recipients of state support: a form of socialism for the rich.

Recklessness

The availability of reverse Keynesianism plays an important role in encouraging recklessness in the financial sphere. Criminology lists such variable among the characteristics of offenders, with control theory, for instance, positing that recklessness may explain all types of crimes, be these committed by powerful or powerless individuals. Traits connoting offenders, according to this theory, include impulsivity, the incapacity to delay gratification, a propensity to blame others first and oneself last and, indeed, recklessness (Gottfredson and Hirschi, 1990).

This variable returns in a different guise in analyses focused mainly on micro-sociological aspects, for example those observing the dynamics that guide the behaviour of organizations and their members. As organizations become more complex, responsibilities are decentralized, while their human components find themselves inhabiting an increasingly opaque environment in which the goals to pursue and the modalities through which one is expected to pursue them become vague and negotiable (Burns, 1963). Recklessness in the form of Illegal practices is also the outcome of changing conditions, as organizations are required to incessantly devise new ways of reaching their ends and, consequently, to innovate by stretching or reinventing rules. Organizations, on the other hand, are composed of individuals and groups pursuing their own interests, although internal conflicts, being hidden behind public images of harmony, are rarely displayed (Dalton, 1959; Mouzelis, 1967; Keane, 1995; Ruggiero, 2015). Alliances taking shape and dissolving, contingent interests, and a permanent antagonistic climate characterize their daily existence, while goals turn as indefinite as the outcome of the power struggles taking place within them.

By 'decoupling themselves' from their constituent parts, organizations attempt to meet their goals while operating in a highly unpredictable environment. In this way they assume ‘a structure consisting of loosely coupled entities’ (Keane, 1995: 169). The different entities keep a relative independence, and a loosely coupled structure allows organizations to deal with the vagaries of business. Decoupling, particularly encouraged by geographical expansion, mergers and acquisitions, also entails that the parent companies dissociate themselves from the practices adopted by their subsidiaries or partners. Where such practices are illegal, organizations may therefore claim their innocence and invoke ignorance of the type of operations being conducted by subsidiaries or partners.

In further theoretical developments, attempts have been made to merge macro- and micro-levels of analysis, leading to the growing inclusion in white collar crime studies of formal and complex organizations. These types of crimes are equated to manifestations of ‘situated action’, and explanatory efforts have addressed how contextual cultures affect decisions to violate laws (Vaughan, 2007). Cultural rules, it is argued, define legitimate goals and determine action and meaning. This also applies to the economic sphere, where actors experience a relative autonomy and where agency determines whether obligations to obey the law or to follow business norms justifying violations prevail (Aubert, 1956). This is consistent with Sutherland’s (1983) theory of differential association, whereby individuals learn within their own professional enclave the techniques and the rationalizations necessary to deviate. Organizations and their members, however, may not simply follow a rational choice model, but find motivation for offending within the uncertain position in which they feel they are situated. More than sheer greed or striving for success, offenders experience anxiety and ‘fear of falling’ or ‘status panic’ (Vaughan, 1983). It is within this culture of anxiety and panic that offenders are made to feel conformist, rather than deviant, in relation to their own professional setting. Offending, in this sense, is not the result of calculated choice, but the routine outcome of an organizational culture that tends to normalize deviance (Vaughan, 2007). Ultimately, recklessness is rewarded, an attitude that we also find in some of the founders of economic thought and criminology.

In his economic writings, Cesare Beccaria (1804) distinguished between appropriate and inappropriate financial operations and unraveled the core deviant nature of speculative conduct, equating the financial sphere to a gambling arena. However, Jeremy Bentham wrote in defence of usury and against the taxation of the rich, describing financial crime as a calamity, like pestilence, famine, inundation, or damage caused by ‘persons deficient in point of understanding, such as infants, idiots and maniacs’ (Bentham, 1948: 245). Ignorance returns here accompanied by recklessness which, in turn, is epitomized by risk. In a letter to Adam Smith, Bentham (1787: 1) felt that, after learning a lot from a ‘professor of eminence’, he was forced to criticize him. Smith’s argument was that if the legal rate of interest were established at a level as high as ten per cent, a great amount of money would be lent to prodigals, who alone would be willing to pay up such high interest. Sober people, he contended, would not venture into the competition. A great part of the capital of the country would thus be kept out of the hands most likely to make a profitable and advantageous use of it, and ‘thrown into those which were most likely to waste and destroy it’ (ibid: 2). In reply, Bentham contended that prudent and sober people would never venture into any innovative project, thus never contributing to growth and improvement: ‘they will pick out old-established trades from all sorts of projects' (ibid: 3). Development has always been based on risk, he claimed: any new manufacture, any new branch of commerce, or any new practice in agriculture, may appear as a form of speculation in which the innovators promise themselves and others extraordinary profits. But if the innovation is successful, Bentham continued, the new trades and practices become established. Of course, there will be misconduct and fraud, but these, along with bankruptcies, only account for 'not much more perhaps than one in a thousand'. Ultimately, one has to accept 'dangerous and expensive experiments' and these should be encouraged, even through monopoly. 'A temporary monopoly may be vindicated, upon the same principles upon which a monopoly of a new machine is granted to its inventor, and that of a new book to its author' (ibid: 5). In brief, reckless conduct should be protected by copyright.

Efficiency

Another causative variable emerges when the trajectory of Barclays is observed. With the shift to investment bank, Barclays came to be operated by people who lived for the next bonus (Augar, 2018). Inefficiencies were replaced by the ruthless pursuit of profit, prudence gave way to opportunism, while honesty was superseded by efficiency. This was possible because strict codes of behaviour gave way to a logic of 'anything goes'. Strict codes ensure cohesion and maintain collective order; 'anything goes' is more innovative and offers opportunities for adaptation, along with safety valves in critical moments (Gelfand, 2018). Such opportunities may lead to fraud when innovative conduct takes place outside the ordinary field of vision, namely in those blind spots built into the system that only become visible when collapse is engendered (Bullough, 2018; Pettifor, 2018).

The overwhelming emphasis on efficiency triggers new perceptions so that causal relations are obscured and narrative linearity is lost. One's conduct ceases to be precisely linked to the effects it causes, while the ensuing disorientation prevents from grasping the importance of events. 'The consequence is a pushing and shoving of images, events and information, which makes any lingering contemplation impossible. Thus, one zaps through the world' (Han, 2017: 41). In this sense, efficiency requires 'never dwelling anywhere', as the production of wealth requires haste, the type of speed necessary in a race. As Virilio and Lotringer (2002) would put it, financial power is primarily "dromocratic" (from *dromos*, race). Efficiency aided by haste, moreover, does not allow for our moral imagination to keep pace, increasing the fragmentation of our experience and the depersonalization of our relations.

In brief, the 2007 financial crisis was conceived outside the field of vision of ordinary people and experts, in pursuit of efficiency and speed, through codes of conduct aimed at innovation and with misconduct as a form of safety valve (Chancellor, 1999; Leach, 2018). In this respect, one important economic thinker comes to mind, particularly his notion of the 'secular' decline of profits. David Ricardo asserted that, in the long run, the general level of profits within an economy would be equated with the rate of profits earned in the least favourably situated, or marginal, sector. He feared that, with demographic expansion, the labouring class will have to pay an increasing price for its 'necessaries' and, as a consequence will be forced to demand higher wages. This will determine a decline in profits. In response, first, entrepreneurs will have to find new, if unorthodox, ways of engaging in business. Second, risk has to be displaced, moved away from enterprise and directed towards others. Third, deviant innovation will constitute a viable, if not inevitable, alternative to stagnating profits. Let us see how these concepts can help us analyze Ricardo's thought from a criminological perspective.

The decline of the rate of profits may prompt the adoption of creative, unpredictable, but in particular, efficient conducts. Some criminologists, as we have seen, would turn this proposition into the concept that business constructs an environment where violation of the law is not only likely but necessary. Similar formulation prompts fundamental questions about the nature of the free enterprise system as a whole. However, if we are reluctant to endorse a stark statement such as 'capitalism must commit crime to survive', other analytical routes have to be probed.

Every attempt to investigate the causes of crime is exposed to generalizations: for instance, most offences could be tautologically explained by the economic advantages they bring. This motivation is insufficient to distinguish crime in general from conformist behaviour. Sutherland was well aware of this.

> Thieves generally steal in order to secure money, but likewise honest labourers work in order to secure money. The attempts by many scholars to explain criminal behaviour by general drives and values, such as the happiness principle, striving for social status, the money motive, or frustration, have been and must continue to be futile since they explain lawful behaviour as completely as they explain criminal behaviour. They are similar to respiration, which is necessary for any behaviour but which does not differentiate criminal from non-criminal behaviour (Sutherland, 1940: 79).

Even if we accept that the pure pursuit of profits is the core motivation of financial crime, the issue remains whether or not such crime follows a precise pattern related to the economy. Offending may be part of business routine, or may be linked to 'cycles of accumulation'. In the first case, it amounts to a sort of corollary of business, while in the second it is the outcome of difficult economic circumstances. Crime may be more prevalent among small or large firms, it may characterize in larger measure the competitive or the monopolistic arena of the economy (Ruggiero, 1996). It is not possible to resolve these theoretical dilemmas here. What we can hypothesize is the existence of illicit opportunities, or islands of illegality, in which business can make its occasional, intermittent, or constant forays (March, 1990). It might be suggested that islands of illegality host experimental practices which, legitimately or otherwise, allow companies to make quick profits and gain an advantage on competitors.

Concrete examples of such islands, in the form of 'treasure islands' (Shaxson, 2011), are tax havens, but are also exemplified by the services offered by auditors and accountants who turn the evidence of possible bankruptcy into prediction of profitability (Prins, 2018; Brooks, 2018; Bullough, 2018).

The finance curse

Not always countries possessing natural resources manage to turn them into earnings useful for their national development. Oil-rich countries like Nigeria, for instance, 'suffer more conflict, lower economic growth, greater corruption, higher inequality, less political freedom and often more absolute poverty than their resource-poor peers' (Shaxson and Christensen, 2015: 1).

This paradox of 'poverty from plenty' also affects some countries with large financial sectors. Oversized finance, despite propelling massive and rapid circulation of funds, has no effect on human development indicators. The UN Human Development Index shows that the poorest performers tend to be resource-dependent economies and finance-dependent ones (UN, 2011). Inequality, absolute poverty, life expectancy, education and health are not affected by the growth of the financial sector. In fact, the reverse may be the case, in the sense that oversized finance displaces resources from productive and service activities and directs them towards abstract accumulation. The 'finance curse', in this way, manifests itself in 'country capture', whereby entire sectors of the economy are crowded out, hollowed out and made ancillary to fictitious, impalpable, ill-distributed wealth. Financial centres, therefore, develop sectarian interests which clash with national collective interests, leading countries to what Keynes saw as a casino-like economic growth (Shaxson, 2018). Much financial activity is a zero-sum capture of economic rent, rather than a contribution to aggregate well-being (Mazzucato, 2018).

Large financial sectors damage manufacturing, agriculture and tradable non-financial services, raising local price levels and hampering entrepreneurial innovation and initiative. The predominance of finance also causes a visible brain drain, as the high salaries offered divert the better skilled and educated from more socially useful occupations. Objects of 'capture', therefore, are countries, economies and human capital, in a quiet coup which 'involves a sophisticated political and societal consensus shaped by a usually rather deferential media' (Shaxson and Christensen, 2015: 19). Resources are poured into the dominant sector, where the pursuit of sheer monetary rent turns into government priority. It has been proved, for instance, that, contrary to triumphant assessments of the role of private initiative in technological innovation underpinning financial growth, the state in fact has been the major protagonist in the process (Mazzucato, 2013). In sum, behind the heroes of Silicon Valley lies publicly funded research.

It is in this climate that the boundaries between acceptable and unacceptable practices tend to fade, as every new financial strategy, whether socially damaging or not, comes to be equated to pure ingenuous innovation. Against this backdrop, large companies access financial markets less with the intention of stepping up productive activities than as an attempt to enact forms of capital engineering and speculation. Financial markets, therefore, no longer feed the economic growth by putting funds into companies, but take away potentially productive funds from them (Kay, 2013; Vegh Weis, 2017). They do so while pursuing 'safety', an unambiguously good thing except in the financial world, where safety is intended from taxes and criminal laws.

Conclusion

Financial distress during the crisis led to fraud, a strategy to dump the burden of losses on others, a strategy that characterizes most 'bubbles, manias and crashes', when 'professionals of cheating are joined by amateurs who are pushed over the line into fraud, embezzlement, defalcation, and similar misfeasance' (Kindleberger, 2002: 77).

Explanations of financial crime can resort to general theories based on values and imply that economic reasoning is adept at pursuing values such as ugliness and falsehood. They can posit the existence of criminaloids, namely individuals who indulge in illegal practices, or 'honest fraud', while not deeming themselves culpable. Unfettered egoism is often cited as a characteristic trait of offenders of high reputation and social status, a trait shaped by a learning process undergone by individuals within their specific occupational niche. Anomie and control theory in criminology have highlighted, respectively, how the causes of financial crime are associated with general criminogenic contexts or with individual propensities or mindsets. Micro sociological aspects have been examined, suggesting that the growing complexity of organizations leads to decentralization of responsibilities and opacity of the goals pursued as well as the ways in which these are to be achieved.

This paper has attempted to identify a range of discrete variables that can be termed interstitial, in the sense that they can accompany a variety of theoretical hypotheses, locate themselves in the space left in between the different approaches, while providing supplementary analytical foci. Ignorance, entitlement, reverse Keynesianism, recklessness, efficiency and the finance curse may offer additional angles from which the causation of financial crime can be observed. Sociological and criminological arguments, in this paper, have been interspersed with notions derived from classical economics, a theoretical contamination that should not elicit surprise or aversion. After all, economics is concerned with the creation and acquisition of wealth, individual and collective behaviour in the marketplace, the legitimacy of certain conducts as opposed to others, and ultimately the circumstances under which competition and enterprise may cause human and social harm.

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