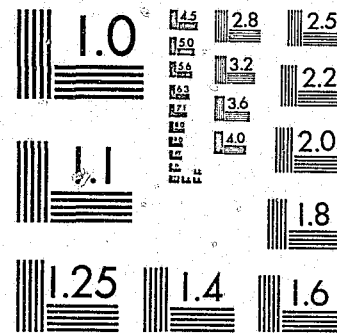


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# Information Bulletin

## of the National Swedish Council for Crime Prevention

*The NCCP (Brottsförebyggande rådet), established 1 st July 1974, is a Government agency under the Ministry of Justice. According to its directives, the NCCP is charged with the task of promoting efforts in crime prevention within different areas of the community and of working to coordinate the efforts of society and citizens in fighting crime. The NCCP works as a coordinating and advisory body. The Council is headed by a board appointed by the Government and representing a wide range of important functions in the community. The Council has an office with a permanent staff.*

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**brottsförebyggande rådet**

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## Economic Crime in Sweden

by Bo Svensson, Director General of the National Council for Crime Prevention

### 1. Introduction

Economic crime is no new phenomenon in Sweden. The perhaps most extensive instance of economic crime in modern times was unveiled in conjunction with the Kreuger crash when the Kreuger Group collapsed and the Swedish parent company, Kreuger & Toll, went bankrupt in 1932. The investigation revealed that the Group's accounting had been to a large extent fraudulent. Its undermined position had been concealed through a complicated, widely ramified international system of subsidiary companies. Kreuger & Toll's shares and participating debentures became valueless in one fell swoop and thousands of people thus lost their savings. We can still see the effects of the Kreuger crash in the structure of Swedish industry and commerce, but also in the legislation. One result was the introduction of rules for consolidated accounting, which in all essential respects are still in effect.

The Kreuger crash and other similar events were actively discussed at the time, but not under the heading of economic crime. This is a concept that became common in Sweden only in the seventies.

In actual fact the term economic crime is an international concept (in French *délinquance d'affaires*) and its discussion may with some justification be denoted as an international vogue in the field of criminal policy.

One of the first signs that the international debate on economic crime had reached Sweden came in 1973 when the Minister of Justice, Lennart Geijer, in a speech at the meeting of European ministers of justice in Stockholm, called for international action against such economic crime as environmental crimes and crimes by multinational companies.

The Swedish debate, however, came properly under way only in May 1977 with a report by a working group against organized crime (AMOB) appointed by the National Police Board. According to that report the revenues of different kinds annually withheld from the Swedish Treasury through tax evasion of a systematic kind amounted to between SEK 5 and 20 billion.

A result of AMOB's report was a government directive to the National Council for Crime Prevention to review the legislation against organized and economic crime. This work started in 1978 and has so far produced 25 memoranda (Annex 1) with proposals for statutory, organizational or other changes. Many of these proposals have already been put into effect.

The directive to the Council has now been withdrawn. Instead, in the autumn of 1982, the government appointed a special commission, the Eco Commission, to deal with the problems of economic crime. This Commission, which according to its terms of reference is to work with all due speed, has been given very extensive resources. Its secretariat has, at the most, had some 20 full-time qualified staff and 80 or so experts in different reference groups and the like. The Commission is expected to complete its work by the end of March 1984. At the time of writing in February 1984 the Commission has published no less than 20 memoranda (Annex 2). In view of the Commission's close links with the government it may be expected that many of its proposals will lead to legislation.

The commission premises that future work

against economic crime will be directed by a special working group in the Cabinet Office. It has also proposed that the Cabinet shall appoint five special researchers for research into economic crime.

### 2. Definition

The term economic crime has no strict definition in penal law and there are different notions about its meaning. According to the description used by the crime-combating authorities, i.e. primarily the police and public prosecutors, the following acts should be reckoned as economic crime:

- 1 punishable acts which
- 2 continuously and systematically
- 3 are committed for purpose of gain
- 4 within the framework of a legal trade constituting the actual basis for the acts.

The vital point in the definition is the fourth. It should, in my opinion, be understood to signify that it is only businessmen (i.e. persons professionally engaged in activities of an economic nature) and their representatives or agents who can commit economic crimes. At present, however, no systematic record is kept as to whether a suspect is a businessman or not and consequently there is no statistic of crime corresponding to the definition of economic crime. It may also be pointed out that, if a strict criterion is adopted that the crime should be continuous and systematic, there would be very few crimes that can be reckoned as economic crime. All of this makes it impossible to calculate the number of economic crimes committed in Sweden each year and the amounts involved. Naturally, then, nothing can be said about the trend over time.

But the term economic crime is not used solely in this narrow sense. In the Swedish debate it is often used also to denote fraudulence in respect of taxes and applications for allowances, namely non-declaration of income, incorrect declarations for receipt of sickness insurance, educational grants, housing allowances, day nursery places, etc. Space does not allow an account of this entire field. But a few words will be said (in sections 5 and 6) about tax evasion in our country.

### 3. Forms of economic crime

Economic crime as used by the crime-combating authorities is illustrated in Fig. 1, which depicts the economic activities of a private enterprise.

The company is formed for the manufacture and sale of certain products. In conjunction therewith the founders contribute money of their own. This is often a condition for being able to borrow, for example, in a bank. The equity and borrowed capital enter the company's cash account and are used for different expenditure needed for the production, e.g. payment of raw materials, machinery and labour. The company also pays interest on borrowed capital and tax to the Treasury. The goods produced are then sold on the market and the income is booked to cash. At the end of the year the profit is established and is wholly or partly paid to the shareholders.

Economic crime can occur in all parts of the company's operations. The shareholders

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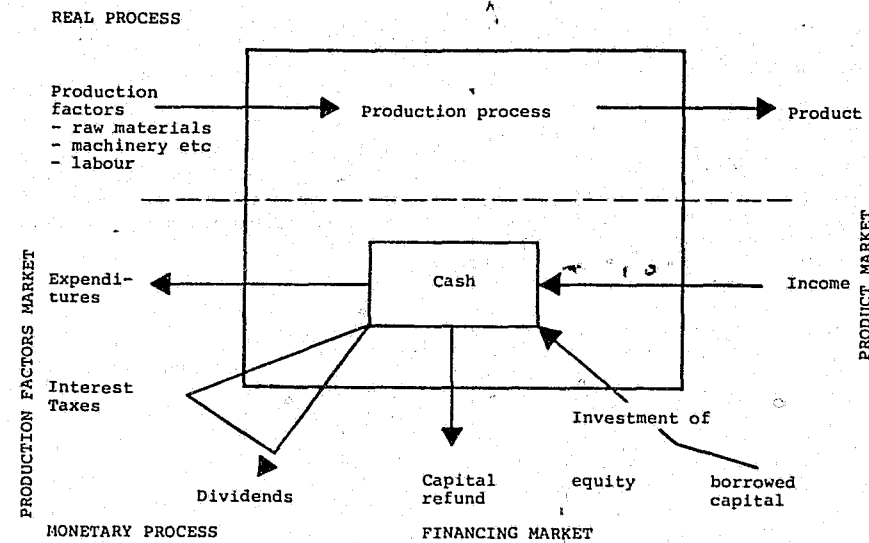
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Figure 1



Source: Träskman. En modell för forskning om ekonomisk kriminalitet. BRA rapport 1979:1, p. 60.

(1) and creditors (2) can be falsely persuaded into staking capital in the company. The employees (3) can be induced to work on worse conditions than prescribed by law. The production can take place in a way that destroys the environment (4), for example through impermissible discharges of harmful substances. The goods or services produced may be unsuitable or be marketed in an improper way in relation to customers (5) and competitors (6). The profit may be determined in a way that conflicts with the tax legislation, and manipulations may occur in other respects through which the state (7) is deprived of its rightful taxes and charges or is duped into providing financial support for the company. The state can be demaged in other ways as well. Crimes against currency regulations, for example, may place strains on the balance of payments.

#### 4. Injurious effects of economic crime

The immediate effects of economic crime will be apparent from the foregoing account. The victims are owners, creditors, employees, the public, customers, competitors, and the state, differing according to the nature of the crime.

But this says nothing about the injurious effects in a broader perspective and over a lengthy period. What are the effects of economic crime on the society as a whole? Here, again, the answers will differ for different types of crime.

If the Swedish stock exchange were to be afflicted by a new Kreuger crash, not only would individual shareholders lose money. The confidence in shares as capital investment would fall, Swedish industry would then have greater difficulty in financing its new investments, and in the long term this would have a negative effect on employment and real wages.

In the same way a new Kreuger crash would disturb the credit and capital markets and thus reduce the availability of venture capital. This would negatively affect Swedish industry's investment opportunities.

If Swedish industry cannot provide a secure and attractive working environment, the younger generation will look for service occupations and white-collar work which offer them a better environment at the same pay. Before industry has adapted its environ-

ment and/or wages to this new situation, disturbances may arise in production owing to a shortage of skilled workers.

There should be no need to go further into the long-term effects of a general destruction of the environment.

In other cases the injurious effects are more difficult to distinguish. A patent encroachment may entail lower prices for consumers and the loss of a monopoly profit for the patent-holder. But the intention of patent protection is to encourage research and development. The short-term gain to consumers must be set against the fact that industry may have less interest in developing new

patents, which in the long run may have negative effects on job opportunities.

The most disputed question as regards the injurious effects of economic crime is the effect of tax fraud on the national economy. That question is dealt with in sections 5 and 6, in which the presentation is extended to all tax evasion in our country, including employees' undeclared income and excessive deductions.

#### 5. Injurious effects of tax evasion

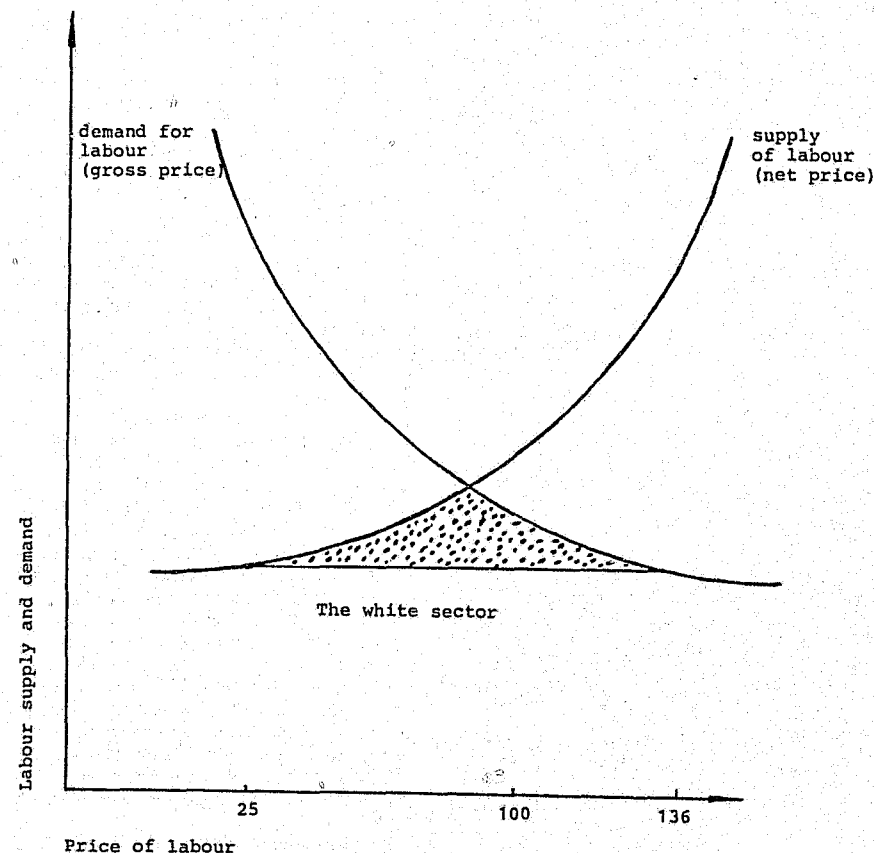
##### Use of resources

Every tax entails an encroachment on the market economy and thus restricts the opportunities an entirely free market gives for maximal utilization of the resources. Assume that the contractual wage for the labour force is SEK 100 per hour. To this amount are added social charges of at present about 36 %. Thus the purchase of labour costs SEK 136 per hour gross. Assume, furthermore, that the labour force has a marginal tax of 75 %. The net remuneration of the labour force is then SEK 25 per hour. The situation is illustrated in fig. 2.

Since SEK 136 for the employer corresponds to SEK 25 for the employee, the taxation system places a "Ceiling" on the white sector. The demand for and supply of labour represented by the dotted area cannot be handled in the white sector. This unsatisfied need for labour and for job opportunities must instead be met by voluntary, unpaid lawful work or by black market jobs on which no taxes or social charges are paid. This may mean, for example, that a houseowner does his own repairs instead of employing tradesmen or that he employs a tradesman who receives SEK 100 per hour gross = net.

Note that the black-market work done in

Figure 2



the dotted sector does not compete with work in the white sector. The alternative for the employer or client to employment of black-market labour is to let the work remain undone or to do it himself; he considers he cannot afford to pay the price of the white sector. And the alternative for the labour force to black-market work is leisure, either compelled in the form of unemployment or voluntary in the form of short working hours, vacation, etc. Black-market work done in the dotted sector meets needs which in themselves are as legitimate as those in the white sector. As will be noted in the sequel, black-market work is often less rationally organized than in the white sector, but this is of less importance when the alternative is that the work is not done at all or is done on an unqualified do-it-yourself basis. The net effect of black-market jobs in the dotted sector is therefore positive from the point of view of the national economy.

Naturally, however, if there are purchasers of labour who are willing to pay more than the lawful net remuneration, they will attract labour from the white sector even though they pay "black". And if it becomes known that there are tradesmen who engage in illicit forms of work for a lower pay than the lawful gross wage including social charges, they will attract employers who would actually be prepared to pay lawful remuneration to get the job done. The circumstances may be illustrated as in fig. 3, in which the blackened field represents the part of the black sector which competes with the white, whereas the dotted field still illustrates the non-competitive production in the black sector.

In practice, of course, one cannot make this distinction between competitive and non-competitive production. Who can say whether the small houseowner who has agreed with an "unregistered" worker on an hourly rate gross = net of SEK 100 would have been prepared to go as far as SEK 136 or more to get a repair done? Consequently legislators, trade organizations, trade unions

and other who discuss measures against the black sector assume that all "unregistered" workers entail disloyal competition in relation to the white sector.

In the black sector the risk of detection is decisive factor. Craftsmen, consultants and other who engage in illicit forms of work often choose to work singly although it might perhaps be more profitable for them to link up with others in a larger enterprise. The risk of detection similarly prevents a company from growing and making use of the advantages of large-scale operations and modern technology. Nor can the black sector advertise in newspapers or the telephone directory or close to its sales point. Marketing must instead be done through personal contacts, which involves relatively high sales costs.

Far from all in the black sector are skilled workers; on the contrary there are many amateurs who wish to earn money by painting, carpentering, etc. When their lack of skill is revealed in the results of their work, the customer has difficulty in getting redress. No legally tenable long-term delivery and guarantee undertakings are given. The quality of goods and services is therefore lower in the black than in the white sector.

It may thus be recognized that the black sector often employs forms of organization, production and marketing methods, and forms of agreement that are advantageous to it from the point of view of the risk of detection but are national-economically ineffective.

The effects of the black sector outlined above have related mainly to situations when white and black enterprises compete with the same goods or services. But the white sector is affected also in spheres which are not directly exposed to competition from the black. If, for example, an extensive black market in the restaurant trade leads to artificially low prices for restaurant guests, the result may be a shift in the consumption pattern from, for example, clothing purchases to restaurant visits, which may lead to relatively effective white enterprises in the

textile trade being driven out of the market.

The total marginal effect of different taxes and charges on the extra income of an average income-earner in 1980 was 74 %. This means that the gross output from 1 hour's work in the white sector in that year was four times as much as that from a marginal hour's work in the black sector. The consequent transfer of working time from the white to the black sector entailed considerable losses to the national economy.

To sum up, one may say that the competitive part of the black sector does not increase employment. It leads to clearly reduced state revenues. Black-market enterprises oust relatively speaking more effective enterprises in the white sector and, through their relative inefficiency, lower the total consumption and production in the country. For the same reason they increase real consumer prices and lower the average quality of consumption. In brief: the competitive part of the black sector leads to reduced welfare.

##### Distribution of incomes and wealth

The efficiency losses entailed in the taxation system are the price we pay in order, among other things, to be able to influence the distribution of incomes and wealth among the citizens. It is then fairly obvious that the government and parliament cannot accept the growth of a black sector which frustrates these distribution policy efforts. Tax evasion leads to a redistribution of tax payments to the benefit of persons with unrecorded income and to the detriment of other taxpayers. The losers are those who record all income and who do not directly or indirectly benefit by cheap black-market goods and services. An income distribution which sets a premium on dishonesty is obviously unacceptable.

##### Planning of the economy

When the black sector grows more quickly than the white, it is difficult to estimate the rate of inflation. For the price level is lower in the black sector. Assume that the price indices in the white and black sectors are 100 and 80 in one year and 120 and 96 the next. Both sectors have accordingly had 20 % inflation. But if, in the same time, the black sector has grown from 10 to 20 % of the gross domestic product (GDP), the total economy has had an inflation rate during the year of only 17.5 %.

In the same way unemployment will be overestimated when some unemployed engage in illicit forms of work.

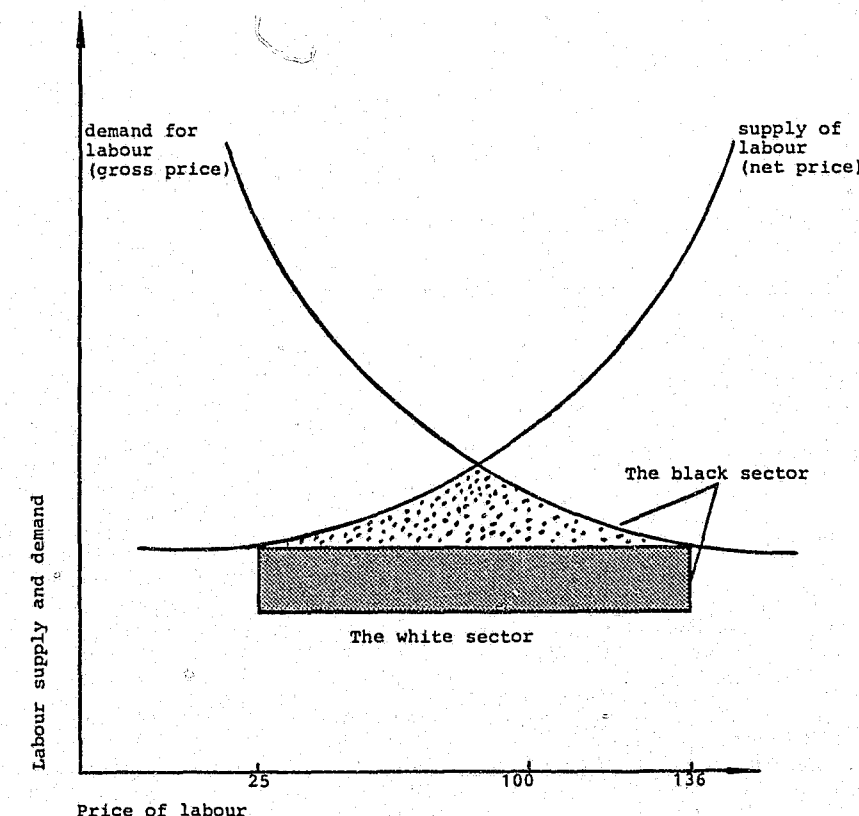
But there is then a risk of a wrong economic policy in that the government adds to inflation by expansive measures to get to grips with an unemployment that is lower than supposed.

##### Public morality

The black sector has negative effects on the efficiency of the national economy. It also has unintended and arbitrary effects on the distribution of income and purchasing power and thus counteracts the intended redistribution by means of the systems of taxes and allowances. It also complicates efficient combating of unemployment and inflation.

But, above all, the black sector inculcates the view that the taxation system is unfair. This can have negative effects on tax morality, on the confidence in the political system, and on the social solidarity at different levels of the society. It is probably here that the chief arguments against the black sector lie.

Figure 3





## 6. The extent and trend of tax evasion and the amount of tax losses

In the course of the years many attempts have been made to calculate the extent of the black sector in Sweden. Quite obviously, however, any calculation of the hidden economy must meet with great difficulty. By adopting several different methods and comparing the results between them and with similar investigations abroad one can nevertheless get an idea of its size and possibly, too, of its development over time.

The figures customarily adduced in the Swedish debate have been arrived at by calculations based, for instance, on quantity of money, replies to interviews, recorded working hours, tax offences brought to the notice of the police, and the national accounts.

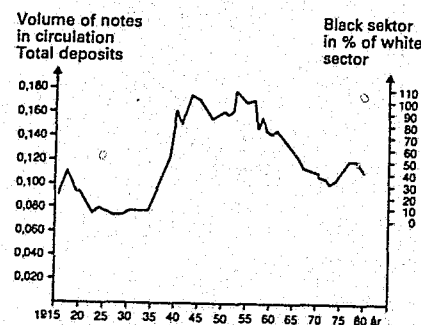
### Quantity of money (monetary method)

In 1978 Björkman published an article in "Veckans affärer" that attracted much attention, in which he maintained that the black sector represented 10 % of the GDP, i.e. had a turnover of about SEK 40 billion. He used the volume of notes in circulation as basis for his calculations. The method relies on four fundamental assumptions, all of which on good grounds can be questioned: (1) the black sector uses exclusively bank-notes as means of payment, (2) in the interwar years there was no black sector in Sweden, (3) in the white sector the ratio between the quantity of notes in the hands of the public and the public's total bank deposits is constant over time and (4) the velocity of bank-note circulation is the same in the white and black sectors.

An attempt to reconstruct Björkman's calculations is made in fig. 4.

Figure 4

Development of volume of notes in circulation in relation to bank deposits and the estimated black sector in proportion to the white sector, 1915-1978.



Source: Hansson. Beräkning av skatteundandragandet i Sverige p. 28.

The hidden economy would thus have been percentually highest at the beginning of the fifties, thereafter falling markedly up to the mid-seventies - an improbable development to say the least. No importance can therefore be ascribed to Björkman's calculation when attempting an overall estimate of the size of the black sector in Sweden.

### Field survey

The Swedish Institute of Public Opinion Research (SIFO) has repeatedly investigated the extent and distribution of tax evasion by means of field surveys. Such surveys have probably a strong tendency to underestimation. There is, in fact, no reason to expect a greater truthfulness among respondents than

in annual income tax returns. One may also count upon a systematic drop-out in that persons closely associated with the black sector refuse to be interviewed.

Two of SIFO's surveys contain questions with interval responses concerning the amount of income from illicit forms of work. The questions, however, cover only certain types of such income. The answers indicate illicit income corresponding to 0.4-0.5 % of the GDP. This is in all probability a much to low figure.

### Recorded working hours

If recorded working hours are below normal, the difference may be due to black-market work. On the basis of this assumption Myrsten has estimated the extent of black-market work in the building trade. He estimates it at 30 % of recorded working hours in the painting trade. Corresponding estimates for other trades gave 10 % for builders (wood and concrete), 16 % for plumbers and 25 % for electricians. For the whole building sector black-market work was estimated to amount to 15 % of the recorded and taxed working hours.

Applying the same method to three large building firms, Kjell Olsson of the Associated General Contractors and Housebuilders of Sweden estimated black-market work to amount to 10 % of recorded working hours in the building industry.

These results have been used for estimating the proportion of unrecorded income. If the price per hour's work in the black sector is 60 % of that in the white, unrecorded income amounts to 6-9 % of recorded income in the building industry and building trade.

The proportion for the black sector is in all probability higher for building than for the economy as a whole. A figure of 6-9 % would then be an upper limit for the proportion of the black sector in relation to the GDP.

In a SIFO survey in 1980 about twice as many of those interviewed in the building trade acknowledged that they had done illicit work in the past year compared with all respondents. The figure of 6-9 % unrecorded income in the building sector would thus correspond to 3-5 % unrecorded income in the economy as a whole.

### Tax offences brought to the notice of the police

The aforementioned AMOB report contained the following statement:

"A figure which the Group considered to be of interest in the context is the earnings of different kinds (income, profit etc) that are annually withheld from taxation through tax evasion of a systematic type in different economic activities. Solely the detected cases which fulfil these criteria amount to a total of SEK 500-1 000 million per annum. At the same time it is known that many of these cases are detected by mere chance. The risk of detection would seem to be extremely low and in some areas of considerable economic importance there are at present no means of state control. If a cautious estimate of this risk is put as high as 5-10 %, the minimum amount of tax evasion would be SEK 5 billion and the maximum amount 20 billion. The actual amount is probably somewhere between these two figures."

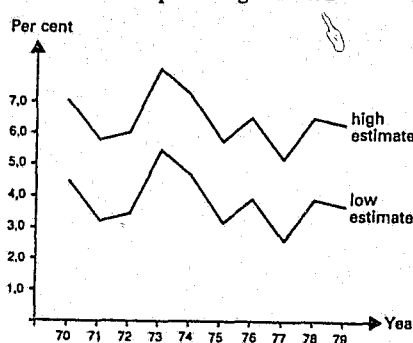
As appears from the quoted statement, the estimate is very uncertain. Nor does it include minor tax evasion by individual employees, etc. An amount of SEK 5-20 billion represented 1.4-5.4 % of the GDP in 1977.

### The national accounts

Hansson has calculated the black sector as the difference between total use of income for consumption, savings, taxes, etc, on the one hand, and the total recorded income calculated from tax statistics. The result of his calculations for 1970-1979 is shown in fig. 5. According to the high estimate the proportion of the black sector in relation to the GDP varies between 5.2 and 7.7 %, average 6.4 %. The low estimate varies between 2.8 and 4.9 %, average 3.8 %.

Figure 5

Black sector as percentage of GDP



Source: Hansson, Skatteundandragandet i Sverige

### An overall assessment

Hansson uses the surveys reported in Section 6 to make an overall assessment of the size of the black sector in Sweden.

In this assessment the calculations for households, family enterprises and voluntary associations based on the national accounts are ascribed a very great weight, since the method appears reliable compared with the other methods. The estimate that the black sector constitutes 3.8-6.4 % of the GDP is therefore taken as the basis for calculating a weighted average of the various results.

SIFO's and the National Police Board's estimates of 0.4-0.5 and 1.4-5.4 % are partly explained by a narrower definition of the black sector. These low figures and the estimate of 3-5 % based on Myrsten's and Olsson's calculations, together with the rather lower estimate based on the Central Bureau of Statistics' (SCB's) income distribution survey, indicate that the high estimate from the national accounts, 6.4 %, is altogether too high.

A weighted assessment of the black sector excluding certain illegal activities and barter therefore results in the estimate that unrecorded taxable income amounted to 3.8-5.5 % of the GDP at the end of the seventies and beginning of the eighties. For 1980 this corresponds to SEK 20-29 billion or SEK 3 300-4 800 per adult in Sweden. As will have been apparent, this estimate contains a large degree of uncertainty.

About 95 % of all income would thus be reported to the tax authorities. It seems as though the Swedish tax system is in such case greatly better than its repute.

Finally, the 5 % of income which evades taxation is no measure of the tax criminality in our country. For it must be reckoned, for instance, that part of the loss is due to excusable forgetfulness and the like, and is thus not punishable.

### Comparison with other countries

The estimated Swedish black sector (3.8-5.5 % of GDP) is of the same order of magnitude as most estimates for other countries based on non-monetary methods.

### Trend of the black sector

It is a common notion in Sweden that the black sector is continuously growing. Fig. 5, however, shows a roughly constant black sector in relation to the GDP during the seventies. As the same method was used for collection and analysis of the data, one can expect the same type of faulty estimates at the beginning and end of the seventies. Its constancy therefore appears comparatively reliable.

There are also certain circumstances which may explain the constancy of the black sector in relation to the GDP.

Total taxes have risen during the postwar period. The total marginal effect of income tax, employers' contributions, VAT and other indirect taxes, and income-dependent welfare grants, have increased from 48 % in 1952 to 75 % in 1980 for a constant real income of SEK 60,000 measured in the 1979 value of money. This may be presumed to increase the black sector.

During the seventies the resources of the police and the tax authorities for tax inspection were increased. The 1976 Act relating to the keeping of Books of Accounts, moreover, brought an extended bookkeeping obligation. These extended means of control may have had a diminishing effect on the black sector.

The proportion of employees in the public sector and in large companies increased during the seventies. The internal audit exercised by such employers enforces a relatively accurate recording of income and expenditure. It becomes more difficult to deliver wrong information to tax authorities if persons without close association with the owners are involved. This suggests that tax fraud as proportion of the value added must be comparatively limited in large companies and the public sector. The increased proportion of the value added for large companies and the public sector may therefore have damped the growth of the black sector.

People's general evaluation of public expenditure and confidence in the political system and its decision-makers are also considered to influence the extent of the black sector. A diminishing confidence in politicians would thus result in a growing black sector. But it is not clear what effect this factor has had on the development of the black sector during the seventies.

It is worthy of note that the distribution of unrecorded income may, of course, change. A growing proportion of illicit work in building, for example, may be offset by less tax evasion in other sectors of the economy. Through such changes in the distribution of unrecorded income a constant black sector in relation to the economy as a whole may be compatible with its increased competition often testified to in certain trades.

### Amount of tax losses

A black sector, as noted, causes a loss of taxes to the state and to local government. If all income were recorded, this would effect both prices and quantities of the goods and services produced in the black sector. If black-market work disappeared entirely, part of this work (the competitive part of the black sector in fig. 3) would be transferred to the white sector. The prices for this work would then rise, since they would have to cover also taxes and social charges. Raised prices increase taxable incomes. The taxable incomes in the white sector become, in other words, greater than unrecorded income would have been for corresponding work in a black sector.

A fall-off in the black sector would, however, also have the effect that some work was not done at all or was done as untaxed do-it-yourself work (the non-competitive

part of the black sector in fig. 3), so damping the increase in taxable income.

Hansson assumes a price rise of 70 % in combination with a 50 % decrease of volume. This would increase the tax basis by  $1.70 \times 50 = 85$  % of the present black sector.

Hansson also assumes that the effect of the price rise exactly corresponds to that of the decreased volume, so that the new prices multiplied by the new volumes are equal to the earlier prices multiplied by the earlier volumes. The increase of the tax basis is then equal to the present black sector, i.e. the tax basis increases by, say, 3.8-5.5 % of the GDP. This assumption is, of course, very uncertain. If the product of prices and volumes instead diminishes by 10 %, the loss is 10 % less, and so on.

For calculation of the loss of taxes an assumption is required also as to how much of this amount would have accrued to state and local government through higher taxes and lower allowances. Hansson's calculations are based on the rough assumption that the above-mentioned estimate of income from income tax returns applies also to employers' contributions, indirect taxes and income-dependent allowances.

Hansson reckons on a marginal effect of 70 %, which, for a hypothetical increase of the tax basis by 3.8-5.5 % of the GDP, gives a tax loss of 2.7-3.9 % of the GDP through the existence of a black sector, excluding certain barter, drugs, etc. This corresponds to SEK 13.8-20.0 billion or SEK 2 300-3 300 per adult in Sweden in 1980.

If this hypothetical increase of tax revenue were used for lowering the taxes in the white economy, the proportion of taxes in relation to the GDP would fall from about 55 % to 51-52 %. The estimated unrecorded taxable income would therefore not be sufficient to cause any appreciable reduction of the average tax level for recorded income even if - which may be ruled out in practice - the black sector were to be completely eliminated.

## 7. Measures against economic crime

It is hardly meaningful to attempt to explain economic crime with reference to mental or other defects in individuals. If one, instead, assumes that crime is rational behaviour and that there is more that unites than separates criminals and non-criminals, one acquires an entirely different angle on crime-prevention work. Attention is then directed rather to the environment in which the crime takes place and on the immediate circumstances surrounding it.

One is forced to recognize, however, that certain "situational" circumstances that are probably of extreme significance for economic crime are largely unchangeable.

For offences against currency regulations, for example, the great and often recurring changes on the international foreign exchange market have a decisive importance. But the international foreign exchange market cannot be regulated solely out of consideration for the Swedish interest in preventing currency offences in our country.

Debtor offences increase in times of recession. Many firms postpone bankruptcy too long in the hope of better times and of rescuing their own and their employees' situation. But little Sweden with its dependence on other countries has no control over international economic cycles.

The economic crime that is linked to real estate business flourishes in times of rapid changes in the value of money, when capital flows to property with a stable value. But inflation is roughly as difficult to combat as

economic crime and for that matter entails almost as great, unjust redistributions of wealth as the latter. Inflation should be combated for stronger reasons than that it promotes economic crime.

In the preceding account it has been mentioned that the transition to large-scale operations in, for example, the retail trade and agriculture is considered to have reduced the scope for economic crime in the form of tax-free withdrawals from one's own business. But such structural changes in the Swedish economy cannot be forcibly brought about out of consideration for prevention of tax offences - other interests are of much greater importance in this context.

Up to the very last few years the development in Sweden has been towards an increased public sector. Civil servants have comparatively small possibilities of, for example, tax evasion. Our extensive social insurance systems - the general supplementary pensions scheme, health and dental insurance, etc - have operated in the same direction. A person must record correct income in order to receive a reasonable pension, sickness benefit, etc. But the present budget deficit makes it improbable that the number of civil servants will increase further and we cannot at present afford any social reforms.

On the whole it must be assumed that no major steps can be taken to get to grips with economic crime, or with crime in general. Major measures have such wide effects on the society that they require altogether other, politically stronger motivation than merely that they constitute a more effective means for combating crime.

There is thus no universal remedy against economic crime. But Swedish experience supports the view that every type of economic crime can be forestalled through measures designed to combat that particular type. At the same time it may be recognized that practically every measure that is effective against such crime has negative side-effects, e.g. in the form of what many regard as an encroachment on individual privacy. The Swedish debate on linking of different data registers testifies to this.

## 8. Concluding remarks

In the heyday of mercantilism governments tried in different ways to introduce detailed regulation of industry and commerce. The result was, to a certainty, extensive economic crime. The more regulations, the more infringements of them.

The break-through of liberalism in the 19th century, which led to a greater acceptance of market economy principles and the introduction of free trade, etc, should therefore have had the effect of reducing economic crime.

At the end of the Second World War, when the coalition government in Sweden resigned, a very vehement debate arose as to whether we should have a planned or a market economy. The dividing line ran between the socialist parties on the one hand and the liberal and conservative on the other. The result was a typically Swedish one: we chose a mixed economy. A lot of market economy and a little planned economy.

Thirty years after the debate on planned economy a debate on criminal policy with regard to economic crime ensued in Sweden. Criminal policy issues do not normally cause party divisions in our country. But in the debate on economic crime the socialist parties have taken up a stand against the liberal and conservative. The discussion runs in criminal policy terms, but it is questionable whether it would not be more correct to characterize it as a covert debate on planned economy. In the last resort the discussion relates to power over the economy.

## Survey of legislation against organized and economic crime

- 1978:1 Receiving of stolen goods
- 1978:2 Auditors' work
- 1978:5 Organized and economic crime. Forms and guidelines for a review of the legislation
- 1978:6 Proposals concerning precedence rules in certain taxation cases
- 1978:7 Examination of grounds for prosecution for infliction of bodily injury, etc
- 1979:4 Gambling
- 1979:5 The Companies Act — reinforced protection of tied-up capital, etc
- 1979:6 Criminalization of pollution of the environment, etc
- 1979:7 Search for stolen motor vehicles
- 1979:8 The legal profession (authorized activities)
- 1980:1 The liquidation procedure under the Companies Act
- 1980:2 Taxation of interest-free loans
- 1980:3 Taxation of foreign transactions
- 1980:4 Exchange of information between public authorities A situation report
- 1980:6 Government purchasing
- 1981:1 Bookkeeping offences
- 1981:2 Illegal cattle dealing
- 1981:3 Hidden economy, control level and public morality
- 1981:4 Abuse of the tax collection system by taxpayers
- 1982:1 Tax offences and tax cases
- 1982:2 Drug crimes
- 1982:4 Taxation of certain profits on shares on removal abroad, etc
- 1982:5 Recovery rules in bankruptcy cases
- 1982:6 Exchange of information between public authorities. Draft statutes
- 1983:1 Usury
- 1983:6 Tax collection offences by taxpayers. Measures against such offences

## Reports, memoranda and communications of the Eco Commission (unless otherwise indicated, the communications are addressed to the Government)

- 1983-03-02 Proposal concerning increased admissions to public prosecutor service
- 1983-04-27 International cooperation in combating of economic crime
- 1983-05-27 International cooperation against tax offences and tax evasion
- 1983-07-27 More effective company auditing (SOU 1983:36)
- 1983-08-16 Reinforcement of police resources for combating economic crime
- 1983-08-16 Improved control of exports (customs resources)
- 1983-08-22 Control of advisers (SOU 1983:41)
- 1983-08-29 Control of suppliers (DsJu 1983) (Limitation of secrecy regulations)
- 1983-09-07 Dummy-owner Act (SOU 1983:46)
- 1983-09-23 Research on economic crime
- 1983-09-23 Proposed measures in school-teaching to counteract economic crime
- 1983-10-18 Re fees in minor bankruptcies (to the National Courts Administration)
- 1983-10-25 Proposed terms of reference for commission of inquiry into personal responsibility for company liabilities
- 1983-11-02 Recovery in bankruptcy (SOU 1983:60)
- 1983-11-02 Debtors' offences. A review of chap. 11 of the Penal Code with proposed amendments (DsJu 1983:17)
- 1983-11-23 Taxation on removal abroad, etc (DsJu 1983:18)
- 1983-12-22 Better coordination in the taxation and foreign exchange field - Improved foreign exchange control (DsJu 1983:20)
- 1984-01-03 Companies' submission of particulars for taxation purposes (SOU 1983:75-76)
- 1984-02-13 Courts of law and economic crime (the legal process), SOU 1984:3
- 1984-02-13 Education in the judiciary concerning economic crime
- Feb.-March Company fines, SOU
- Feb.-March Trade licences, SOU
- March Final

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**END**

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