

# The phenomenon of economic crime: threats and contemporary trends.

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**Abstract**— The phenomenon of economic crime, sometimes referred to in the literature as economic crime, occurs in all political systems and economic systems. Observing media reports, it is not difficult to notice that new “economic scandals” appear in the economic world. These scandals affect various areas of the economy, but all carry a high level of social harm, as the effects of this type of crime can last for many years and affect many aspects of society, not just the economy, but in fact every citizen. This category of crime poses a direct threat to fair competition, financial security and generates a loss of confidence in state and private institutions. Organised economic crime, is a social phenomenon with pathological features, which should be combated at every stage. It is a much more complex phenomenon than the “ordinary” type of crime. The effects of organised economic crime are much broader and affect many economic sectors, not just individuals or companies. The purpose of this publication is to discuss the phenomenon of organised economic crime together with the identification of the most important trends in this type of crime.

**Keywords**— economic crime, organised crime contemporary trends in economic crime

## I. INTRODUCTION

Economic crime has accompanied our civilisation practically since the beginning of human economic activity, even in its simplest form. Admittedly at the earliest stages of mankind's civilisational development it is still difficult to speak about economic crime as such, but it is certainly possible to point to a number of behaviours constituting violations of economic turnover and social relations in the field of economy (Bochenski, 2008). Economic (economic) crime causes the highest losses, resulting from criminal activity, both for the state budget (e.g. through a reduction of receipts, obtaining undue reimbursements, defrauding of subsidies), as well as for

the private sector - through a direct reduction of income and a decrease in competitiveness, including in the context of the development of the shadow economy or overestimation of operating costs by economic entities operating in breach of the law. Importantly, the level of operation of the shadow economy, and consequently the threat of economic crime, is also influenced by the manner in which the state's tax policy is conducted. Thus, economic crime affects not only the sphere of public safety and order, but also the economic security of the state, and translates into profitability and security of doing business (Programme for Preventing and Combating and Combating Economic Crime 2015-2020, 2015). White-collar crime is becoming increasingly burdensome for the economy and the state. This is why close cooperation between services and specialists from many different fields, including at government level, is so important (Ministry of the Interior and Administration, 2015). It is also worth noting the differences that exist between economic crime and organised economic crime. The main perceived difference is the scale of the crime. Economic crime will be identified with individual perpetrators possibly small “criminal groups”. Organised economic crime, on the other hand, is the coordinated and organised action of large criminal organisations usually on a large scale. Another easily discernible difference is the aim, whereas in the case of economic crime it may be to commit petty fraud or misappropriation, in the case of organised economic crime it may be to influence the financial markets, authorities, seek to create or maintain flawed legislation. Also an important difference is the structure. Organised economic crime is often identified with illegal criminal organisations often specialised in a particular area of the economy, which is difficult to look for in the area of economic crime.

## II. ORGANISED CRIME

There is as yet no universal and comprehensive definition of the term: "criminal organisation" or "organised crime" (Kurowski, 2006). The concept of organised crime originated in the United States (organised crime) - it was first used in the 1950s and referred to a centralised criminal organisation made up of people of Italian origin (Karpel, 2017). There is quite a problem in the literature when formulating a definition of organised crime and so, according to Schneider, the fact that experts in the field could not agree on any homogeneous form of organised crime occurrence or its organisational structure was due to the fact that organised crime adapts its multiple illegal activities to changes in the economic and social structure of society and responds quickly to social control ventures by circumventing them. The author suggests that the problem of establishing a definition lies not only in the concept of crime but also in the concept of organisation (Cuper, 2022). Liedl proposes a definition of 'organised crime', stating that it is, a specific category of crime, and organised crime is strictly an act with specific characteristics, although any crime that can be described as organised is part of organised crime, being an immanent part of it. Although a criminal association and an organised group (or more broadly a criminal organisation) are closely linked to these concepts, they are not synonymous. After all, they denote criminal groupings which should not, it seems, be called organised crime (Wódka, 2015). In the United States, the first legal definition of organised crime was implemented in 1966 by the Social Commission on the Application of Law and Justice (Olbrycht & Raś, 2019). In contrast, in German terms, organised crime is identified with a social process of a dynamic nature, which develops or dies out depending on internal and external factors. It is thus 'the commission and planning of profit- or power-maximising crimes involving two or more persons, sharing tasks for a prolonged or indefinite period of time, using professional structures, using violence or other means of intimidation, influencing political authorities, including public administration, the judiciary and the economy, as well as the media (Olbrycht & Raś, 2019). A legal definition appeared in 2000 in the body of the United Nations Convention against Transnational Organised Crime and means an 'organised criminal group' structured as a group of three or more persons, existing over a period of time and acting in concert to commit one or more serious crimes as defined under this Convention for the purpose of obtaining, directly or indirectly, a financial or other material benefit. "Serious crime" means conduct constituting an offence punishable by a maximum term of imprisonment of at least four years or by a more severe penalty (158 United Nations Convention against Transnational Organised Crime, OJ. 2005 no. 18 item 158). In Polish law, reference to the concept of organised crime first appeared in the Law on the Protection of Economic Turnover. At that time, the phenomenon was defined in the form of specifying the offences directly concerned, such as: extortion for ransom, forgery of money or securities, trafficking in narcotic or psychotropic drugs, and arms trafficking (Olbrycht & Raś, 2019). The current provision that deals with organised crime in the Polish criminal

system is found in Article 258 of the CC. It distinguishes, two concepts: "organised criminal group" and "criminal association" (Act of 7 June 1997 Criminal Code, Journal of Laws 1997 No. 88 item 553). Wiak characterised both of these "code" organisations. "An 'organised group' should comprise at least three persons and be characterised by a certain degree of organisation, consisting of an established leadership and division of roles. The characteristics of an organised criminal group, are a certain internal organisational structure (even if with a low degree of organisation), its permanence, the existence of organisational ties under a common agreement, the planning of offences, the acceptance of objectives, the permanence of the satisfaction of the group's needs, the collection of tools for the commission of offences, the search for places to store the loot, the distribution of it, the division of roles, the coordinated mode of action, the sociological and psychological links between the members of the group. In contrast, an association with the aim of committing a crime is characterised by a higher degree of organisation than an organised group. A criminal association may be considered to be a grouping of at least three persons, which is characterised by permanent organisational forms, marked leadership and established rules of membership and discipline (Wiak, 2012). Thus, the elements of organised crime in Polish criminal law may be sought among two organisations, i.e. "organised criminal group" and "criminal association". The Polish legal system does not contradict attempts to identify other criminal organisations such as "criminal networks", which can be researched and the conclusions can be used e.g. in strategies or programmes to combat organised crime, at various levels of society.

## III. THE PHENOMENA OF ECONOMIC CRIME

Defining criminal phenomena is necessary in order to fully understand them. The result of this process, i.e. a definition, makes it possible not only to recognise the phenomenon, but also to effectively counteract it. A definition of economic crime was undertaken, among others, by Mucha, who stated that from the point of view of the necessity of working out a clear, strict and defined dogmatic and legal concept of economic crime, these definitions are of little use. On the other hand, he emphasises their important role in facilitating the public's understanding and presentation of the economic crime phenomenon itself. In addition, the attempts made are helpful in building (...) a picture and size of this pathology and, as it were, prepare the social ground for legislative actions aimed at creating regulations to prevent negative phenomena in the economic process. Such a strongly negating approach to the usefulness of definitions does not seem fully right and legitimate. From the point of view of legal dogmatics, the proposed definitions contain the most important elements, i.e.: description, systematisation, or determination of the content of legal norms contained therein (interpretation of law *sensu largo*). This shows that attempts to define economic crime have, in addition to their cognitive role, an important function in lawmaking and law application (Kozdra, 2019). A social

understanding of the phenomenon of economic crime and the circumstances surrounding it can be extremely important. A closer understanding of the phenomenon of economic crime may, in some cases, arouse public opposition or acceptance. Economic crime, which is the domain of both organised crime groups and individual perpetrators, causes the highest losses to the State Treasury and the private sector. In many cases, private individuals also become victims of this type of crime. Criminals involved in this type of crime adapt their methods to the changing economic, social and legal situation, which is why economic crime is the fastest evolving form of criminal activity. It is not uncommon for organised crime groups to exploit legitimate business structures for illegal activities, which makes it necessary to determine in detail the extent and nature of the involvement of individuals in criminal activities. Therefore, it is necessary to develop and implement a comprehensive government programme to identify and coordinate the main areas of state policy on preventing and combating economic crime (Cichomski & Dubis), which may constitute an element of crime prevention. Economic crime (also known as economic crime) belongs to a type of threat that is characterised by a constantly growing trend, both in quantitative and qualitative terms. The criminal mechanisms used are constantly evolving, being modified and adapted to the economic, financial and legal reality encountered. Underestimating their scale and level of development may significantly destabilise the economic foundations and economic interests of the state (Kozdra, 2019). The author identified two main groups of entities that are threatened by economic crime. The first individual entity is the State Treasury, the second group is entrepreneurs and consumers. It is worth noting that this is not a closed catalogue but only two main groups. The subject of organised economic crime was addressed by Duży, who drew attention to the tax mechanisms it uses. He cites the position of the National Programme for Preventing and Combating Organised Crime 2012-2016 where it was stated that economic crime currently constitutes the largest area of activity of organised criminal groups and also causes the largest losses to the State Treasury (Duży, 2013). Combating organised economic crime appears to be a considerable challenge for the government. Criminals have significant financial resources and their activities are international as well as targeting cyberspace, e.g. for the transfer of funds. Combating this type of crime requires a great deal of coordination and cooperation, as well as equipping the services with the appropriate tools and technology. White collar activities are often discreet and well hidden. They do not arouse public opposition, e.g. by taking advantage of flawed legal regulations, which often allows them to operate with impunity for long periods and reap financial benefits. The scale and harmfulness of economic crime is reflected in the very large number of criminal provisions that have been included in special laws regulating even narrow areas of the economy.

#### IV. ECONOMIC CRIME TRENDS

Economic crime remains closely linked to the development of societies, globalisation and the opportunities that have arisen

with the development of the private economic sector and certain functioning mechanisms of economic tools. Economic crime negatively impacts both the sense of security of citizens but also undermines the authority of the state. Nowadays, there is a phenomenon of a decrease in the number of traditional criminal groups at the expense of an increase in those engaged in economic crime. This is facilitated by economic development, the perpetrators often finding loopholes in the law in force and the political instability of young democracies. The main categories of economic crime include: profiteering from ownership transformation processes, organised forms of tax crime, fuel market crime, illegal manufacturing, smuggling and trafficking of excisable products, money laundering - legalising the proceeds of crime, use of banking institutions for illegal activities, insurance fraud, use of illegal electronic payment instruments, corrupt activities. These are just a few examples of criminal activities emerging in the area of economic turnover. Nowadays, new areas of their activity are emerging, and it is also becoming common for a single criminal group to undertake activities from different areas of criminal interest, the so-called multi-criminal groups (Stelmach, 2022). On the basis of Polish literature, as early as in 2009, Jaroch drew attention to the structure of economic crime, stating that for years economic fraud has dominated (over 30%). Apart from economic fraud, the next category is economic falsification (at 15%), followed by crimes against economic turnover (here we can observe a decrease in the share in the structure from 14.5% to approx. 7%) and crimes against intellectual and industrial property (an increase from 6.8% to 10.2%). This is a certain trend that characterises the structure of crime in the world: misappropriation of assets, fraud, piracy and counterfeiting, corruption and falsification of financial data, money laundering, insider trading in shares (Jaroch, 2009). It is important to bear in mind that the phenomenon of economic crime is evolving all the time and can take on different dimensions in specific economic areas, depending on their development. In 2015, Wódka listed crime categories such as money laundering, money counterfeiting, crimes against property as some of the main activities of organised crime groups, fostering the dangerous phenomenon of economic crime. It destabilises the state's financial system considerably. He referred directly to economic crime, pointing out, to: abuses in the construction industry, the food industry, the entertainment industry (prostitution, gambling - control of casinos and gambling parlours, other entertainment venues), yielding huge profits. This crime is very often carried out with social consent and is therefore rarely detected. The bureaucratisation of socio-economic life is giving rise to new forms of economic crime, of which White Collar Crime is particularly dangerous to the state. These are crimes related to legitimate activities, crimes as business, official, organised and mafia crimes of a national and transnational nature. They arise against the background of links between certain types of criminal activity occurring in economic life. The perpetrators of these acts operate in multiple, complex fields and in a specialised manner, influencing administration, the economy, politics by manipulating laws and their interpretation (Wódka, 2015). In

2021, Pływaczewski, referring to contemporary crime trends within organised economic crime, pointed to such categories as: smuggling of goods and their fictitious re-export, granting unjustified loans to non-existent companies, uncontrolled purchase and export of foreign currency, tax fraud, including the so-called "VAT fraud", intentional leading of enterprises into liquidation or lowering their value. VAT fraud, deliberately leading enterprises into liquidation or undervaluing them, improper selection of purchasers, purchase of securities by persons acting on their own behalf, illegal transactions on the secondary market, extortion of compensation for fictitious damages, unjustified individual exemptions from payment of dues and waiving enforcement of such dues, planned bankruptcies, overpricing of goods by documentary creation of a chain of fictitious trade intermediaries in order to evade income tax or capture VAT refunds (Pływaczewski, 2021). It is worth noting that crimes recorded in official statistics do not represent the entire volume of crime. This is because they do not take into account the so-called 'dark number', i.e. those criminal acts of which the police, for various reasons, are not aware (Marczewski, 2011). It can be assumed that new economic crime trends emerge with the emergence and development of new markets.

## V. CONCLUSION

Economic crime, by its very nature, is permanently changing with changing economic conditions and new opportunities for action in the economic sphere (Kozdra, 2019). This phenomenon, hooks into more and more new areas of economic circulation where the main organisers perceive the possibility of making illegal profits. Organised economic crime is constantly evolving with the with changes in the markets. The development and direction of organised crime depends on the socio-political and economic situation. On the one hand, there is stabilisation, the sealing of the law, a certain degree of crime detection and also a stabilised degree of threat. On the other hand - social conflicts, also against the background of the economic situation (economic crisis, unemployment), political disputes and bargaining, concentration of attention on other issues, cause the belief that there is less social control, including formal control by law enforcement agencies, the judiciary, the media (Jaroch, 2009). Current trends in economic crime include many areas such as financial fraud, illegal gambling, theft of intellectual property. Such forms of crime lead to significant financial losses not only for the victims but for the economy as a whole. The first and perhaps most important conclusion from these trends is the need for increased awareness and education about economic crime. Company managers and employees should be well informed about the dangers of financial fraud, money laundering or other forms of economic crime. Another important conclusion may be the need to improve international cooperation. This often requires cooperation between the public sector and private sectors, law enforcement agencies and other institutions. An equally important lesson is the need to continuously improve and implement new technologies to combat economic crime, as economic crime is constantly

evolving and, criminals are using increasingly specialised methods to commit crimes. Therefore, law enforcement agencies and companies should make use of modern technology and improve systems to combat economic crime.

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