

# Case Study 2 - White-Collar Crime

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## Notes

### Case A - Espionage in Silicon Valley

- The Valley industry is a hotbed of espionage, due to the fast pace of technological innovation and the high stakes involved. With rapid outdates of 2 years.
- Computer chip desing is super expensive and illegal measures are often taken to obtain the designs of competitors.
- The size of such chips lead to ease of theft, as they can be easily hidden.
- Policies until recent have lacked to cover the complex nature of the industry.
- Individuals and contacts carry heavy value to enable the theft of such designs.
- Silicon Valley has high employee turnover rates due to the opportunities and competition, leading to a lack of loyalty.

### Case B - Price Fixing in the Electrical Equipment Industry

- Sherman Antitrust Act of 1890 prohibits price fixing and other anti-competitive practices.
- Conspirators argued that price fixing benefited the public by stabilizing prices and preventing price wars.

### Case C - The Case of the Corrupt Contractor

- Employers are able to avoid criminal penelaties by compensating the victims of their employees' crimes.
- For 3 decades information on asbestos fibers that filed the air in the factory was withheld from employees.
- There was erase of 1300 documents that would have shown the dangers of asbestos.
- Recent studies show that 38 percent of workers exposed to such asbestos have died from lung cancer.
- Manville Corporation filed for bankruptcy in 1982 due to the large number of lawsuits. But a court agreement was reached to pay out \$2.5 billion to the victims.
- Safty measures were also not taken in 1985 as cyanide gas was released into the air during silver recycling. As workers where not even given the saftey standards but rather useless paper face masks and cloth gloves.

## Question 1

**Employers have often been reluctant to prosecute employees who commit crimes against them. It is easier just to fire them, thereby avoiding court hassles and bad publicity. Given that companies need to make profits, is this reluctance to bring criminal charges against employees morally permissible and responsible? (Group A Yes vs Group B No debate)**

*Yes*

- By firing the employees, the company is abstaining from the involvement with crimes committed by the employee. Showing that they do not support such actions.
- The company is able to avoid the bad publicity that would come with a court case.
- It is also normal for Individuals to abstain from court cases due to the time and money that would be spent on the case. Some issues do not feasibly warrant the time and money spent on a court case.
- Showing internal disciplinary actions to set an example to other employees.

*No*

- Lack of legal consequences may paint the wrong picture to other employees, showing that they can get away with such actions.
- It may seem more suspicious to the public if the company does not take legal action against the employee. As it may seem that the company is trying to hide the issue and it is part of a bigger plan.
- By taking action you are not only preventing internally employees from committing such crimes but also preventing the public as well.
- The company has a moral obligation to the public to prevent such crimes from happening again. Also presenting the company as a moral entity that is more valuable than the short term profits.
- The company has a moral obligation to the victims of the crime to bring the criminal to justice.

## Question 2

**Should White-Collar Crimes Be Treated More Lightly Than Violent Crimes? (Group A: Yes vs. Group B: No)**

*Yes*

- Unlike physical crimes, white-collar crimes do not involve physical harm to individuals or pose a violent threat to society.
- The negative effects of white-collar crimes are financial losses on persons who have a knowledge of the risks involved.
- Prison sentences on white-collar criminals creates an uneasiness in industries where competition pushes such legal boundaries and can have negative effects in their motive to innovate.
- Price fixing can be seen as a way to stabilize prices and prevent price wars, which can be beneficial to the public.
- Many of the committers of white-collar crimes are not aware or believe that they are committing a crime. As seen in the Electrical Equipment Industry case.

*No*

- White-collar crimes although not violent can have bigger impacts on lives as they lead to great financial losses and job losses which essentially degrade the quality of life and even can be linked to cases of suicide.
- Some white collar crimes scale to whole industries and can have a negative impact on the economy as a whole.

- They favor the rich and powerful and can lead to a lack of trust in the system.
- Taking a light stance on white-collar crimes can lead to a lack of deterrence and can lead to more crimes being committed.
- Legal system should be fair in weighing out the damage done by the crime rather than the type of crime.

### Question 3

**Was Catanich in an Immoral Conflict of Interest by Moonlighting for Gopal? (Group A: Yes vs. Group B: No)**

*Yes*

- Catanich worked under a contractual obligation to National Semiconductor. Moonlighting for Gopal was a breach of that contract, especially since the job he was doing was in direct competition with his employer.
- He accepted money in exchange for corporate secrets, prioritizing personal gain over loyalty to his employer.
- His actions were not just verbal but he also committed theft as he stole documents from his nearby supervisors desk. So he was aware of his actions but chose an easy way out of his financial difficulties.
- Even if it was common practice for such espionage in the industry, it does not make it right.

*No*

- Espionage is very common within the Silicon Valley industry and it is even more common and expected from lower ranking employees such as Catanich. The management failed to provide proper security measures to prevent such actions.
- From the case study we see how many victims fall into the hands of Gopal. He was a master manipulator and was able to exploit Catanich's financial difficulties to get him to leak information.
- The information that was leaked was ultimately sold to Intel, a company from which National Semiconductor also bought stolen information from. Showing how the industry played a dirty game and employees such as Catanich were put in the crossfire.
- The high employee turnover rate in the industry shows that employees are not valued and are easily replaced. So Catanich's actions can be justified as the industry would not show the same loyalty to him.

### Question 4

**Should Manville Executives Be Charged with Manslaughter, Murder, or No Crime? (Group A: Manslaughter or Murder vs. Group B: No Crime)**

*Yes*

- Manville executives had internal reports showing asbestos was deadly but still concealed the risks. They actively suppressed health studies and medical reports, misleading workers about the hazards.
- No/Improper equipment was provided such as useless paper masks that could have mitigated such risks. So without providing mitigation the asbestos exposure caused thousands of deaths. The sheer scale of suffering justifies severe legal consequences.
- Charging executives would deter future cases of corporate negligence. As Manville was able to settle the court case, other instances of corporation manslaughter still occurred such as the Film Recovery Systems with the cyanide.
- Furthermore, Film Recovery Systems faced such charges later on with the same case instances showing that Manville was not properly convicted.

*No*

- Apart from the immorality of putting profits over safety, the executives did not commit a crime under the law at the time. There were no worker safety laws or regulations in place at the time.
- Employees are able to sue the company for damages and the company has already paid out billions in settlements.
- Health standards at the time were not taken as strictly as they are now. Apart from employees' companies such as cigarette companies, which used far worse products and were unregulated than today, were also not held accountable for the health risks of their products posed to consumers.

## Question 5

**Should Companies Use Polygraph Tests to Detect Employee Theft? (Group A: Yes vs. Group B: No)**

*Yes*

- Polygraph tests put less uncertainty on the employer and company, enabling faster and more sound decision making.
- They can help be a general deterrent to wrongdoing as deception and lies are harder to maintain. So it encourages a person to act rightfully in the first place.
- Honest employees have nothing to fear and should not cause uneasiness since only the guilty would be caught or penalized.
- Stopping fraud early and identifying the guilty party can save the company money in the long run.

*No*

- Creates a culture of distrust and suspicion among employees, leading to a toxic work environment. Even the innocent employees will feel uneasy as they are being put in the same boat.
- Reliance on technology, such issues cannot be fully determined by a machine. If a false positive is given it can lead to the wrong person being accused.
- Many countries ban polygraph tests in private businesses and furthermore in court cases as they are unnaturally invasive and can be easily manipulated.
- Skilled individuals can learn to deceive lie detectors, making them ineffective. On the other hand, skilled individuals can also rig the test to give false positives.
- Lack of responsibility is provided if such machines are used and something goes wrong. Who is to blame if a result does not match the truth?
- Other options such as professional investigators are more effective and give responsibility to a professional human rather than a machine.