

Do Financial Misconduct Experiences Spur White-Collar Crime? *

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Abstract:

We use individual police records on criminal activity to investigate whether personal experiences with financial misconduct spur white-collar crime. Experiences with financial misconduct derives from individuals holding accounts at distressed banks where executives are prosecuted for misconduct. We show that individuals with such experiences are two to three times more likely to be convicted of white-collar crime themselves, compared to similar customers of distressed banks where the financial supervisory authority did not press charges. Our results are driven by the extensive margin: the increase in white-collar crime is caused almost exclusively by customers who had no prior history of criminal activity.

JEL Classifications: K42, D03, D14, G11,

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