Wrongs to Riches

6 CRIMES COMMITTED IN THE NAME OF PROFIT

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A Call to Consumers

Look around you. Nearly everything that you see, from the paper you're holding, to the clothes you're wearing, to the tables and chairs around the room, to the very floor on which you stand, was made, sourced, transported, and sold by a company designed to generate profit. The arrangement sounds great on paper. You, the consumer, give your money to a company in exchange for a good or service, and the company uses that money to pay its workers and generate more product to sell. But what happens when someone decides that this process just isn't enough?

When some folks' lust for riches outgrows their company's regular returns, they may turn to crime and corruption. According to the FBI, white collar crime costs $300 billion every year in the United States alone. On the other hand, blue collar, or street crime, is estimated to cost only $16 billion per year. But unlike lowly street criminals, our smart and sophisticated white collar criminals frequently walk away with relatively light punishments that allow such crimes to happen over and over. We consumers often are uninformed about the corruption lying under the surface of companies we give our money to every day.

White collar crime is a silent killer. It not only harms other businesses and investors, but also the livelihoods of working people and their families, the health and happiness of cities, towns, and villages, and the ecosystems that keep us and our planet alive.

The following are 6 infamous examples among countless crimes committed in the name of profit. It is our job as consumers to be aware of where our money is going and to stand up against injustice. ■

White collar crime is a silent killer

Dirty Ducklings

How cost-cutting caused the BP oil spill

"It's BP's rules, not ours."

— Security officials (after preventing journalists from viewing spill)

The Deepwater Horizon was a floating oil drilling rig that was used by the British Petroleum (BP) oil company to drill near the Gulf of Mexico. On April 10, 2010 an explosion inside the rig due to a methane gas leak killed 11 workers and sent 210 million gallons of oil spilling into the surrounding ocean.

In the immediate aftermath, plumes of thick oil directly covered an area of ocean the size of Oklahoma, killing thousands of marine plants and animals, and causing severe health problems and birth defects for those that survived.

The oil continued to disperse through 2013 when it was found in fish as far as Tampa Bay, Florida. In addition to the devastating effects on the marine ecosystem, the spill also destroyed the livelihoods of thousands of workers in the Mexican and American tourism and fishing industries. After the hospitalizations of hundreds of cleanup workers, it was determined that "chronic adverse health effects, including cancers, liver and kidney disease, mental health disorders, birth defects and developmental disorders should be anticipated among sensitive populations and those most heavily exposed." This includes workers involved in cleanup and people living along the coast.

What was the cause of this devastating disaster? If you ask BP, it couldn't have been the shoddy cement barrier installed to keep pressurized gasses beneath the rig, or the "rush to complete" the rig to keep costs low, or the failure to run a cement strength test and report a failed pressure test, or the poor training that workers and managers received on the Horizon. Of course not, BP should have learned their lesson after a smaller scale explosion in the Caspian Sea due to a cement failure on another BP-owned rig in 2008. The U.S. Government, however, disagreed, and confirmed that BP and its partners, Transocean and Halliburton, were responsible for the spill. The companies and five individuals were charged with federal crimes. BP was charged with violating the Oil Pollution Act of 1990, along with paying a $4 billion fine for the deaths of the 11 workers killed in the initial explosion. None of the individuals charged faced prison time, and no upper-level executives of any of the companies were charged.

BP stirred up controversy for denying access for the press to view the spill and cleanup efforts, only allowing access to boats and aircraft after confirming there were no journalists on board. After denying a CBS News crew access to the site, with officials stating that they were acting under "BP's rules, not ours." And it's no wonder why. After lung, eye, nose, and throat problems were reported by numerous members of the cleanup crew, it was revealed that BP did not allow their workers to use respirators during the cleanup, and their jobs were threatened if they did. BP also did not provide sufficient safety gear for their cleanup workers.

Today, remnants of oil are still being found along the Gulf Coast. The ecosystem of the area has still not recovered, with mutations and premature deaths occurring in marine life many times above the normal rate. The health of the people living in the surrounding area, as well as the area's industries, have not fully recovered either. Of course, BP says the reports of these effects are "inconclusive as to any causation associated with the spill," as they continue to do business as usual around the world. ■

The Expendables

How a CEO skirted punishment for The Bhopal Disaster

In 1984, American chemical company Union Carbide and Carbon Corporation (UCC) owned and operated a pesticide production plant in the city of Bhopal, India. This particular plant was no stranger to controversy, as 25 workers had died and many more had been injured due to gas leaks and other dangerous working conditions in the plant's 15 years of operation. Finally, on December 2nd, malfunctioning safety equipment and low-quality valves and pipes allowed the release of 30 tons of deadly methyl isocyanate gas, immediately killing 2,259 workers.

The deadly gas cloud rolled through the shantytowns surrounding the factory, and over 600,00 people were exposed to the gas.

Thousands of deaths, injuries, and permanent disabilities were reported in the few weeks immediately after the disaster. In addition, residents struggled to find food as the area's plants had wilted, countless livestock had died, and fishing was halted.

Conflict ensued when the Indian Government closed off the plant and surrounding area to outsiders including UCC representatives so they could not interfere with federal investigation. They determined that underinvestment and refusal to properly maintain the plant by UCC led to the leak. A $1.25 million budget cut made it so malfunctioning equipment did not get replaced, pay was cut, training was reduced, and, unbelievably, workers were only given manuals in English, a language which most of them did not understand. Workers were instructed to clean frequently-clogged pipes with water, which allowed water to get into tanks of gas by way of leaky valves, causing a chemical reaction. UCC, however, claims that it must have been a "disgruntled worker" that deliberately sabotaged the tank by adding water, subsequently killing himself and devastating his community.

The Indian Government was unconvinced of UCC's tragic story and started legal proceedings against the company. UCC agreed to settle for $470 million on the condition that they would be released from liability for the disaster. Eight Indian higher-ups at the plant were charged with criminal negligence, resulting in seven of them paying a hefty $2,000 fine. UCC CEO Warren Anderson was charged with manslaughter and declared a fugitive of the Indian Government in 1991. But luckily for him, the U.S. Supreme Court stepped in and stated that the Indian Government did not have the authority to charge Anderson, and he was released of all responsibility.

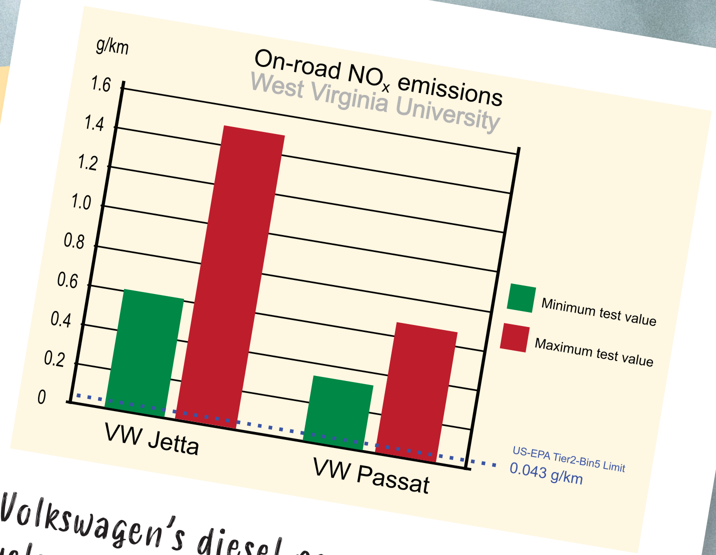
Today, the effects of the gas leak still linger in Bhopal. Eye, lung, neurological, and psychological problems continue to affect residents, as well as cancer, nerve damage, and immune deficiency. Babies born after the disaster have an increased rate of birth defects, infant mortality, failure to grow, and intellectual impairment. The abandoned remains of the factory continue to leak toxins into the surrounding air and groundwater. Unsurprisingly, Union Carbide took a major financial hit, but was bought out by Dow Chemical Company in 2001, which continues operations today. ■

The abandoned Union Carbide Pesticide Plant in Bhopal, India has been leaking toxins into the air and water supply since 1984.

Bad Air

How Volkswagen released emissions undetected

> "We have totally screwed up."
>
> — Michael Horn
> President and CEO
> Volkswagen Group of America



Volkswagen's diesel passenger vehicles released up to 35 times the amount of NOx allowed by the EPA while they reported amounts under the limit.

Under the Clean Air Act of 1963, automobiles in the U.S. are required to be subjected to testing to ensure that the harmful emissions that they released are below the legal limit. But of course, when the law prioritizes the health of the people over the purse of executives, companies have no choice but to find ways to get around it. It comes as no surprise that a 1998 EPA computer program designed to test car's live emissions on the road was shut down after finding discrepancies between lab tests and real-world tests. 11 years later, the 2009 Volkswagen Jetta Diesel Sedan was given the Green Car of the Year award, and subsequent tax breaks, for its miraculous ability to trap any nitrous oxide (NOx) emissions above the legal limit while still being a fast, inexpensive diesel vehicle. However, the reality was not as green as Volkswagen led consumers to believe.

Instead of purchasing the expensive technology required to actually reduce diesel emissions, Volkswagen opted to program a "defeat device" in its light-duty diesel models, which would artificially lower the NOx emissions detected during an emissions test while continuing to pump out noncompliant levels of NOx on the road. This led to 11 million cars worldwide emitting up to 40 times more NOx than was detected in tests. Unfortunately, Volkswagen's plans were foiled in 2014 when scientists at West Virginia University conducted a real-world emissions study with a Volkswagen Passat and a Volkswagen Jetta, finding that the emissions results collected through lab tests differed substantially from their findings. In response, Volkswagen representatives insisted that the results were just technical glitches, but the EPA was unconvinced.

The resulting 2015 investigation found that at least 480,000 vehicles in the U.S. alone had been equipped with the defeat device, resulting in a recall of models made from 2009 to 2015.

Volkswagen was charged with violating the Clean Air Act, and agreed to settle for $4.3 billion, in addition to the $2-3,000 it would pay owners for each affected vehicle that was traded in. Volkswagen's stock plummeted a total of 37% because of the scandal, but their finances have since recovered.

Today, Volkswagen no longer faces any legal repercussions in the U.S., but is still in hot water with the European Union for not compensating affected vehicle owners outside the U.S. In response to the scandal, Volkswagen has generously promised to be the leading seller of emission-free electric cars by 2025. Despite Volkswagen's recovery, the scandal raised awareness of other diesel emissions test discrepancies by companies including Audi, Volvo, Renault, Mercedes, Jeep, Hyundai, Citroen, BMW, Mazda, Fiat, Ford, Porsche, and Peugeot. ■

Ponzi Schemes VS Pyramid Schemes

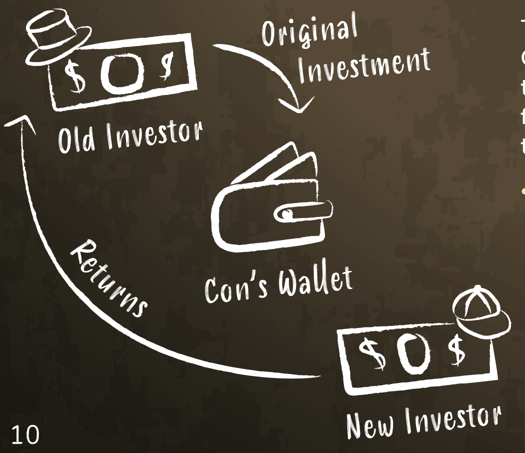
Ponzi schemes and pyramid schemes are the names of two different types of fraud that are often confused with one another. Both schemes rely on tricking unsuspecting people into investing money with promises of huge returns that never come. However, each scheme is structurally different, and they are used in very different applications.

A Ponzi Scheme starts when a crooked businessman decides to create a fake business or project and tries to pass it off as legitimate. The crook convinces investors to put large sums of money into the business by promising huge returns with very little risk. Instead, the crook steals the investors' money for their own personal use and falsifies business records. When the investors want their returns, they are paid with money taken from new investors. So, as long as the business continues to take in investors, the scheme goes on and on.

One of the most infamous Ponzi schemes in history is the one orchestrated by Bernie Madoff, owner of Bernard L. Madoff Investment Securities LLC. He managed to swindle $64.8 billion out of investors having never invested the money at all. His story is detailed on pages 12-13.

The U.S. Securities and Exchange Commission warns investors of the following red flags to look out for to ensure they are not dumping their money into a Ponzi scheme:

- **A promise of high returns with no risk:** All legitimate investments are risky, so if an investment promises no risk, there is reason for suspicion.
- **Strangely consistent returns:** Legitimate businesses have profits that fluctuate over time, so if the returns of your investment are always the same, this should be concerning.
- **Unregistered investments:** Although unregistered investments may be appealing since they allow those involved to skirt taxes and regulations, it also allows the investee to hide where the money is going.
- **Unlicensed businesses:** When the businesses involved in the transaction are not licensed or registered with the government, it is a major red flag that they are fraudulent.
- **Secretive methods:** If the business you invest in can't or won't properly explain how they're making back your money, this is cause for concern.
- **Account errors:** Issues with paperwork and account errors usually indicate that the business is using unconventional ways to store its capital.
- **Difficulty with payments:** If it is difficult or time-consuming to receive your returns from your investment, the business likely doesn't have as much money as it claims.



While Ponzi schemes prey on those waiting to spend their cash, the arguably more sinister pyramid scheme preys on those who typically have very little. The directors of the scheme—those at the top of the pyramid—convince people to pay to join a business or organization. In order to make back their money, those that paid in must each recruit several other people to also pay in.

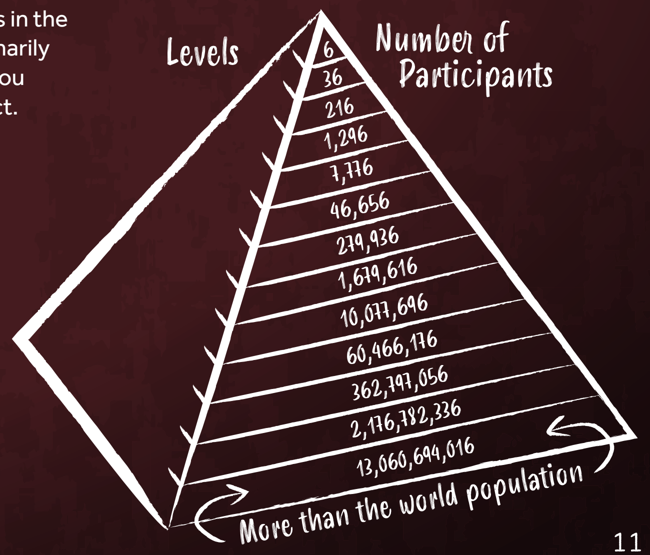
The directors receive most of the money from the new recruits while those who recruited them receive a small sum. The organization forms a pyramid as those who were recruited need to each recruit more people, and those people need to recruit even more people.

The victims of pyramid schemes often never make back the money they spent to get or stay in the program, and if they do, they still do not make the kind of profit they were promised upon joining.

Pyramid schemes are difficult to crack down on because the victims do not have the resources necessary to win a legal battle against those that run them One of the largest pyramid schemes was orchestrated by the nutrition company Herbalife, which was ordered to pay out nearly $200 million in damages to its victims. Despite the scandal, Herbalife continues operating as a successful multi-level-marketing scheme.

The U.S. Federal Trade Commission lists the following red flags that might indicate a pyramid scheme:

- **Unlimited recruitment:** If thousands of people are hired to sell the same line of products, there will eventually be a surplus of goods that outgrow the number of people buying them. If an organization encourages unlimited recruitment of new members to sell unlimited goods or services, all the goods or services are not being sold.
- **Advancement in the business is determined by recruitment:** In legitimate businesses, promotions and raises are issued to employees with the best performance, not to those who bring in the most employees. If your success in the business is motivated primarily by the number of people you recruit, you are the product.
- **Pay to play:** If you must pay to join an organization and then continue paying to advance in the organization or remain a part of it, it is likely that your money is funding the business rather than the product being sold.
- **Upline commission:** In regular sales environments, the seller gets the highest percentage of commission compared to the upper-level management, who make up for the difference with higher salaries. If a higher total percentage of the commission you make on a sale goes to those who recruited you compared to your own commission, you are not being properly compensated. ■



Running in Circles

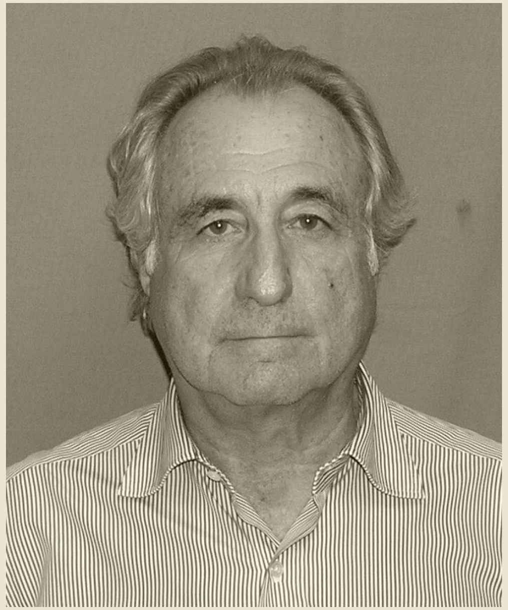
How Bernie Madoff stole $64.8 billion

WANTED

How does one man become the chairman of the NASDAQ and the most prolific investment manager on Wall Street for 5 decades?

For New York businessman Bernie Madoff, the key was being the best liar in the world.

LARGEST FRAUD IN HISTORY



In 1960, after receiving a humble donation of $50,000 ($480,000 today) from his father-in-law, law student Bernie Madoff founded Bernard L. Madoff Investment Securities LLC, which was a firm created to invest clients' money into the stock market. Eventually, his firm grew large enough to help with the creation of the NASDAQ and grew even larger still until it was the most big-name investment firm in the nation. The growth of the firm was unmatched, and Madoff's investors, from one-percenters dropping spare millions, to ordinary people investing their retirement fund, always received regular returns. There were profits when the stock market went up, and profits when the stock market went down.

Naturally, this pattern of returns raised the eyebrows of the managers at other investment firms, who could not match Madoff's consistent returns. When the stock market lost value, obviously investments into the stock market would also lose value, so there would be no profits during the market's low periods. That is unless the firm wasn't investing in the stock market at all. In that case, the returns being paid to investors would have to be small amounts of the money taken from other investors, while the rest was pocketed. If Madoff's firm was doing this, then he would've had to be running the biggest Ponzi scheme in history over nearly 50 years, so naturally authorities were alerted. And then alerted again. And again. And after numerous investigations in 1992, 1999, 2000, and 2005, Madoff's business was declared completely legitimate by the United States Securities and Exchange Commission (SEC).

It might have helped that the head of the SEC's investigation of Madoff in the 2000s happened to be the husband of the firm's compliance attorney, who also happened to be Madoff's niece, Shana Swanson. But nonetheless, the firm continued to proliferate until the economic crash of 2008, when panicked investors wanted to pull all their money out of the market.

Unfortunately, when investors asked for their lucrative investments back, they were surprised to find that the money was gone.

Now that people were losing money instead of getting returns, Madoff got into real hot water. Wall Street began to turn on Madoff, and on one fateful day, he admitted to his sons, who were also executives at the firm, that he planned to turn himself in to authorities at the end of the week, and the jig was up. Not wanting to be charged as accomplices to their father's crimes, they reported Madoff right away.

Madoff was found guilty of stealing over $64.8 billion in investor money by the SEC and was sentenced to 150 years in prison in 2009. Bernard L. Madoff Investment Securities LLC was dissolved, and justice had officially been served. Or was it? How could Madoff run the biggest Ponzi scheme in history and be the only one aware of it? Many current Wall Street bigwigs have been investigated for involvement in the scheme, and for schemes of their own, but none have received the same harsh treatment or publicity as Madoff. After all, as fellow investment manager and initial Madoff accuser Harry Markopoulos stated during his testimony, "People in glass houses don't throw stones." ■

Lights Out

How Enron forced blackouts in California homes

In 2000, Enron was one of the biggest energy companies in the country, and one of the biggest donators the President George W. Bush's campaign. It's no wonder that around this time Congress voted to allow states to deregulate their energy industries, allowing Enron to swoop in. Suddenly, the state of California was experiencing devastating statewide blackouts and skyrocketing electricity prices. If deregulation was supposed to increase the efficiency of electricity, how could this happen?

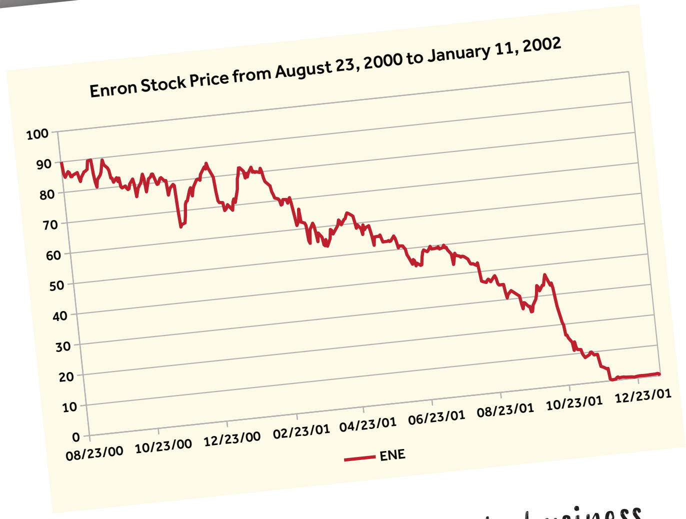
Deregulation increases competition, which means market caps need to be put on the prices of goods, lowering prices. This would be a great thing if everyone agreed to follow the rules, but in the endless search of profit, there seems to always be someone trying to break the rules. While California's deregulation policies meant that caps had to be put on California energy, caps were not put on energy sourced from other states. After deregulation, Enron saw the opportunity to buy energy from California supplier Pacific Gas & Electric Co. at these lower, capped prices during times of low demand for electricity. Pacific Gas would be foolish to pass up this opportunity for cash, but when they tried to buy their energy back during peak demand, Enron only sold it back to them at a ridiculous upcharge. According to Enron, this is because the high demand forced them to buy energy from other states at higher prices, so they had to charge Pacific Gas even higher prices to make back their own money. This caused major blackouts across the state as Pacific Gas scrounged up cash, leaving citizens without power during sweltering summer droughts.

It wasn't until Pacific Gas went bankrupt in early 2001 that the state government stepped in to do something. While the government was busy extending market caps and figuring out who to sue, the seemingly unsinkable Enron went bankrupt as well. As it turns out, Enron was running schemes and scams in more than just California. They had been guilty of a massive case of accounting fraud and other shady business practices.

Tapes were uncovered that recorded Enron employees bragging about their elaborate market manipulation schemes.

They gave the schemes names including "Fat Boy," "Death Star," and "Cong Catcher," and were recorded cracking jokes about "all the money [they] stole from those poor grandmothers in California." As it turns out, Enron wasn't taking in energy from other states at all. They were simply withholding energy from their California distributors when demand got high, artificially creating scarcity.

After the news broke out, Enron settled with the state of California for $1.2 billion, a fraction of the $40 billion the state spent on the crisis. Enron CEO Jeffrey Skilling was sentenced to 24 years in prison for accounting fraud and other crimes. Today, California still experiences energy problems due to power struggles between corporate and government interests. After serving 12 years in prison, Skilling was released and is currently in the process of starting up a new energy company called Veld LLC. ■



After the news of Enron's shady business practices broke, their stock plummeted and they declared bancruptcy in 2001, but not before causing crises across the country.

"They're taking all the money back from you guys? All the money you guys stole from those poor grandmothers in California?"

— Audio from leaked Enron tapes

Pill Pushers

How the Sackler family turned Pain into Profit

The U.S. opioid epidemic is one of the most detrimental public health crises seen in recent years, resulting in 500,000 deaths due to opioids in the last 20 years alone. The addictive nature of opium has been known for hundreds of years, so how come millions of Americans are becoming addicted to opioids after receiving them from their doctors? It may be because of the truth-bending marketing practices of the Sackler family, owners of OxyContin maker Purdue Pharma.

Before recent investigations, the Sackler name was mostly known from the generous donations given to institutions including the Louvre, Harvard, and Oxford. The Sacklers have worked hard to put their name on the halls of museums and universities, and to keep it away from their association with the source of their $13 billion net worth. After being bought out by the Sacklers in 1952, Purdue Pharma revolutionized the pharmaceutical industry. The secret was Arthur Sackler's aggressive advertising techniques.

In the 60's, Purdue started producing the tranquilizers Librium and Valium. Arthur Sackler created advertisements for these drugs that recommended doctors to prescribe them for a variety of symptoms, from psychosis to anxiety. Soon, he began encouraging doctors to prescribe the tranquilizers to patients that showed no psychological symptoms at all, with one campaign reading: "For this kind of patient—with no demonstrable pathology—consider the usefulness of Valium."

OxyContin was originally developed in 1995 for use in hospice care, the powerful drug keeping patients from feeling pain in their final days. However, it wasn't long before Purdue fell back on their classic marketing strategies to expand their consumer base. It was common knowledge at the time that opioids were highly addictive, so to ease doctors' fears, Purdue supplied them with brand new research (coincidentally funded by the Sacklers) that asserted OxyContin was safe for use with many types of illnesses, and led to addiction in less than 1% of patients. Additionally, doctors and pharmacies were given financial kickbacks from the company with every bottle of OxyContin prescribed, which certainly helped convince them.

The very instructions for taking the drug also help boost its sales. Patients are instructed to take a dose every 12 hours for proper pain relief. However, the drug wears off in most patients after only eight hours, causing withdrawal symptoms that force the patient to take more in a shorter period for relief. Withdrawal symptoms lead to addiction, and desperate patients coupled with kickbacks to doctors is a recipe for disaster, or, for Purdue, over $30 billion in profits from a single product.

In 2017, health consequences due to opioid abuse spiked in the U.S. According to the National Institute on Drug Abuse, in 2017, more than 47,000 Americans died of an opioid overdose, 1.7 million Americans suffered substance abuse issues stemming from prescription opioids, and 652,000 suffered from heroin addiction. Plus, according to the American Society of Addiction Medicine, four out of five heroin users started out using prescription painkillers. The CDC states that the opioid epidemic costs Americans a total of $78.5 billion per year.

In recent years, Purdue Pharma has had thousands of lawsuits mounted against them and has been formally investigated by the federal government. As a result, the company went bankrupt in 2021, and several Purdue higher-ups have already been charged with misdemeanors. However, the Sacklers continue to stay out of the scuffle, suggesting that they will pay $3 billion in a comprehensive settlement to cover Purdue Pharma, as long as the family is released from "all potential federal liability arising from or related to opioid-related activities." Today, the Sackler name continues to decorate the recipients of their large donations, and they continue to profit from their other pharmaceutical company, Mundipharma. ■

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"Earth provides enough to satisfy every man's needs, but not every man's greed."

— Mahatma Gandhi

Wrongs to Riches

6 CRIMES COMMITTED IN THE NAME OF PROFIT

White collar crime is a silent killer. The following are 6 infamous examples among countless crimes committed in the name of profit. It is our job as consumers to be aware of where our money is going and to stand up against injustice.

- The BP Deepwater Horizon Oil Spill
- The Bhopal Gas Tragedy
- The Volkswagen Diesel Emissions Scandal
- The Madoff Investment Scandal
- The 2000-01 California Energy Crisis
- The Sackler Family OxyContin Lawsuits

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