

THE GRAY WORLD OF WHITE-COLLAR CRIME

THE WORST CRIMINAL ARE ROUGH, HARD-TALKING CHARACTERS THAT NO DECENT PERSON WOULD ASSOCIATE WITH. RIGHT? WRONG. STATE AND CITY INVESTIGATIONS SHOW THAT RESPECTED, WHITE-COLLAR BUSINESSMEN MAY BE FLEEING THE PUBLIC OF MORE MONEY THAN THE AVERAGE HOOD-IN-THE-STREET EVER DREAMED OF STEALING. "THE WHITE-COLLAR CRIMINAL ALWAYS CONS YOU," OBSERVED STATE ATTORNEY GENERAL LOUIS LEFKOWITZ. "HE'S WELL DRESSED AND WELL SPOKEN AND HAS AN APPARENT LEGITIMACY. THE BURGLAR LETS YOU KNOW WHAT HE'S DOING, BUT THE WHITE-COLLAR THIEF DOESN'T."

ALTHOUGH CITY AND STATE LAW ENFORCERS HAVE ALWAYS BEEN CONCERNED ABOUT WHITE-COLLAR CRIME, THEIR INVESTIGATORY ACTIVITY HAD BEEN "STEPPED UP IN RECENT YEARS AS FRAUDS HAVE BECOME MORE WIDESPREAD," LEFKOWITZ EXPLAINED.

JUST LAST WEEK, LEFKOWITZ ANNOUNCED THAT AN EIGHT-MONTH INVESTIGATION INTO THE THEFT OF \$839,000 IN WALL STREET SECURITIES HAD LED TO THE INDICTMENT OF TWO BROKERAGE HOUSE EXECUTIVES, A CERTIFIED PUBLIC ACCOUNTANT AND THE HEAD CASHIER OF LAIDLAW AND CO., A NEW YORK STOCK EXCHANGE FIRM.

THE ALLEGED SCHEME WAS ARTFUL. THE INDICTMENT CHARGES THAT, IN THE FALL 1970, LAIDLAW'S HEAD CASHIER TRANSFERRED THE STOCKS TO THE PRESIDENT AND VICE PRESIDENT OF K & M SECURITIES CORP., A SMALL, NEWLY ESTABLISHED, OVER-THE-COUNTER FIRM. THE ACCOUNTANT'S ROLE IN THE SCHEME, ACCORDING TO THE INDICTMENT, WAS TO MAKE "FALSE ENTRIES IN THE BUSINESS RECORDS OF K & M CORP."

THIS KIND OF WHITE-COLLAR CRIME IS POSSIBLE BECAUSE "RECORD-KEEPING ON WALL STREET IS A MESS." DAVID CLURMAN, HEAD OF LEFKOWITZ'S BUREAU OF SECURITIES AND PUBLIC FINANCING, DECLARED. "IT'S EASY TO STEAL UNDER SUCH CONDITIONS BECAUSE THE SECURITIES ARE OFTEN KEPT LYING AROUND IN BOXES. ALSO, WHEN BUSINESS IS BOOMING, WALL STREET FIRMS HIRE INADEQUATELY TRAINED PEOPLE AND FAIL TO SUPERVISE THEM PROPERLY."

CLURMAN ALSO ASSIGNS MUCH OF THE BLAME FOR WALL STREET'S PROBLEMS TO SOME ACCOUNTANTS. "THE ACCOUNTANT IS SUPPOSED TO BE AN INDEPENDENT WATCHDOG FOR THE PUBLIC IN THE SECURITIES BUSINESS."

CLURMAN SAID, "BUT HE HASN'T BEEN DOING HIS JOB ADEQUATELY."

THEORETICALLY, ONE OF THE MOST EFFECTIVE WEAPONS THE ACCOUNTANT HAS TO PROTECT THE PUBLIC AGAINST SHADY CORPORATE PRACTICES IS THE "SURPRISE AUDIT." CLURMAN EXPLAINED. BUT HE CHARGED THAT, AS A PRACTICAL MATTER, THESE AUDITS ARE "A FARCE" BECAUSE MOST FIRMS HAVE TIME TO PREPARE THEIR BOOKS AND COVER UP ANY DEFICIENCIES.

IN ADDITION TO THESE INVESTIGATIONS ON THE STATE LEVEL, THE MANHATTAN DISTRICT ATTORNEY'S OFFICE IS ALSO MAKING SOME EFFORT TO CONTROL THE PROBLEM OF WHITE-COLLAR CRIME. DURING THE PAST MONTH, FOR EXAMPLE, THE CITY'S 21 MAJOR MILK DISTRIBUTORS PLEADED GUILTY TO COERCION AND CONSPIRACY CHARGES STEMMING FROM AN ILLEGAL SCHEME TO RAISE CITY MILK PRICES.

BUT THESE CORPORATION RECEIVED A TOTAL OF ONLY \$225,000 IN FINES-A RELATIVELY SMALL PENALTY FOR AN OFFENSE THAT, IN THE ESTIMATE OF SOME OBSERVERS, COST THE PUBLIC MILLIONS OF DOLLARS IN INCREASED MILK PRICES. THE LARGEST FINE LEVIED AGAINST AN INDIVIDUAL CORPORATION WAS \$35,000, AND THE MAXIMUM POSSIBLE FINE FOR CONSPIRING TO FIX PRICES IS ONLY \$50,000, ACCORDING JOSEPH PHILLIPS, WHO PROSECUTED THE CASES.

"IN THE CASE OF MOST CRIMES IN THE WHITE-COLLAR AREA, THE PENALTIES ARE NOTABLY LIGHTER THAN FOR CRIMES REPORTABLE TO THE POLICE," NOTES AUTHOR FERDINAND LUNDBERG IN "THE RICH AND THE SUPER-RICH." "FEW OF THESE CRIMES, EVEN WHEN THEY INDIVIDUALLY INVOLVE SUMS GREATLY EXCEEDING ALL THE BURGLARIES AND BANK HOLDUPS IN A YEAR, CALL FOR PRISON SENTENCES..

LUNDBERG ALSO ARGUES -- ALMOST AS THOUGH HE HAD THE MILK COMPANY CASES IN MIND- THAT: "EVEN WHERE THE ACTS OF THE CORPORATION HAVE NETTED MILLIONS IN ILLICIT GAIN, THE FINES PRESCRIBED BY A BENEVOLENT (LEGISLATURE) ARE TRIVIAL COMPARED WITH THE GAINS.

WHAT CONCRETE ACTION CAN BE TAKEN TO RESTRAIN WHITE-COLLAR THEFT?

SOME CRITICS ARGUE FOR THE IMMEDIATE PASSAGE OF STATE LEGISLATION TO PROVIDE STIFFER FINES FOR CORPORATIONS AND BROADER PRISON PENALTIES FOR EXECUTIVES AND ACCOUNTANTS WHO GYP THE PUBLIC. OTHERS CONTEND THAT PUBLIC PRESSURE IS NEEDED TO ENCOURAGE MORE PROSECUTIONS FOR SUCH OFFENSES AS PRICE FIXING, THE THEFT OF SECURITIES AND COMMERCIAL BRIBERY.

ATTORNEY GENERAL LEFKOWITZ IS ASKING FOR SOME STATE LEGISLATION, SUCH AS STRICTER REPORTING REGULATIONS FOR BUSINESSES THAT ENGAGE IN FRANCHISING. BUT HE HAS DECIDED TO GIVE THE CITY'S SECURITIES FIRMS AND ACCOUNTANTS A CHANCE TO RESPOND TO RECENT INDICTMENTS AND CLEAN THEIR OWN HOUSE BEFORE HE REQUEST TOUGHER SANCTIONS AGAINST ACCOUNTANTS.

IN ANY CASE, UNLESS SOMETHING IS DONE TO CONTROL WHITE-COLLAR CRIME, THE AVERAGE NEW YORKER WILL CONTINUE TO BE VICTIMIZED BY A BAND OF STEALTHY CORPORATE PICKPOCKETS WHO ARE, IN MANY WAYS, MORE DANGEROUS TO SOCIETY THAN ARMED ROBBERS.