

CHAPTER II

LITERATURE REVIEW

a. Theoretical Framework

1. Economic Theory of Crime Behaviour

This theory was proposed by Becker (1968) in “Crime and Punishment: An Economic Approach”. He argued that an act of economic crime is about rational choice. Individual action can be seen at the expected gains and losses from crime and compares them with the gains and losses from staying out of crime. In other word, people generally strive for enjoyment and the fulfillment of wishes for material goods. Becker developed the equation:

$$(1 - p)u_s + pu_f > \underline{u}$$

u_s = Expected utility when he or she successfully commit the crime

p = Probability of punishment

u_f = his or her expected utility when he or she commits crime or receive punishment

\underline{u} = Level of utility when he or she does not commit crime

People may have different perspective about the probabilities of arrest and punishment. Even when they live in the same environment and have the same criminal justice system, some people might be more optimistic than others about the probability of punishment. Meaning that those who

more optimistic (low p) should be more likely to commit crime than those with high p . Moreover, if someone has an unrealistically low value of p , as long as he or she chooses to offend because his expected gains from crime is greater than his gains from not offending, he or she is still making a rational choice. Even the information is poor, he or she still can make a rational choice based on the poor information.

This theory has the similar plot with the accounting fraud scenarios (Turner, 2015). This scenarios consist of: 1) u_s = expected utility when crime gets success (higher income), 2) p = there is a chance of being caught, 3) u_f = there is 10 percent chance of being caught, and 4) \underline{U} = deciding to not to commit crime.

2. Theory of Trait

Personality is a predisposition to behave systematically. A trait is some unique dimensions of that behavior and reflects “stylistic consistencies in a person’s behavior” (Hogan, 1991). The trait theory is the most common theoretical method to study about personality. This theory focuses on differences between individuals compared to the other theories such as psychoanalytic or humanistic. It combines and interacts the uniqueness of each individual. Therefore, trait theory also identify and measure those characteristics. Researchers have used some trait theories such as Gordong

Allport's Theory, Hans Eysenck, Raymond Cattell's Theory, and the last is The Big Five Factors Theory of Personality.

1. Definition of White-Collar Crime

According to Dictionary of Criminal Justice Data Terminology (U.S Department of Justice, 1981), white-collar crime can be defined as a nonviolent crime for financial gain committed by means of deception by people whose occupational status is entrepreneurial, professional or semi-professional and utilizing their special occupational skills and opportunities. White-collar crime has three main dimensions; economic aspects; organizational aspects; and the last is behavioral aspects (Gottschalk, 2017).

The term "white-collar criminality" was founded by American criminologist Edwin Sutherland by making an essay and publishing the book in 1949 with the title White Collar Crime. Sutherland (1949) said that although most people arrested and sent to prison were working class, crime is not confined to working-class people but it can be committed by the high class or people who have the high social status who were respected. That is reason why it cannot be detected.

Based on the research from Hazel (2008), she argued that there are some features that can be identified with white-collar crime:

1. White-collar crimes normally take place in the workplace are invisible.

2. Offenses are made possible by some form of technical or otherwise “insider “of knowledge.
3. There might be a complexity in the event.
4. It is well organized, involving serious planning and more people in the case.
5. It is often difficult to establish responsibility for the offense
6. They might involve the different patterns of victimization and some may even be classified, rightly, or wrongly, as victimless.
7. Individual losses as the result of a particular crime might well be relatively small.

2. Dark Triad Personality

Dark Triad Personality was developed by Delroy L. Paulhus and Kevin M. Williams in 2002. This theory combines the three negative personalities: Machiavellianism, narcissism; and psychopathy. People are familiar with Big Five traits such as Openness, Conscientiousness, Extraversion, Agreeableness, and Neuroticism by Golberg and it is used not only in the psychology area but also in the behavioral accounting area (Turner, 2014). This research has been proven by Michael J. Turner in testing white-collar crime by Big Five personality traits. Dark Triad personalities have different origin among others.

a. Machiavellianism

The term about Machiavellianism is derived the name of a diplomat and philosopher in the era of Renaissance called Niccolo Machiavelli who was most well-known as 'The Prince'. He made a view of how someone who has a strong power to rule should be harsh with their people and enemies by using any kind of ways, even if it should immoral and brutal. In the 16th century, Machiavellianism became a popular term to describe deceptive people to get ahead. After many years passing by, Machiavellianism becomes a psychological term and it was developed by Richard Christie and Florence L. Geiss in 1970 by designing the Machiavellianism Scale or it called today as the Mach IV test. The characteristics of Machiavellianism are prioritizing money and power over relationships, coming across as charming and confident, exploiting and manipulating others to get ahead, lying and deceiving when required, lacking in principles and values, being capable of causing others harm to achieve their means, lacking of empathy, avoiding commitment and emotional things. In short, Machiavellianism is the manipulative personality (Christie and Geis, 1970).

b. Narcissism

The term of narcissism was first founded by Robert N. Raskin and Calin S. Hal in 1979 to depict a subclinical version of narcissistic personality disorder (DSM-III) by making Narcissistic Personality

Inventory (NPI). The characteristics of narcissism are grandiose sense of one's self-importance, preoccupation with fantasies of unlimited success, power, brilliance, beauty or ideal love, exhibitionism, responds to criticism, indifference, or defeat either with cool indifference or with marked feelings of rage, inferiority, shame, or humiliation, exploitative, lack of empathy (Raskin and Hall, 1970) or in short, it includes grandiosity, entitlement, dominance, and superiority (Paulhus and Williams, 2002).

c. Psychopathy

Psychopathy in the most recent term compare to Machiavellianism and narcissism. Psychopathy is subclinical that was developed by some researchers. It was coined first by Hare in 1985 by making the Psychopathy Checklist (PCL) that consists of 22 personality and behavioral items which are completed on the basis of interview and file information. Hare did not stop there, the self-report psychopathy (SRP) scale was assembled from items that differentiate clinically diagnosed psychopaths from non-psychopaths (Hare, 1985). Additionally, Lilienfeld and Widows made the Psychopathic Personality Inventory-Revised in 2005.

Psychopathy is signed as an individual who has a lack of concerns for each other and social mechanism, lack of regret or feel guilty for

what they have done. As personally, psychopathy is someone who has a high skill who are glib and charismatic (O'Boyle et al. 2012).

b. Hypothesis Development

1. The relationship between Machiavellianism and White-Collar Crime

According to Paulhus and Williams (2002), Machiavellianism is significantly correlated with Neuroticism (the Big Five factors) with the characteristics such as the anger is invisible but instead of turn it inside which leads the individuals to insecurity, self-criticism, and unbalanced behavior due to mood swings (Alalehto, 2003). Mood swings itself related to anxiety, nervousness, and sloppiness. Additionally, Machiavellianism has a negative relation with conscientiousness and agreeableness (Lee and Ashton, 2005).

Some prior researchers have proven the related study; higher neuroticism is associated with a higher propensity to commit white-collar crime is not significant (Turner, 2014), which means that this hypothesis is not supported, in Belschak et al. (2018) stated that high-Mach trusted others less in economic situations than low-Machs (Sakalaki et al., 2007). On the other hand, Machiavellianism related to an individual's perceptions of an opportunity to commit fraud is supported (Harrison et al., 2016), which means that there is a correlation between Machiavellianism with propensity to commit fraud.

Even some prior study has difference results, Machiavellianism still has a relation to commit white-collar crime since a strong manipulative behavior characteristic in it. Machiavellianism has a relation with opportunity to commit fraud (Harrison et al., 2016). Committing crime in the Economic Crime theory can be viewed as a choice. According to Becker (1968), individuals commit crime because they find it as a better choice than not committing crime. It means that there is a probability of individual with Machiavellianism personality to commit an act of crime if he or she thinks that it is better to commit it than he or she does not commit it.

Therefore, these arguments bring the researcher to propose a hypothesis:

H₁: Machiavellianism has a positive influence on the propensity to commit White-Collar Crime

2. The relationship between Narcissism and White-Collar Crime

Related to the big five factor, narcissism has a quite closeness to openness, extraversion and neuroticism (Lee and Ashton, 2005). Openness itself has characteristic of active imagination. Compare to narcissism which has characteristics such as self-importance, fantasies of unlimited power, entitlement power, weak self-control, lack of empathy and tolerance (APA, 1994). Looking at the prior studies, narcissism has a positive relation with unethical behavior such as one-way communication, one-way control of

power, insensitive to others, unrealistic assessment of the environment, and manipulating others (Carrie, et al., 2017). The result have shown that narcissists are lower in integrity than are non-narcissists, more likely to engage in unethical behavior (O'Reilly et al., 2018). Additionally, lower openness does not affect white-collar crime (Turner, 2014). Moreover, narcissism will be positively related to an individual's motivation and perception to commit an act of fraud (A. Harrison et al., 2018). These statements are also supported by other previous findings who have done the similar research (Kernburg, 1975, Johnson et al, 2012).

Narcissistic is described as someone who has a lower integrity, higher confidence, weak self-control, and like to dominate. Narcissistic CEO's subject their organizations to undue legal risk because they are overconfident about their ability to win and less sensitive to the costs to their organizations of such litigation (O'Reilly, 2018). It means that there is a probability of narcissists to commit an act of crime if he or she thinks that it is better to commit it than he or she does not commit it.

Based on the explanation and findings above, it is clear that openness has a positive relation with narcissism. The researcher decides to propose the hypothesis:

H₂: Narcissism has a positive influence on the propensity to commit White-Collar Crime.

3. The relationship between Psychopathy and White-Collar Crime

Psychopathy has a positive relationship with extraversion (Paulhus and Williams, 2002). Moreover, white-collar crime tends to react positively to extraversion (Turner, 2014). Extraversion is active, sociable, talkative, manipulation, like to dominate, and prefer to decide how everything should be happened and done (Alalehto, 2003). While, psychopathy is unethical, desctructive, illegal behavior coupled with superficial apologies that fail to convey a feeling of regret (LeBreton et al, 2006). The psychopathy person rarely feel guilty or regret for what they have done. It is supported by the significant result in willingness to think rational on fraud (Harrison et al., 2016).

Psychopath has some negative personalities such as destructive, non-legal act, no sense of remorse, and assume that what he or she has done is right, even in the reality it does not right. Psychopath tend to think rational and rarely feel guilty. It means that there is a chance of psychopath committing an act of crime if she or he thinks that it is better compared with not committing crime.

From the arguments and results above, it is obvious that psychopathy has a positive relationship with unethical behavior as well as white-collar crime. Due to that, the researcher decides to propose a hypothesis:

H₃: Psychopathy has a positive influence on the propensity to commit White-Collar Crime

c. Research Model**Figure 2. 1 Research Model**