

Debate

While People Commit White-Collar Crimes

ISSUE: Why do people engage in white-collar crime?

White-collar crime occurs when highly trusted and educated individuals commit criminal misconduct. Two examples of white-collar criminals are Bernard Madoff, who developed one of the largest Ponzi schemes ever, and R. Allen Stanford, who developed an \$8 billion certificate of deposit program promising unrealistically high interest rates. Different theories exist why individuals become white-collar criminals. Research shows 1 percent of business executives may be corporate psychopaths with a predisposition to lie, cheat, and take any other measures necessary to come out ahead. This possibility may account for the fact that many white-collar criminals become entrepreneurs, thus putting themselves in a position to control others. This theory might account for rogue individuals such as Bernard Madoff.

Many believe white-collar crime evolves when corporate cultures do not have effective oversight and control over individuals' behavior. Such toxic organizational cultures occur when unethical activities are overlooked or even encouraged. For instance, many employees engaged in liar loans at Countrywide Financial because they received rewards for bringing in additional profits. It seems unlikely they all had psychological maladies.

There are two sides to every issue:

- 1. White-collar criminals tend to have psychological disorders that encourage misconduct as a route to success.*
 - 2. White-collar crime occurs as a result of organizational cultures that do not effectively control organizational behavior.*
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Sources: J. M. Rayburn and L. G. Rayburn, "Relationship between Machiavellianism and Type A Personality and Ethical-Orientation," *Journal of Business Ethics* 15, 11 (1996): 1209–1219.

**This debate issue was developed by O. C. Ferrell and Linda Ferrell © 2021. This case was prepared for classroom discussion rather than to illustrate either effective or ineffective handling of an administrative, ethical, or legal decision by management. All sources used for this case were obtained through publicly available material.*