

# The Economic-Financial Crime of the 21st Century

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## *Abstract*

*Economic-financial crime generates major damage to national economies, the EU budget and globally. In recent years, the fight against this vast and complex phenomenon has been intensified, developing methods of combating, investigating and sanctioning the forms of manifestation of the economic-financial crime.*

*At the international level, there has not been found a common definition of all the states regarding this phenomenon, as a result of the permanent evolution of the technical and human means that determine different ways of manifesting these activities. In a paradoxical way, financial economic crime is based on the rapid technological evolution, as well as the human traits.*

*Currently, criminals have diversified their means of action and no longer resort to violence and intimidation, but to more peaceful methods, such as corruption, money laundering and cyber money laundering, with a huge psychological impact on the population.*

*This article addresses the issues of economic and financial crime of today with reference to the main forms of manifestation, respectively, money laundering, corruption, underground economy. Also, the aim of this paper is to highlight the main fields and forms of manifestation, which in practical life are interwoven in a complex and diverse manner, in many fields of activity, as well as the characteristic features of this phenomenon.*

*Keywords: Corruption, underground economy, money laundering, economic-financial crime, business crime*

*JEL Classification: D73*

## **Introduction**

In a changing society, the adaptation to the current socio-economic conditions can be realized in a different way by the individuals in the society. In this context, the economic-financial crime is closely related to the change and development of the company, being able to appear in the form of the innovations made by the individuals in adapting to the societal changes. In the age of the Internet and artificial intelligence, these types of adaptations and innovations are closely related to economic-financial crime, facilitating in certain situations the illegal activities.

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Nowadays, the long-term consequences of these crimes are visible and publicized, as a result of the process of globalization and the effects of the global crises that we all feel, but the factors of responsibility must adapt to the particular danger to which the nations are subjected and the states, to cooperate with specialists in the economic-financial field and together with the resources available to counteract the effects generated by this type of crime.

This phenomenon, in its complexity, encompasses all the economic-financial spheres, from banking institutions to authorized natural persons. In almost all sectors of activity there are cases of non-observance of the legal provisions regarding taxation, money laundering, corruption, acts of abuse, black work within budgetary institutions, as well as in private ones.

### **Research Methodology**

The goal of this article was to address the issues of the economic and financial crime with reference to the main forms of manifestation: money laundering, corruption. Also, the aim of this paper is to highlight the main fields and forms of manifestation, which in practical life are interwoven in a complex and diverse manner, in many fields of activity, as well as the characteristic features of this phenomenon. In order to achieve this I used the quantitative analysis through the historical method alongside the synthesis in order to be able to transpose the information gathered from the current realities.

#### **1. Literature Review on the Economic-Financial**

The notion of economic crime made its presence felt at the beginning of the twentieth century becoming a real phenomenon at the end of the twentieth century and the beginning of the millennium. In 1905, the W. A. Bonger researcher [1] was among the first to make the distinction between economic crime and street crime, the first category including offenses committed by entrepreneurs and traders on property, as an effect of maximizing capitalization and speculative logic. Later, in 1940, Edwin Sutherland [2] defines the notion of "white collar crime" in his work, stating that they are in close connection with the upper classes, punished by criminal law. Offenders in the category of "white collars" are considered to be persons who have a higher social position and leadership positions, in society being considered "philanthropic persons, involved in various activities for the benefit of the community" [3].

At the international level, there is no common definition of the states regarding this phenomenon, but this concept can be attributed to many facts, such as: corruption, money laundering, tax evasion, online money laundering, misappropriation, deception, etc. The lack of a unit definition related to this concept from a didactic, but also a legal point of view, can be explained by the

evolution of technology and the process of globalization which have determined different ways of manifesting these activities, which are harmful at the societal, economic and psychological level. According to the US legal definition, the economic-financial crime represents the illegal actions, committed by an individual or a group of persons, in order to obtain professional or financial advantages, "in such actions, the main reason is the economic gain" [4]. According to the report by PricewaterhouseCoopers (Global Economic Crime Survey, 2016), this activity consists of "embezzlement of assets, corruption, misappropriation, accounting and tax fraud, cybercrime, fraudulent acquisitions" [5] and represents a real threat to the lawsuits business.

Financial economic crime encompasses "offenses provided by special laws with criminal provisions, belonging to criminal business law" [6] regarding competition, money laundering, intellectual property, tax evasion, public authority, etc., becoming forms of non-violent crime that can cause of financial losses. This phenomenon develops against the background of an abuse of power, in which the good faith of the participants in the economic life is speculated, "the credibility and the apparent stability of the financial, banking, commercial, etc. circuit" - reformulated.

The economic-financial crime carries the name also of business crime, by which illicit acts are committed by individuals, companies, organizations, associations, regarding the conduct of some business or financial, commercial, customs, banking transactions, by resorting to fraud, abuse trust, cheating, money laundering, tax evasion, etc.

According to the literature, economic-financial crime can be addressed on two levels: micro and macro, as follows [6]:

- *The economic-financial micro-criminality* represents the segment defined by the prism of the minimum violation of the social values protected by the criminal law, bringing damage to the quality of life, representing a serious danger in the future. The forms of manifestation can be: crimes of fraud, corruption and tax evasion, causing small but repeated damage to the citizens or to the state.
- *The economic-financial macro-criminality* is the fragment that can bring harm to the state and national security, these types of crimes are committed by a group of individuals / criminals who are specialized in the field, the main result being the triggering of important damages or committing serious danger states: acts of corruption at a high level, customs offenses and money laundering.

If we compare the traditional crime with the economic-financial crime, it would appear that the results of the second are much more negative and harmful, and the victims can be: companies, the state and individuals.

Also, if we look at this phenomenon from the point of view of the existence of a common market for crime, a sentimental and rigid Europe will appear immediately, regarding the institutional, operational and legislative aspects of the two extensions of this phenomenon: crime on vertical and horizontal crime. [7] Thereby, vertical crime targets the committed actions of organized crime in which both the economic and financial interests of each country and the financial interests of the Union are affected. The seriousness of this type of crime consists in the fact that the participants in the depraved economy are extremely trusted, as well as the confidence in the rule of law and its role in ensuring the economic and social order. On the other hand, horizontal crime generates a major state of security among the population through its acts of drug trafficking and persons, falsification of means of payment, piracy, etc.

The dynamics and evolution of the phenomenon of economic-financial crime shows that at present, against the backdrop of a sharp deterioration of the situation in the economy, the increase of prices and the radical level of unemployment, the modalities of intervention of the criminals have been accentuated and diversified (money laundering, corruption, the appearance of the underground economy, the work in black, etc.) all these methods of manifesting crime, are not new, but have been dating for several decades. For example, corruption undermines the rule of law and democratic governance, negatively affecting economic development, which is a real impediment to economic growth and investment [8]. Most of the literature on corruption associates this term with giving and taking in order to obtain private benefits. According to the World Bank, corruption implies the illicit use of public resources for personal gain, and according to Transparency International 2019, corruption represents "the abuse of power entrusted to obtain private benefits" [9]. In terms of money laundering, it represents the process of masking illicit procreation sources through criminal proceedings in order to obtain a legal appearance through 3 stages: placement, stratification and integration. This notion is associated with the name of Al Capone since 1931 from the period of prohibition in the USA. The year 1970 is associated with the legislative actions in this field through the Bank Secrecy Act, which requires banks to announce any suspicious transactions over \$ 1,000,000 to the Internal Revenue Service. The money laundering offense was sampled in the US in 1986 under the Money Laundering Control Act, following the establishment of the Financial Action Task Force on Money Laundering in 1989 with the aim of establishing appropriate policies to combat this phenomenon [10]. In Europe, the

Directive 2015/849 of the European Parliament and of the Council was adopted in 2015 with a view to preventing the use of the financial system in view of money laundering and terrorist financing.[11].

## 2. Forms of Economic-Financial Crimes and Areas of Manifestation

Starting from the definitions in the specialized literature, the economic-financial crime can be defined as a set of illegal acts or offenses committed by legal or physical entities, with the purpose of producing or intermediating the realization of economic-financial benefits. Economic-financial crime is specific to businesses, appearing in the form of corruption offenses, money laundering, tax fraud, etc. Also, illegal business such as gambling, prostitution, drug trafficking or persons, etc. can produce effects or may intermediate the economic-financial benefits for the interested parties. Such offenses can be framed in order to define the concept of economic-financial crime.

In the following, I will try to present the main areas and forms of manifestation, with a limiting role, to be mentioned because in practical life these can be much more complex and interwoven due to the process of globalization, insufficient legislation and the evolution of technology, as follows:

- In the field of companies we find offenses against the regime of companies represented by the introduction of false data in documents presented to the public or associates, the use of credit of companies or goods for a purpose totally different from their interests, the concealment or the transfer of assets.
- In the commercial field we find: the practice of using ghost companies (especially in the case of trading companies with activities of import export), taking over the markets and imposing exorbitant prices, trafficking and smuggling of alcohol, cigarettes, coffee, energy raw materials or products mayors processed from wood, metal, oil, etc., illegal trading of raw materials or strategic products subject to a special control regime in the case of international exports.
- In the economic-social field, there are activities such as: gambling, drug trafficking, prostitution and pimping, clandestine migration, the use of non-profit organizations in order to offer legal appearances to money from illegal businesses (money laundering), trade illegally with art objects, "black" work.
- In the financial-banking field, illegal lending operations may appear in order to accept very high levels of risk, but also to insure the proper conditions for guaranteeing repayment and recovery at maturity, illicit and insufficient capital investments, card fraud, activities of hijacking and illegal transfer of funds (money laundering through the banking circuit), offenses regarding the regime of commercial effects, such as checks, bills of exchange, promissory notes, offenses

related to derivatives and virtual currencies (ETHEREUM, BITCOINS, etc.), especially money laundering using such coins [12].

- In the field of information technology, the development of the Internet and the technology has created a new set of individuals passionate about cyber attacks, called hackers [13]. The survey conducted by PricewaterhouseCoopers in 2018 identified that cyber-peak was in third place in terms of the type of fraud regarding the level of industries worldwide, with an average percentage of approx. 34% in total frauds [14], after frauds of asset theft (44%) and those against consumers (36%) [14]. Also, the study shows the growing interest of managers in the fight against cybercrime. It is difficult to identify the aggressors, because the crimes committed have no border, and the victims, as well as the aggressors can be found anywhere in the world. Moreover, in the cases of cyber fraud, the aggressors are calling for false identities or obtaining data also through this system.

### 3. The Main Characteristics Features

In order to establish the characteristic features of the economic-financial crime, we resorted to the analytical approach that considered the following: the volume, the intensity, the frequency and the orientation of the crime [15].

**The extent or volume** expresses the number of crimes in a given period (for example, one year), related to a fraction of the population (approx. 100,000 inhabitants). Thus, the ratio between the population considered and the number of crimes carries the name of crime rate and comes in several forms, such as:

- o *Registered crime*, which according to the name keeps a record of the crimes detected and registered
- o *The real crime* implies the totality of the crimes committed concretely, in a certain period of time, at the level of a number of inhabitants, representing the highest weight of the crime rate, from which the limits are impossible to know.
- o *Criminal justice* presents the totality of the criminal offenses against which the law enforcement bodies have been pronounced.
- o *The crime deferred to justice* represents the totality of the crimes transmitted for solving in court. [15]

These four forms are part of the legal or apparent criminality, as opposed to the occult or black crime, which represents the whole of the unpunished and undiscovered crimes. These are considered to be offenses to which the authorities did not arrive, their number being much higher than that of the crimes discovered, tried and registered.

**The intensity** renders the relation between all the antisocial acts with a high degree of social danger and those acts with a low degree of danger. Thus, this intensity of crime depends to a large extent on the degree of social danger of the actions taken.

The frequency of crime expresses the number of criminal offenses of a certain kind related to a certain period of time, calculating, for example, at the zonal, county or national level the number of thefts or robberies committed in a week, a month or even in a year.

**The orientation** of the crime designates the trait that can concretely indicate the object to which the antisocial act is directed, such as national or personal safety, public property, morals, etc.

### **Conclusions**

Economic-financial crime is a global problem due to the pronounced border character, the negative effects on citizens and the economy, involving in most cases violations of rights, economic damages and financial losses for states, but especially endangering life and health, as well as bringing major prejudice at the psychological level for citizens. The development and adaptation of economic-financial crime is a real challenge for the authorities, which is why it is necessary to carry out numerous studies and researches in an attempt to define this phenomenon and to be able to see its evolution in the future so that the activity methods, as well as their effects, can be prevented and counteracted.

The main objective of the article is to present the phenomenon of economic-financial crime, in particular the two modes of manifestation (money laundering and corruption), the forms and the fields of activity (of companies, financial-banking, commercial, informatics, economic-social) as well as the main features (volume, intensity, frequency, orientation) to announce public opinion on their impact on the economy and well-being of states and nations.

This phenomenon has a true back story that should allow specialists to find effective solutions in combating future consequences and in trying to stop the propagation of criminal activities. Economic-financial crime has become a complex phenomenon, with different forms of manifestation (from money laundering, to corruption, to financing the land, etc.), whereby the perpetrators are persons with high knowledge and skills in the areas in which they commit the acts.

The reaction of the society regarding these offenses is one retained in comparison with the classic crime. The fact that this crime manifests itself in the context of economic life, finances and business, through methods that do not appeal to physical violence or force, the general public is not familiar and does not know

very well the ways of manifestation and the specific features and treats superficially this topic.

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