*Social Economic Debates*
*Volume 10, Issue 1, 2021*
*ISSN 2360-1973; ISSN-L 2248-3837*

# Economic and financial crime: Challenges for sustainable development

***PhD. Student Mădălina SPERLEA (POPESCU BORDENI)***
***"Alexandru Ioan Cuza" POLICE ACADEMY,***
***Bucharest, Romania***
*Email: madisperlea@yahoo.com*

**Abstract:** *Fraud, extortion, counterfeiting, money laundering, insider dealing, insider dealing, competitive espionage, economic espionage, corruption, product piracy, cartels, embezzlement, etc.: The concept of economic crime includes an endless list of crimes. Economic crime is becoming increasingly complex, international and digital. What do these crimes have in common? A breach of trust, as well as ineffective control and prevention measures. Economic ecosystems are based on trust. They only work when system partners can trust each other. But studies show that only 60% of men are sincere when faced with a situation that requires good faith. Theft, fraud, blackmail, bribery, money laundering. There is no shortage of ways to make money illegally! The so-called "white-collar criminals" make big profits with low risks.*

**Key Words:** *money laundering, economic and financial crime, technological progress, change*.

***JEL Classification****: I22, E49.*

## Introduction

The term "economic and financial crime" broadly refers to any non-violent crime that results in a financial loss, even if the loss may be hidden or not perceived as a loss by the victims. Available evidence suggests that technological change, especially the Internet development, has had a significant impact on overall levels of economic and financial crime. Such a change has also complicated efforts to identify and analyze the extent of economic and financial crime around the world. There is, however, some evidence that the scale and impact of economic and financial crime is growing. Most cases of fraud, one of the most common forms of economic or financial crime, have occurred in developing countries, especially in Africa. Money laundering, another of the most important forms of economic and financial crime, is discussed in a separate section of the paper, with a focus on its prevalence and efforts to counter it. Economic and financial crime poses a serious long-term threat to peaceful and democratic socio-economic development in many countries, as it distorts free market economies.

Surprisingly, economic crime is giving birth to much lower scientific output than one might think.

Social Economic Debates
Volume 10, Issue 1, 2021
ISSN 2360-1973; ISSN-L 2248-3837

Estimating the extent of economic crime and its effects is primary important to all those who contribute, in one way or another, to the fight against economic crime.

For the private sector primarily, it remains inconceivable at the global level to deploy measures to combat economic crime, which could cost more money than it saves. For government officials, the fight against crime does not have to be economically viable, but the police and justice are increasingly interested in the amounts they can get in the form of confiscations when investigating and prosecuting economic crimes.

Therefore, in order to respond to the widespread concern among the actors involved in the fight against economic crime, to know whether the means implemented against this crime remain profitable, it is a question of being able to identify, on the one hand, the parameters on which they depend, the costs of economic crime and, on the other hand, the assessment of the economic impact of measures of prevention, deterrence, awareness, education, detection and repression, which are implemented against various forms of economic crime.

Specifically, the calculation of the effectiveness of the fight against economic crime is based on a variety of information sources (data), operational processes, available indicators, sampling techniques, statistical tests and methodological projects (such as experimental design). The quantification of the effects of the crime and the results obtained with the means to combat it depend on all these instruments.

Financial crime ranges from simple theft or fraud, committed by malicious persons, to large-scale operations, controlled by organized criminals, present on all continents. The gravity of these criminal activities should not be underestimated because, in addition to their economic and social repercussions, they are often closely linked to violent crime and even terrorism.

Financial crime is affecting us all, and it has gained a lot of ground as a result of rapid technological advances.

Organized gangs operate internationally to avoid detection, and stolen funds cross several physical and virtual boundaries before reaching their destination. This is where our global police networks play a crucial role.

Financial crime is both the result of individual deviance and the final stage of financial capitalism. Financial criminals are inseparably "actors", aware of their actions and "agents" who commit crimes because the social space or "domain" in which they operate is itself criminogenic. Deregulation of financial markets and widespread competition in social and tax systems are associated with an anthropological conception of the person. He appears as an absolute self-defined, self-determined and self-referred, arbitrating his own choices and preferences. To complete the macroeconomic sequences, this financial capitalism offers, at the other end of the chain, objects and services that are addressed to impatient and greedy consumers whose frustration or desire for distinction is the main source of future acquisitions. If individuals remain demoted to work and increasingly powerless from a political point of view, the proposed and valued model is that of each person's ability to get rich indefinitely or to consume indefinitely.

There are very strong interdependencies between the explosion of income and wealth inequalities, the deterioration of working conditions and the spread of financial crime. Financial corruption and crime are the product of the rules of the profit-seeking game, which disqualifies the value of work. In the end, the result is no longer citizen trust and universalism, but the creation of different, segmented and divided worlds, which are strengthened by both the rich and the poorest populations. So the question is what will happen to the "norm" in the context of a full release from economic and financial competition and deregulation of markets? What does it mean to be a financial criminal and therefore "deviant" when acting in economic and social spaces whose rules of the game in force, meaning "norms" favor, first of all, the spirit of competition, culture of results, obsession for personal success and the narcissistic cult of individual performance?

**Research methodology**

Documentary research was used to write this article as a method of collecting previous data, meaning data already collected by other researchers. It takes the form of literary research, using articles or books by different authors.

In order to carry out this research, I focused, first of all, on acquiring knowledge and not so much on applying this knowledge in practice. It is a commonly used scientific method.

Thus, this qualitative research is a type of research that explores and offers deeper perspectives on real world problems. Qualitative research gathers the experiences, perceptions and behavior of the researcher.

One of the strengths of qualitative research is its ability to explain processes and patterns of human behavior that can be difficult to quantify. Phenomena such as experiences, attitudes, and behaviors can be difficult to accurately capture quantitatively, while a qualitative approach allows participants themselves to explain how, why, or what they thought, felt, and experienced at a particular time or event of interest.

**Results**

Economic and financial crime is closely linked to changes and the development of societies and may in fact arise in the form of innovation by individuals to adapt to changes in society (Merton, 1968). In a society that evolves on its own through perpetual change, the adaptation of individuals to the new socio-economic conditions can be achieved differently. Economic development and economic crises that trigger major social changes also stimulate criminals, through the reflux effects created by violations of the law and the time elapsed until the enactment of new laws. Thus, business people are able to invent various forms of white-collar crime, such as tax fraud, money laundering and other forms of fraud, while poor people can engage in illegal activities, such as prostitution, gambling and drugs. (Aniţei, Lazăr.

2016). According to Durkheim (Durkheim, 1974), a well-known sociologist, "crime is as natural in society as birth and death, and a society without crime would be pathologically overpowered", so that, in theory, crime could disappear completely only if all members of society were had the same values, but such standardization is neither possible nor desirable". (Amza, 2002).

Achim study et al. (Achim, Borlea, Găban, Cuceu. 2018) highlights the main differences between developed and emerging countries and highlights the specific patterns of developing countries, which are commonly recognized as changing the main factors of the economy. Thus, the privatization process, the legislative framework, public influence or export orientation are factors that create specific conditions in which the same factors produce different effects than in developed countries (Earnhart, Dietrich, Lubomir Lizal. 2007). The level of compliance is also linked to the level of development of the society, while the results of the research show that a higher level of development leads to a higher level of compliance with the rules and therefore a better ability of payment and tax collection (Torgler, 2004). Thus, the underground economy and fiscal non-compliance could be potential expressions of people's dissatisfaction with the provision of public goods and the welfare of the state, according to Brosio et al. (Brosio, Cassone, Ricciuti, 2002).

A number of important cases in Europe and North America over the last ten years illustrate the damage that economic and financial crime can do, not only by severely damaging the credibility of companies and institutions, but also by promoting bankruptcies and job losses. In the developed world, the impact of such crimes may be easier to control due to the size of their economies and their ability to implement appropriate regulatory mechanisms. In contrast, in the developing world, the long-term impact on sustainable development and the associated costs are significantly higher due to weak regulatory structures and more limited government capacity. The definition and scale of "Economic and financial crime" broadly refers to any form of non-violent crime that results in financial loss. This crime covers a wide range of illegal activities, including fraud, tax evasion and money laundering. On the other hand, the notion of "economic crime" is more difficult to define, and the concept remains difficult to define accurately. The problem is furthermore complex because of the rapid advancement of technology, which offers new means of committing such crimes. It is difficult to determine the general extent of the phenomenon, partly due to the lack of a clear and mutually agreed concept that economic and financial crime registration systems differ considerably from country to country and many cases are not reported because companies or financial institutions choose to handle incidents internally. However, it is increasingly recognized that economic and financial crime, in particular fraud, is one of the fastest growing crimes.

***The impact of technological progress***

Extraordinary progresses in technology have transformed the global flow of information and the way business is conducted. The Internet and its global coverage, the growing introduction of software into the banking industry, and other technological developments have opened up new ways of harm to advanced organized crime groups. Fraudulent use of credit or debit cards, for example, has become a global business. Identity fraud is another area of crime, which is based on the misappropriation of personal data of persons and the falsification of their identity. In many types of economic crime using advanced technology, the physical presence of the criminal is not necessary: this means that these crimes can be committed in countries where the legal frameworks and law enforcement infrastructure to counter it are the weakest. The numbers suggest that economic and financial crime has continued to grow rapidly, mainly due to new informational technologies and the growth of online banking, as well as the marketing of the Internet and related tools.

***Money laundering***

Money laundering is one of the most common forms of economic and financial crime. Criminal activities generate significant illegal profits, which must be covered in order to be reintroduced into the legal financial system. Money laundering gives criminals cash and reinvested capital. As with all types of economic and financial crime, the countries with the weakest regulations and controls in the financial sector are the most vulnerable to money laundering. This undermines the integrity of their financial institutions, distorts capital markets and stops foreign direct investment.

***Impact on sustainable development***

The fraudulent activities mentioned above take the place of legitimate economic activities and discourage investment. Economic and financial crime poses a serious long-term threat to peaceful and democratic socio-economic development.

Capital markets cannot grow in countries where illegal economic and financial activities are socially accepted, as they must be based on high professional, legal and moral standards and values. Even the perception that illegal economic and financial acts are being committed can cause economic damage. Public suspicion undermines the legitimacy of the government. It is therefore essential to effectively address this form of crime with a view to sustainable development. Prevention and control of economic and financial crime. More effective action is needed from the international community and institutions to combat financial crime, especially money laundering. Transnational organized crime is a critical threat to the global community and has recommended negotiating a comprehensive international money laundering convention. Although no international instrument specifically addresses the issue of economic and financial crime, the United Nations Convention against Transnational Organized Crime and the United Nations Convention against Corruption include provisions for establishing an international framework for responding to such criminal activities. A comprehensive common approach to solve this problem could further contribute to strengthening international law enforcement and cooperation mechanisms. This would require standardizing the legal definitions of economic and financial crime and generalizing the skills needed to investigate such acts in the judiciary, especially in developing countries. The United Nations Office on Drugs and Crime is already providing technical assistance to help governments develop their capacity to fight economic and financial crime, and in particular money laundering.

The fight against financial crime is a social and cultural issue because it confronts individuals with their collective responsibilities. Accepting the idea of an egalitarian, equitable, united society necessarily leads to the recognition of taxes as the fruit of a collective virtue. Giving up taxes undermines democratic and social balance. We are drawn to three of the most representative proposals:

- Promoting the emergence of global fiscal governance, making it possible to apply a form of international fiscal order;
- Promoting socially responsible fiscal behavior from the companies;
- Strengthen the prerogatives of employee representative institutions regarding the prevention of tax fraud and tax evasion.

Financial crime has been a central issue on the international stage for several decades. Authorities are constantly looking for new ways to detect and prevent financial crime, and criminals are constantly developing innovative tactics to stay ahead.

Financial crime is defined as a crime that is specifically committed against property. These crimes are almost always committed for the personal benefit of the criminal and involve an illegal conversion of ownership of the property in question. Financial crimes can take many different forms and are happening all over the world. Money laundering, terrorist financing, fraud, tax evasion, embezzlement, forgery, counterfeiting and identity theft are among the most common crimes facing the financial sector. These crimes are being committed every day, and governments around the world are constantly pursuing financial criminals in search of new ones. The two most common types of financial crime today are money laundering and terrorist financing. While the term "terrorist financing" is quite simple, money laundering can be a more difficult concept to understand. In essence, however, money laundering is nothing more than disguising the product of crime. Cartels and mafia groups are among the most prominent money laundering agents in the popular media, but money laundering can extend beyond organized criminal groups and takes place on many levels.

Criminals who launder money and finance terrorists usually use very sophisticated techniques, which means that they are difficult to detect and catch. Both crimes are often international, as money launderers and terrorist financiers have to smuggle money across borders to facilitate their plans. It is not uncommon for these criminals to have corrupt relationships with the government and corporations; they may be employees of financial institutions, accountants, government officials and other service providers. The main method by which officials currently fight financial crime is extended surveillance through the use of technology. Anti-money laundering technology has made it much easier to catch criminals or bring criminals to justice, as it allows financial professionals to quickly collect, organize, and view account and transaction data. Compliance software is now commonly used by financial institutions and companies to track customers because of its efficiency and ease of use.

**Conclusions**

In the light of the evaluation of the social cost of financial crime, the fight against this scourge is a democratic and financial issue of crucial importance.

Therefore, the fight against financial crime often faces the limitations of national justice systems that do not have sufficiently adapted legal instruments to deal with large-scale international phenomena. These limits are amplified by the interests of the great powers, the G8, for example, whose sophisticated and capital-intensive economies are engaged in fierce competition.

At the level of companies, social organizations, various organizations, such as ONGs, associations, local authorities, these are often mafia networks that operate to protect or promote economic, political or social interests. Correlatively, there is generally personal enrichment.

At lower levels, this offense may relate to the simple embezzlement of funds for the benefit of an individual or a group of persons.

Governments need to consider the effect of the development of society on the various types of economic and financial crime in order to understand the main factors that drive these acts and thereby to make the right decisions. We support the positive impact of economic and sustainable development on most of the economic and financial crimes studied, so all government policies that support economic development, such as promoting macroeconomic stability and production development, investment in public services and an efficient tax collection is expected to have a beneficial effect on reducing corruption, the underground economy and cybercrime. Economic and social policies are closely linked, so the positive impact of declining financial and economic crime should also be reflected in people's lives and well-being. A prosperous and safer economic environment should benefit the quality of life of nations, and this could be a future direction for our research. These economic and financial crimes should be reduced as a result of increasing the sustainable development of countries, achieved through measures to reduce poverty, public awareness, participation in global environmental efforts and more. Money laundering management must take into account the particularities of its direct relationship with the economic and sustainable development of the EU-27, so that policies and procedures to prevent money laundering should be regularly reviewed and customer acceptance policies and procedures that are in place. The risk of money laundering should be taken into account in order to always know your customer, especially because of his "white collar" profile.

**Bibliography**


- Achim, Monica Violeta, Sorin Nicolae Borlea, Lucian Găban, and Ionuț Constantin Cuceu. 2018b. Rethinking the shadow economy in terms of happiness. Evidence for the European Union Member States. *Technological and Economic Development of Economy* 24: 199–228
- Amza, Tudor. 2002. *Criminologie, Tratat de teorie şi politică criminologică (Criminology, Treatise on Criminological Theory and Policy)*. Bucharest: Lumina Lex Publishing House, p. 420

- Aniţei, Nadia Cerasela, and Roxana Elena Lazăr. 2016. *Evaziunea fiscală între legalitate și infracţiune (The Tax Evasion between Legality and Crime)*. Bucharest: Universul Juridic Publishing House). According to Durkheim (Durkheim, Emile. 1974. *Sociology and Philosophy*. New York: The Free Press
- Brosio, Giorgio, Alberto Cassone, and Roberto Ricciuti. 2002. Tax Evasion across Italy: Rational Noncompliance or Inadequate Civic Concern? *Public Choice* 112: 259–73
- Durkheim, Emile. 1974. *Sociology and Philosophy*. New York: The Free Press
- Earnhart, Dietrich, and Lubomir Lizal. 2007. *Does Better Environmental Performance Affect Revenues, Cost, or Both? Evidence from a Transition Economy*. William Davidson Institute Working Paper Number 856. Ann Arbor: William Davidson Institute
- Korstjens I, Moser A. Series: Practical guidance to qualitative research. Part 4: Trustworthiness and publishing. Eur J Gen Pract. 2018 Dec;24(1):120-124.
- Merton, Robert K. 1968. *Social Theory and Social Structure*, Enlarged ed. New York: Free Press, Achim, Monica Violeta, and Sorin Nicolae Borlea. 2020. *Economic and Financial Crime. Corruption, Shadow Economy, and Money Laundering*. Cham: Springer
- Moser A, Korstjens I. Series: Practical guidance to qualitative research. Part 1: Introduction. Eur J Gen Pract. 2017 Dec;23(1):271-273
- Moser A, Korstjens I. Series: Practical guidance to qualitative research. Part 3: Sampling, data collection and analysis. Eur J Gen Pract. 2018 Dec;24(1):9-18.
- O'Brien BC, Harris IB, Beckman TJ, Reed DA, Cook DA. Standards for reporting qualitative research: a synthesis of recommendations. Acad Med. 2014 Sep;89(9):1245-51.
- Torgler, Benno. 2004. Tax Morale in Asian Countries. *Journal of Asian Economics* 15: 237–66