

THE PENNSYLVANIA STATE UNIVERSITY
SCHREYER HONORS COLLEGE

DEPARTMENT OF CRIMINOLOGY

AN EXAMINATION OF THE GENDER GAP AND GENDER PROFILE IN FEDERAL
TRADE COMMISSION BUREAU OF CONSUMER PROTECTION VIOLATIONS

KRISTEN SWANTEK
SPRING 2019

A thesis
submitted in partial fulfillment
of the requirements
for baccalaureate degrees
in Criminology and Security and Risk Analysis
with honors in Criminology

Reviewed and approved* by the following:

Darrell Steffensmeier
Liberal Arts Research Professor of Sociology and Criminology
Thesis Supervisor

Stacy Silver
Director of Undergraduate Programs in Sociology
Honors Adviser

* Signatures are on file in the Schreyer Honors College.

ABSTRACT

In 2017, the Federal Trade Commission (FTC) helped to return close to \$8 billion to US consumers who had fallen prey to various financial frauds. Despite the wide and far reaching effect of these frauds, there is a lack of research on gender and the nature of the defendants who commit them. This thesis therefore aims to address the missing information by examining federal commerce and trade violations that fall under the Bureau of Consumer Protection within the Federal Trade Commission (FTC/CP). This thesis collected data from press releases and court documents found on the FTC website in order to examine the extent of female involvement, the gender gap, and within-sex profiles for the defendants who operate these schemes. Examining the relationship between gender and level of involvement in the fraud; gender and the organization of fraud incidents (solo male, all male, solo female, all female, and mixed-gender); gender and the role played in the mixed-gender frauds; and gender and the amount of restitution the defendant is ordered to pay, this study aims to answer the questions: (1) What effect does gender have on the level of involvement in Federal Trade Commission Bureau of Consumer Protection violations? (2) What effect does gender have on the organization of the offending group (solo male, all male, solo female, all female, or mixed-gender)? (3) What effect does gender have on the roles that women play in mixed-gender incidents of FTC/CP financial fraud? And (4) What effect does gender have on the amount of restitution the defendants were ordered to pay? After coding and analyzing the data, the findings indicate that males were much more likely than females to be involved in FTC/CP financial fraud with women comprising only 20.6% of all offenders. Women, compared to men, were more likely to commit financial fraud in mixed-gender offending groups instead of as a solo offender or in all-female groups; 90.5% of all

female offenders worked in mixed-gender groups compared to only 40% of all male offenders. Male defendants were involved in 96% of all cases as compared to 80% of all defendants. The study also found that women were less likely than men to play the ringleader in mixed-gender incidents with women comprising only 10% of the ringleaders in mixed-gender groups. Finally, women were more likely to pay less restitution for their frauds compared to males with 29.2% of males paying more than 15 million compared to only 15% of females. The findings were mostly consistent with previous studies, notably, research by Steffensmeier and colleagues that investigated the effects of gender on involvement in corporate financial fraud. This thesis concludes by examining the limitations posed on the study as well as suggestions for additional research.

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ACKNOWLEDGEMENTS

I would like to first acknowledge and extend my utmost gratitude to my thesis supervisor, Dr. Darrell Steffensmeier, who has played a vital role in guiding and supporting me throughout my research and who without, this thesis would not be possible. My gratitude also goes to Dr. Stacy Silver, who has been a patient advisor, assisting my thesis from its beginning until its submission. I would also like to thank my amazing and supportive parents Kathy and Len Swantek, who continue to push me to be the best I can be. Finally, I would to thank my CRIM 480 class, because even after the class had ended, we stuck together and supported each other through our respective thesis processes.

Chapter 1

Introduction

In 2017, the Federal Trade Commission (FTC) returned over \$543 million to American citizens who had fallen prey to various scams and fraudulent business practices. An additional \$7.47 billion was returned directly to citizens by the FTC defendants in that year alone. With 2.2 million Americans receiving compensation for these frauds in 2018, the scope of these offenses is wide and far-reaching (Federal Trade Commission, n.d.) Unfortunately, there is a scarcity of research on the nature of these Federal Trade Commission violations.

This thesis addresses this gap by investigating the relationship between gender and financial fraud by examining federal commerce and trade violations under the Federal Trade Commission's Bureau of Consumer Protection (FTC/CP). These violations generally consist of advertising and marketing fraud, telemarketing fraud, and financial practices fraud. This thesis examines the relationship between defendant's gender and level of involvement in fraud; gender and the organization of fraud incidents (solo male, all male, solo female, all female, and mixed-gender); gender and the role played in mixed-gender frauds; and gender and amount of restitution the defendant is ordered to pay. Overall this thesis aims to assess the extent of the gender gap in FTC/CP financial fraud and develop a gender specific profile of male and female offenders who commit FTC/CP violations.

The data for this study comes from court documents and press releases from the Federal Trade Commission (FTC) as based on cases investigated by the FTC's Bureau of Consumer Protection. The Federal Trade Commission is a United States federal agency charged with

preventing unfair and deceitful business practices as well as ensuring the United States' economy maintains competition and no companies successfully form a monopoly. The FTC was first created in 1914 under the Federal Trade Commission (FTC) Act. This act gives the FTC the legal power and authority to investigate and prosecute individuals who violate any laws that fall under the FTC Act. This study only examines cases that fall under the FTC's Bureau of Consumer Protection. This Bureau is tasked specifically with investigating and civilly prosecuting companies and individuals who operate deceptive and fraudulent businesses (Federal Trade Commission, n.d.). By civilly prosecuting individuals, the defendants do not face any jail time but instead were forced to pay monetary compensation for their violations, known as restitution, and were often barred from operating any businesses related to their initial violation. For more on the Federal Trade Commission, see **Chapter 3: Data Source**.

Chapter 2

Background

To understand why this research is important, key relevant empirical studies on the relationship of gender to involvement in federal financial fraud and corporate/organizational fraud first need to be examined. This chapter contains relevant information on the shortage of information on gender and financial fraud, explains the scarcity in available databases, contains a review of two main empirical studies on gender and financial fraud, and concludes with this study's research questions and hypotheses.

Scarcity of Databases on Gender and Fraud

The first problem that researchers often encounter when examining the relationship of federal financial fraud and gender is a lack of databases. Researchers will occasionally choose to use the Uniform Crime Report (UCR) as the dataset for their studies. The UCR is an annual FBI report with arrest statistics from across the United States on the state, county, and city level (Federal Bureau of Investigation). However, research conducted by Steffensmeier in 1989 shows that the UCR arrest data has almost nothing to do with occupational fraud. The UCR shows arrest data for several property crime offenses; larceny-theft, fraud, forgery, and embezzlement (Federal Bureau of Investigation). However, these categories include offenders who have not committed an occupational offense. Instead, persons arrested for these crimes typically commit shoplifting, check or credit fraud, government benefits fraud, or other related

minor thefts and frauds that are not occupationally-based. For example, someone arrested for check fraud, a nonoccupational offense, will be included in the arrest data for fraud under the UCR. Steffensmeier argues that using this UCR data as an indicator of occupational fraud is flawed, and therefore should not be used (Steffensmeier 1989). Steffensmeier's research is what led this study to choose the Federal Trade Commission as the source of data to be analyzed.

The Gendered Paradigm Approach

There are many different criminological theories that attempt to explain why people commit crimes, their pathways to offending, and what causes people to re-offend. For example, Sutherland's differential association theory focuses on the messages people are exposed to that are both favorable and unfavorable towards crime (Holtfreter, 2015). Because women are generally exposed to less crime favorable messages compared to men, it stands to reason that women are involved in less crime. This holds true for every crime except prostitution, at which women offend at higher rates than men (Steffensmeier and Allan, 1996).

This thesis focuses instead on a gendered approach to offending developed by Steffensmeier and Allan as well as a theoretical framework developed by Steffensmeier, Schwartz, and Roche. The gendered paradigm approach developed in 1996 suggests that one should focus on five areas that encourage male offending but discourage female offending; biological factors, context of offending, motivation for offending, organization of gender, and criminal opportunities (Steffensmeier and Allan 1996). The paradigm suggests that a woman's sexuality will limit her criminal opportunities within a group, social control will prevent her from taking risks associated with offending, gender norms will drive her to be more nurturing and

keep her from offending, and her higher moral development will restrain her from violence (Steffensmeier and Allan 1996).

The theoretical framework developed by Steffensmeier, Schwartz, and Roche in their 2013 study on gender effects on involvement in corporate financial fraud builds off of the 1996 gendered paradigm. The framework has two parts: socialization and focal concern difference between genders, along with gendered opportunity differences. According to the gendered focal concerns and socialization themes, women are socialized to have nurturing roles, cooperative social relationships, and moral virtue. Men are socialized to value individualism, public achievement, and success with women (Steffensmeier et al 2013). Women are “socialized to an ethic of care – to be more responsive to others’ needs and to fear separation from loved ones” (Steffensmeier et al 2013, 452). Women generally have a more ethical approach to business while men are socially conditioned to be independent, competitive, and risk taking. Stereotypically, the “separation between what is feminine and what is criminal is sharp, whereas the dividing line between what is masculine and what is illegal is often thin” (Steffensmeier et al 2013, 452).

Women and men also have different opportunity structures, especially as related to opportunities for corporate financial fraud. Women still have limited access to high level executive positions within corporations. However, their numbers are growing in mid-and lower-level positions (Steffensmeier et al 2013). This suggests that women, if involved in corporate frauds, are likely to be involved on a lower level than their male counterparts. However, women also face challenges entering into criminal groups as they are often excluded from male networks within the workplace and the business or corporate world (Steffensmeier et al 2013). Women have access to two different opportunity structures for corporate fraud involvement that require

her to be, “suitably located or situationally available for participation in a scheme...[and] suitably defined or recruited to participate in the activity by those running the scheme” (Steffensmeier et al 2013). These networks include those that are responsible for conspiracies, thereby limiting women’s workplace involvement in occupational fraud. The women who are able to access the necessary opportunity structures for occupational fraud are still unlikely to operate at a high level (Steffensmeier et al 2013).

Both the gendered paradigm perspective and the gendered focal concerns and socialization framework both show that women have limited access to crime favorable messages, necessary opportunity structures, and high-level corporate positions, thus limiting women’s involvement in occupational frauds. As such, both perspectives have been used to aid in the development of this thesis’ research questions and hypotheses.

Literature Review

To my knowledge, at the time of this study, there was a scarcity of other empirical studies that examined the influence of gender on federal commerce and trade violations. For this reason, this literature review examines female involvement in other kinds of business or occupational or “white-collar” fraud. For the purposes of this study, business fraud and white-collar fraud are used interchangeably and defined as: fraud that is financial or economic in nature that takes place during the operation of a legitimate business (Steffensmeier et al. 2015).

This study focuses on two major studies that have investigated gender differences in involvement in business or white-collar fraud. One is a study conducted by Kathleen Daly in 1989 and the other is a recent 2013 study conducted by Steffensmeier, Schwartz, and Roche.

The first study, conducted by Daly, examined the nature of women's involvement in white-collar frauds (1989). In her study, Daly used a data set from Wheeler et al. (1982, 1988), that contained information on cases of fraud, embezzlement, and other white-collar frauds. The Wheeler et al. data set was created by collecting information of individuals convicted in seven federal district courts from 1976-1978. Wheeler et al also collected information from the presentence investigation report for the defendants (Daly 1989). **Table 1** shows the data from Daly's analysis research as derived from one of the main tables in her study.

Table 1: Daly (1989) – Offender Characteristics

| Fraud Type | Total N Offenders | N Males | % Males | Male Profile | N Females | % Females | Female Profile |
|-------------------|--------------------------|----------------|----------------|---------------------|------------------|------------------|-----------------------|
| Bank Embezzlement | 201 | 111 | 55 | 9.6 | 90 | 45 | 46.4 |
| Postal Fraud | 190 | 156 | 82 | 13.6 | 34 | 18 | 17.5 |
| Credit Fraud | 158 | 134 | 85 | 11.5 | 24 | 15 | 12.4 |
| False Claims | 157 | 133 | 85 | 11.9 | 24 | 15 | 12.4 |
| Tax Fraud | 210 | 198 | 94 | 17.2 | 12 | 6 | 6.2 |
| Bribe | 84 | 80 | 95 | 6.9 | 4 | 5 | 2.1 |
| Securities Fraud | 225 | 220 | 98 | 19.2 | 5 | 2 | 2.5 |
| Anti-Trust | 117 | 116 | 99.5 | 10.1 | 1 | 0.5 | 0.5 |
| Total | 1342 | 1148 | 86 | 100 | 194 | 14 | 100 |

Most important, of all 1,342 offenders in Daly's study, only 194 were women, making the female share of all offenders at only 14%. **Table 1** indicates the following: most offenders by far were male (86%) with males making up the majority of offenders in every fraud category: 55% for bank embezzlement, 82% for postal fraud, 85% for credit fraud and false claims, 94% for tax fraud, 95% for bribery, 98% for securities fraud, and 99.5% for anti-trust violations.

However, the female share in involvement in these financial frauds varies by type of fraud. Women were 45% of the offenders who committed bank embezzlement but only 0.5% of the offenders who were convicted of anti-trust violations. Female numbers were also extremely

low for tax fraud, bribe, and securities fraud, and moderately higher for postal fraud, credit fraud, and false claims.

Taken together, there are robust gender differences in the magnitude of involvement in convictions for tax fraud, bribe, securities fraud, and anti-trust fraud. These four frauds were considered more organized, more serious corporate frauds while the remaining four were considered “pink-collar” frauds, frauds that are lower-level, involve typical female-dominated jobs, and are the frauds that women commit more often (see Daly). Due to the lack of women convicted for the more serious frauds of tax fraud, bribe, securities fraud and anti-trust fraud, Daly focused the rest of her analysis on the four other minor offenses: bank embezzlement, postal fraud, credit fraud, and false claims.

Daly further examines the organization of the fraud incidents and the amount of money involved in the fraud. **Table 2** summarizes Daly’s findings of the organization of the fraud and role the offender played in the frauds in which there was more than one offender. She organized the defendant’s role in the fraud into three categories: worked alone, worked with others in a subordinate role, and worked with others in a primary role. There were also a few cases where the defendant’s role in the fraud was unknown, but they were removed from the analysis to better examine the overall figures.

Table 2: Daly (1989) Organization & Defendant's Role in Minor Frauds

| Role in Offending Group | N. Males | % Male | Male Profile | N. Females | % Female | Female Profile |
|--------------------------------------|------------|-----------|--------------|------------|-----------|----------------|
| Embezzlement | | | | | | |
| Worked Alone | 78 | 49 | 74 | 82 | 51 | 93 |
| Worked with Others: Subordinate Role | 15 | 83 | 14 | 3 | 17 | 3.5 |
| Worked with Others: Primary Role | 12 | 80 | 12 | 3 | 20 | 3.5 |
| Total | 105 | 55 | 100 | 88 | 45 | 100 |
| Postal Fraud | | | | | | |
| Worked Alone | 68 | 74 | 50 | 24 | 26 | 77 |
| Worked with Others: Subordinate Role | 33 | 87 | 25 | 5 | 13 | 16 |
| Worked with Others: Primary Role | 33 | 94 | 25 | 2 | 6 | 7 |
| Total | 134 | 81 | 100 | 31 | 19 | 100 |
| Credit Fraud | | | | | | |
| Worked Alone | 75 | 82 | 65 | 17 | 18 | 74 |
| Worked with Others: Subordinate Role | 21 | 88 | 18 | 3 | 12 | 13 |
| Worked with Others: Primary Role | 20 | 87 | 17 | 3 | 13 | 13 |
| Total | 116 | 83 | 100 | 23 | 17 | 100 |
| False Claims | | | | | | |
| Worked Alone | 71 | 85 | 59 | 13 | 15 | 59 |
| Worked with Others: Subordinate Role | 16 | 70 | 13 | 7 | 30 | 32 |
| Worked with Others: Primary Role | 33 | 94 | 28 | 2 | 6 | 9 |
| Total | 120 | 85 | 100 | 22 | 15 | 100 |

As shown in **Table 2**, women's roles varied by type of fraud. However, for every offense, the majority of both males and females worked alone, with one exception for postal fraud where 50% of men worked alone and 25% worked with others in a subordinate role or primary role. For embezzlement and credit fraud, women were equally likely to work in a subordinate or primary role while for postal fraud and false claims they were more likely to play a subordinate role. Most interesting, of the 88 women who committed embezzlement, 93% worked alone, higher than any other category for both men and women. *Daly was unable to conduct any further analysis on group composition as the dataset did not contain any information as to the gender composition of the co-offender fraud incidents.*

Daly was however able to analyze information on the attempted economic gain, or the amount of money the defendants attempted to gain from their frauds. From the data, Daly

concluded that across all the frauds, the men's gain was significantly higher. For embezzlement men gained ten times more than women, five times more for postal fraud, and two times more for false claims and credit fraud (Daly 1989). Daly concludes that the differences in economic gain may be that men were more likely to use organizational resources to commit their frauds (Daly 1989).

The second study, and the most important study for this thesis, was conducted by Steffensmeier and colleagues (2013) and examined female involvement and gender differences in corporate financial fraud. By creating a database of information from the United States Department of Justice (DOJ), the study examined 83 different corporate fraud cases with 436 offenders. Sparked by recent events in the Enron era of corporations, this study aimed to determine the level of women's involvement in corporate fraud, women's economic gain, women's role in the fraud, women's relationships with their co-offenders, and women's utility for corporate fraud (Steffensmeier et al. 2013).

After analysis, the researchers came to several conclusions. First, a large majority of the offenders were male (91%), and only 9% were female. The researchers then examined the effects of gender on the organization of the fraud (solo male, all male, solo female, all female, and mixed-gender). The researchers found no case of a solo female or all female offending groups. As shown in **Table 3**, mixed-sex groups accounted for less than one-third (29%) of offenses, while all male groups accounted for the majority of the frauds committed.

Table 3: Steffensmeier et al (2013) – Gender of Defendant and Role in Mixed-Sex Fraud Cases

| Defendant Role | All Male | | Mixed-Sex | | | | Gender Gap |
|----------------|------------|------------|------------|------------|-----------|------------|------------|
| | | | Males | | Females | | |
| | Number | Percent | Number | Percent | Number | Percent | % Female |
| Ringleader | 101 | 46 | 55 | 30 | 3 | 8 | 5 |
| Major | 74 | 34 | 57 | 31 | 7 | 19 | 11 |
| In-Between | 37 | 17 | 51 | 28 | 8 | 22 | 14 |
| Minor | 6 | 3 | 18 | 10 | 19 | 51 | 51 |
| Total | 218 | 100 | 181 | 100 | 37 | 100 | 9 |

Of the offenders in mixed-sex groups, 181 were male and 37 were female. Most notably, from these offenders, a large majority of the males were either ringleaders or played a major role. For females, the opposite is true; a majority played either an in-between or minor role (22% and 51% respectively). The female share of the ringleader role was the smallest (5%) followed by those in a major role and in-between role (Steffensmeier et al 2013). From this data, the researchers were able to conclude that women were more likely to play a minor supporting role in the offense.

The researchers then examined the profit difference between male and females in mixed-sex groups. A majority of the females (56%) made no or trivial profit, compared to a minority of men. Meanwhile, a majority of the men (62%) profited \$500,000 or more from their frauds compared with only 17% of the women. The gender gap was nonexistent among the lower profits but very large at the higher end of the profits, showing the women who commit corporate fraud will profit less than their male counterparts (2013).

Steffensmeier et al also examined the females' relational ties to the males in the mixed-gender group. These relational ties were evidence of the minor role women played in the frauds. One-third of the women were either a spouse or had a romantic affiliation to a male in the group, a majority were in a strategic position within the company, and about 75 percent of women's

involvement was due to pressure from a superior in the organization. The women's involvement in these frauds was due to either her strategic position in the company or her relational ties to a male conspirator, causing her to work in a subservient role and profiting less (Steffensmeier et al 2013).

Comparing both the Daly 1989 study and Steffensmeier et al 2013 study helped to shape the research questions posed in this thesis. Daly concluded that if women were involved in the fraud, they were more likely to participate in "pink-collar" or low-level frauds over higher level corporate frauds. Daly also concluded that the men's share of the frauds is more dispersed, making them equally likely to commit either low-level or high-level frauds. Steffensmeier et al also concluded that women were less likely to participate in high-level corporate financial fraud. The studies both concluded that women were likely to profit less than their male counterparts, and were more likely to play a minor role (Daly 1989, Steffensmeier et al 2013). Daly's study contained many cases of solo-female involvement while the Steffensmeier et al study had no cases of solo or all-female conspiracy groups. However, Daly was unable to conduct any further analysis on group composition. (Daly 1989, Steffensmeier et al 2013).

Comparison between these two studies is also difficult because they examine different levels of fraud. Daly's study uses data from convictions of low-level frauds such as income tax fraud, bribery, and credit fraud. Steffensmeier et al examines higher-level corporate frauds such as insider trading and Ponzi schemes. Daly's study also uses a looser definition of white-collar violations, allowing any kind of financial fraud (e.g. credit card fraud) to be included in her study, while Steffensmeier et al specifically examined data from the Corporate Fraud Task Force, focusing on high-level corporate fraud.

Research Questions and Hypotheses

This study aims to answer four different research questions: (1) What effect does gender have on level of involvement in FTC/CP violations? (2) What effect does gender have on the organization of the fraud (e.g. solo versus co-offender)? (3) What effect does gender have on the roles that women play in mixed-gender offending groups? (4) What effect does gender have on the amount of restitution the defendants were ordered to pay? To answer these questions, defendant and case characteristics examined in the analysis includes: defendant gender, type of violation, type of organization, number of defendants, defendant role in mixed-sex frauds, and amount of restitution the defendant is ordered to pay for the violation.

From prior empirical literature and theories, the four main hypotheses that were tested in this study were developed.

Hypothesis 1: Women are less likely to be involved in FTC/CP violations.

Hypothesis 2: Women defendants are more likely to be involved in mixed-gender offending groups than working alone or all-female groups.

Hypothesis 3: Women defendants are less likely to play the ringleader in mixed-gender offending groups.

Hypothesis 4: Amount of restitution defendants are ordered to pay will be less for women than men defendants.

Chapter 3

Data and Methods

Data Source

The Federal Trade Commission (FTC) is a United States' federal agency that works to protect consumers from fraudulent and deceptive business practices. The FTC has the exclusive authority to investigate and prosecute any inquiry as outlined in the FTC Act of 1914, which established the FTC as the federal agency to regulate United States' commerce. As such, the FTC's website contains open source information on all of the cases they prosecute through the Criminal Liaison Unit. The Criminal Liaison Unit works with prosecutors, other law enforcement, and the court system to investigate and prosecute individuals who have violated a provision of the FTC Act (The Federal Trade Commission, n.d.).

The data used for this study came from the Federal Trade Commission's *Bureau of Consumer Protection* (FTC/CP). The Bureau of Consumer Protection specifically works towards stopping unfair business practices while the other two bureaus, Bureau of Competition and Bureau of Economics, work to prevent anticompetitive mergers and report the financial impact of the FTC, respectively. However, the main goal of The Federal Trade Commission (FTC) and the Bureau of Consumer Protection is to prevent deceptive, fraudulent, and unfair business practices by conducting investigations, civilly prosecuting¹ those who break the law, and creating

¹ Civil law, also known as common law, is the branch of law that refers to non-criminal law. Cases prosecuted under civil law involve civil wrong doings such as breaking a contract, damaging property, or copyright infringement. When an individual is civilly prosecuted, they do not face any jail time, nor will they have a criminal record. Criminal cases are offenses against the state, such as murder or assault, in which the defendant will likely stand before a jury, have an attorney, and face some kind of jail time or other punishment. Because the violations under the FTC Act cannot be charged criminally, the FTC sues the defendants on behalf of the consumers, taking them to civil court to obtain restitution on the victims' behalf.

laws to maintain a fair marketplace. The FTC prosecutes cases when they receive official complaints from consumers about false advertising, telemarketing scams, and a variety of other deceitful business practices (Federal Trade Commission). All cases prosecuted under the jurisdiction of the Federal Trade Commission are publicly accessible through the FTC's website.

The main source of information for this thesis comes from FTC press releases. The press releases contain information delineating defendants' names, and a description of the fraudulent act. Information was also retrieved from court documents pertaining to the cases, also available on the FTC website, and contained the restitution amount and additional descriptions of the FTC violation.

Cases were taken from 2014 to 2017, using the following criteria: prosecuted under federal action, consumer protection, and named at least one individual as a defendant. The cases were looked at individually using the press releases and legal documents to gather complete information for each case. If the cases involved no specific individual defendants, they were excluded from the study. Cases were also excluded if they did not provide enough data to be considered useful. This included cases in which charges had not yet been filed or where appeals processes were ongoing. Cases that were still in progress at the time of the study were also included, although some of their data was missing or incomplete. This study was reviewed and approved by the Pennsylvania State University's Institutional Review Board.

Variables and Coding

In order to organize the data into useable variables, cases were organized by the FTC case number, the day on which they were last updated, and the state court where the case took place. A codebook was then developed that listed each variable and its corresponding values. The codebook can be found in **Appendix A: Code Book**. Information on case defendant and case characteristics was collected mainly from the press releases. The variables were determined through examining the court files, press releases, and through additional online researching of the case. The variables used in this study were: number of defendants, gender of defendant, gender composition and organization of the fraud, defendants' role in mixed-gender cases, type of FTC violation per prosecution, and amount of restitution.

FTC Case Number: The number assigned to the case by the FTC. This was used for ease of finding the case after coding, if further information was required.

Last Updated Date: This is the date the case was last updated. As some cases were still underway, this date was used to keep track of when the data was coded into the excel file.

Name of Case: The name of the case assigned by the FTC

Jurisdiction: The federal district court that had jurisdiction over the case and prosecuted the case.

Name of Defendant: The name of the defendant.

Number of defendants: This is how many individual defendants were named in the case. Names of organizations, companies, etc., were excluded from this number.

Name of Affiliated Company: The name of the company(s) that were also being prosecuted by the FTC during the case.

Gender: The gender of the defendant. When the gender of the defendants was not mentioned or implied, the gender was determined through additional online research. The variable was coded as (1) Male and (2) Female.

Gender Composition and Organization: Each case was coded in terms of its organization (solo versus multiple defendants) and its gender composition. The gender makeup and organization of the defendants in each case was coded as (1) Solo Male, (2) All Males, (3) Solo Female, (4) All Females, and (5) Mixed-Gender.

Defendant's role in mixed-gender cases: This is the role that each individual played in the violation. The role a defendant played in the FTC/CP violation was coded as (1) Ringleader, (2) Major Player, and (3) Minor Player. When the role the defendant played was not specified, the amount of restitution and additional online research was used to determine the role in the violation. The *Ringleader* is the defendant who was the leader of the offending group, the one who gave instructions and otherwise directed the actions of the group. A *Major Player* is someone who, while not directing the group, still played an

important role. This defendant was the most active in the group after the Ringleader. A *Minor Player* is someone who took a less active role in the fraud. This is someone who either participated part-time or from a distance. This defendant may have been in charge of more menial tasks such as mailing flyers or sending shipments.

Amount of restitution: If restitution was ordered, the exact amount labeled in the court document was recorded. This variable was later recoded for easier analysis as: (1) Under 500,000, (2) 500,000 – 1 million, (3) 1 million – 5 million, (4) 5 million - 15 million, (5) 15 million – 25 million, (6) 25 million – 50 million, (7) 50 million +, (99) Case still in progress, (0) No Restitution

Coding of the FTC/CP Violation

In the court documents, the exact legal code for each violation is given. Because of the complexity of these codes, and because sometime multiple codes were given, violations were instead categorized by their description. For example, 15 U.S.C. §§ 53(b) is the legal code for false advertisements; injunctions and restraining orders under Title 15 of the Federal Trade Commission Act (Cornell Law School). A description of each violation was developed based on the legal codes and information taken from the press releases. **Appendix B: Example Cases** gives an example of each type of case. Each case was sorted into the appropriate fraud category and offense based off of these descriptions and the primary offense committed. Overall, there were 611 defendants with 222 individual violations committed examined in this study.

Violation committed: Overall, there were 12 specific violations that were committed:

(1) False advertising, (2) Credit Card Scam, (3) Debt Relief Scam, (4) False advertising with Hidden Fees, (5) Telemarketing Scam, (6) Debt Collection Scheme, (7) Unauthorized Charges/Cramming, (8) Abusive Debt Collection, (9) Investment Scheme, (10) Business Opportunity Scam, (11) Mortgage Relief Scam, and (12) Other.

(2) Credit Card Scam: Consumers were contacted by someone offering to lower their credit card rate or help relieve them of credit card debt. When consumers give the requested information to the defendants, the defendants steal both money and credit card information from consumers, increasing the victim's debt.

(3) Debt Relief Scam: Defendants contact consumers offering to help them decrease their debt or lower their interest rates. Defendants convince consumers to give them an upfront fee and, in some cases, convince them to stop making regular payments on their debts. The defendants then never deliver on their promise and leave consumers in even greater debt.

(6) Debt Collection Scheme: Defendants contact consumers, typically through phone or mail, and attempt to convince them to pay the defendants debt that they do not owe. The

defendants will often claim to be affiliated with the federal government and threaten consumers with prison or police action if consumers do not pay them the fake debts.

(8) Abusive Debt Collection: Defendants who work for a debt collection agency, contact consumers, most commonly via phone, and threaten consumers to pay the debts they owe. In this instance, consumers do owe debts and the defendants were legitimate debt collectors. Defendants threaten the consumer with police action, prison, repossession, and other legal actions.

(11) Mortgage Relief Scam: Defendants contact consumers offering to lower or reduce their mortgage payments. Often times they will convince consumers to pay large fees and stop paying mortgage loans. This will cause consumers to default on their loans and gain greater debt. Defendants will then take the consumers' money and never deliver on their promise to lower mortgage payments.

(1) False Advertising: Defendants advertise and sell a product under false pretenses. For example, advertising and selling a pill for weight loss, claiming that by taking the pill will cause drastic weight loss. In reality, the pill is nothing more than a sugar pill and all claims surrounding the effects of the pill have been fabricated.

(4) False Advertising with Hidden Fees: Defendants advertise and sell a product under false pretenses. They then charge hidden fees for the product that were not previously

advertised. For example, advertising to consumers about a fake free government grant program and then charging consumers unknown fees to access the fake grants.

(5) Telemarketing Scam: Defendants contact consumers over the phone, often calling people on the National Do No Call Registry, offering fraudulent services or products to unaware consumers.

(7) Unauthorized Charges (Cramming): Defendants place unauthorized charges onto consumers bills. Also known as cramming, this occurs most often with scams involving office supplies and other regularly reoccurring bills.

(9) Investment Scheme: Consumers were tricked into signing up for a pyramid-scheme style program, and were promised that they can make easy money; as long as consumers were able to get other people to sign up for the programs. The defendants promise consumers that the more people they get to sign up, the more money they will earn, however consumers were often forced to pay-in to the program and never see a return or profit.

(10) Business Opportunity Scam: Defendants promise consumers that they can work from home and make easy money. They may force customers to pay an upfront fee for

work services and training, promising consumers that by participating in the training they will be able to make a large sum of money by working from their home.

(12) Other: Any violation committed that did not fit within any of the other categories and did not have sufficient frequency to warrant a creation of a new fraud classification. Some examples include computer virus scams, money recovery scams, and electronic buy-back scams.

Two Main Fraud Categories: Due to the high amount of different violations, the frauds committed were divided into two general categories to help interpret the high volume of data. These categories were (1) Deceptive Practices and Scams, and (2) Debt and Finance Related Violations. For the breakdown of frauds into each category (see **Table 5**). The Deceptive Practices and Scams category contains all violations related to fraudulent business practices or operations. The Debt and Finance Related Violations category contains all violations where defendants either targeted consumers with pre-existing debt or forced consumers to pay debts they did not owe.

Analysis Methods

The coded data were taken from its original format in Excel and reformatted into IBM's Statistical Package for the Social Sciences (SPSS). Analysis included frequency distributions and cross-tabulation tests comparing gender and the type of FTC/CP violation, the gender

composition of co-offending groups, the respondent's role in the fraud, and the amount of restitution.

The analysis included two main ways of comparing male and female involvement in FTC/CP violations. One is the gender gap or the female percentage of all offenders. This was calculated as:

$$\text{Gender Gap (Female Percent)} = \frac{\text{Female Count}}{\text{Total Count (All Males and All Females)}} \times 100$$

The other calculation is the within-sex profile percentage which is calculated for each sex separately. The profile percentage represents the percentage for only one gender within a certain type of fraud. The formula for profile percentage is:

$$\text{Female Profile Percentage} = \frac{\text{N Females offender for total and/or Fraud Type}}{\text{Total Female Cases}} \times 100$$

$$\text{Male Profile Percentage} = \frac{\text{N Males offender for total and/or Fraud Type}}{\text{Total Male Cases}} \times 100$$

Chapter 4

Findings

This chapter presents the findings from the analysis of the data as related to the four main research hypotheses: (1) Women are less likely to be involved in FTC/CP violations, (2) Women defendants are more likely to be involved in mixed-gender offending groups than working alone or all-female groups (3) Women defendants are less likely to play the ringleader in mixed-gender offending groups, and (4) Amount of restitution defendants are ordered to pay will be less for women defendants than male defendants.

Hypothesis 1

Starting with an analysis of the gender of defendants, **Table 4** shows a breakdown of defendant's gender by frequency and percent of all offenders. In total, there were 222 cases with 611 defendants: 485 males and 126 females. **Table 4** shows that males accounted for a majority of the population (79.4%) while females represented about two in ten of the defendants.

Table 4: Gender of Defendant

| Gender | Individual Defendants | |
|--------------|-----------------------|--------------|
| | Frequency | Percent |
| Male | 485 | 79.4 |
| Female | 126 | 20.6 |
| Total | 611 | 100.0 |

The next important variable to analyze is the violation type. Because there were 12 different types of violations, they were grouped into two categories to make analysis easier; Debt/Finance and Deceptive Practices/Scams. The Debt/Finance category includes: credit card scam, debt relief scam, debt collection scheme, abusive debt collection, and mortgage relief scam. The Deceptive Practices violations were: false advertising, false advertising with hidden

fees, telemarketing scam, unauthorized charges, investment scheme, and business opportunity scam and other. **Table 5** contains a classification of each type of FTC violation frequency as well as the gender gap for each violation.

Table 5: Fraud Frequency and Gender Gap by Defendants and Violation Type

| Fraud Category | Violation | Frequency | Percent | Num. Males | Num. Females | Gender Gap (%) |
|---------------------------|------------------------------------|-------------|-------------|------------|--------------|----------------|
| Debt/Finance | Debt Relief Scam | 70 | 11.5 | 48 | 22 | 31.4 |
| | Mortgage Relief Scam | 48 | 7.9 | 40 | 8 | 16.7 |
| | Debt Collection Scheme | 34 | 5.6 | 26 | 8 | 23.5 |
| | Abusive Debt Collection | 28 | 4.6 | 21 | 7 | 25 |
| | Credit Card Scam | 24 | 3.9 | 18 | 6 | 25 |
| | Total | 205 | 33.6 | 154 | 51 | 24.9 |
| Deceptive Practices/Scams | False Advertising | 121 | 19.8 | 97 | 24 | 19.8 |
| | Telemarketing Scam | 98 | 16 | 84 | 14 | 14.3 |
| | Business Opportunity Scam | 57 | 9.3 | 44 | 13 | 22.8 |
| | Unauthorized Charges | 51 | 8.3 | 38 | 13 | 25.5 |
| | Other | 49 | 8 | 41 | 8 | 16.3 |
| | False Advertising with Hidden Fees | 18 | 2.9 | 17 | 1 | 5.6 |
| | Investment Scheme | 13 | 2.1 | 11 | 2 | 15.4 |
| Total | 406 | 66.4 | 331 | 75 | 18.5 | |
| Total | Total | 611 | 100 | 485 | 126 | 20.6 |

Table 5 shows that the female share (gender gap) in offending varies by violation type. The smaller the female percentage (or gender gap), the larger the gap between male and female offending. Of all the violations, the gender gap was the largest for False Advertising with Hidden Fees (5.6%) and the smallest for Unauthorized Charges (25.5%). Overall, Deceptive Practices and Scams had the greatest gender gap at 18.5% while Debt and Finance violations had a gender gap of 24.9%. This shows that females were less likely to participate in deceptive practices and scams and were more likely to participate in debt and finance-based schemes.

Examining the debt-based violations, which were frauds where the defendants preyed on consumers who were in debt or tricked consumers into believing and paying debts they did not have, shows that debt frauds comprised about one-third (33.6%) of FTC offenses over the study

period. The most common violation for this category was Debt Relief Scams with 70 defendants and accounted for 11.5% of the violations.

The next part of the table breaks down deceptive practices and scams; where defendants tricked consumers into paying for fraudulent services or products. Overall, these scams accounted for two-thirds (66.4%) of the total violations. The most common fraud for this category and for this study was False Advertising at 121 defendants or 19.8% of all defendants. The second most common violation for this category and for the study was Telemarketing Scams, accounting for 16% of the defendants.

Within-gender profiles were also calculated for each violation for females. A gender profile was calculated by dividing the number of females for a specific violation by the total number of female defendants. The same was then done for males. **Table 6** shows the profile percentage for each gender by type of violation committed and the fraud's classification as involving debt or deceptive practices.

Table 6: Gender Profile of Males and Females by Violation Type

| Fraud Category | Violation | Num. Males | Profile % Male | Num. Females | Profile % Female |
|---------------------------|------------------------------------|------------|----------------|--------------|------------------|
| Debt/Finance | Credit Card Scam | 18 | 3.7 | 6 | 4.8 |
| | Debt Relief Scam | 48 | 9.9 | 22 | 17.5 |
| | Debt Collection Scheme | 26 | 5.4 | 8 | 6.3 |
| | Abusive Debt Collection | 21 | 4.3 | 7 | 5.6 |
| | Mortgage Relief Scam | 40 | 8.2 | 8 | 6.3 |
| | Total | 154 | 31.7 | 51 | 40.5 |
| Deceptive Practices/Scams | False Advertising | 97 | 20.0 | 24 | 19.0 |
| | False Advertising with Hidden Fees | 17 | 3.5 | 1 | 0.8 |
| | Telemarketing Scam | 84 | 17.3 | 14 | 11.1 |
| | Unauthorized Charges | 38 | 7.8 | 13 | 10.3 |
| | Investment Scheme | 11 | 2.3 | 2 | 1.6 |
| | Business Opportunity Scam | 44 | 9.0 | 13 | 10.3 |
| | Other | 41 | 8.4 | 8 | 6.4 |
| | Total | 331 | 68.3 | 75 | 59.5 |
| Total | Total | 485 | 100 | 126 | 100 |

Table 6 shows that the profiles for both males and females varied by violation type. A majority of the females (60%) were involved in deceptive practices and scams compared to 40% who were involved in debt and finance schemes. Males also shared a similar breakdown, with 68.3% of involvement related to deceptive practices and scams and 31.7% related to debt and finance.

Overall, women were less likely to be involved in FTC/CP violations compared to men. Women's participation in these violations also varied by type of violation, with more women being involved in schemes that pertained to tricking consumers into paying for fraudulent business services. Finally, the gender gap was the largest for false advertising with hidden fees, making it the violation women were least likely to participate in.

Hypothesis 2

The second hypothesis examined the relationship between gender and the organization (and gender composition) of fraud incidents. **Table 7** shows a breakdown of by organization of the fraud (solo male, all male, solo female, all female, and mixed-gender) for both the total number of cases (222) and for all defendants (611). **Table 7** shows female involvement in solo or all-female groups was extremely low (3.2% and 0.9% respectively). Of the 222 cases, 28.4% were solo-males, 36.5% were all-males, and 31.0% of cases were mixed-gender.

Table 7 also shows that groups with mixed-gender account for essentially half (49.7%) of all defendants with a frequency of 304. All male offending groups made up more than one-third (38.0%) of defendants and all female groups only represented less than one percent (0.8%) of total offenders. Notably, male defendants were involved in 96% of all cases as compared to 80% of all defendants.

Table 7: Group Organization and Composition for Cases and Individual Defendants

| Group Composition | Cases | | Individual Defendants | |
|-------------------|------------|------------|-----------------------|------------|
| | Frequency | Percent | Frequency | Percent |
| Solo Male | 63 | 28.4 | 63 | 10.3 |
| All Male | 81 | 36.5 | 232 | 38.0 |
| Solo Female | 7 | 3.2 | 7 | 1.2 |
| All Female | 2 | 0.9 | 5 | 0.8 |
| Mixed-Gender | 69 | 31.0 | 304 | 49.7 |
| Total | 222 | 100 | 611 | 100 |

Comparing the cases to individual defendants in **Table 7**, it is worth noting that nearly 50% of the defendants made up the mixed-gender category, but mixed-gender only accounted for 31.53% of the all fraud cases or incidents. This means that essentially half of the defendants were involved in only one-third of the violations committed.

To further examine the relationship between gender and co-offending groups, **Table 8** shows that of all the female defendants, a majority (90.5%) were in mixed-gender offending groups. Of the 304 defendants in mixed-gender groups, a majority (62.5%) were male and 37.5% were female. The profile calculation in **Table 8** represents all defendants (126 females and 485 males), not just the defendants in mixed-gender groups.

Table 8: Gender Composition of Mixed-Gender Groups

| Gender | Frequency | Percent | Profile |
|--------------|------------|---------------|----------|
| Male | 190 | 62.5 | 39.2 |
| Female | 114 | 37.5 | 90.5 |
| Total | 304 | 100.00 | - |

Table 8 as well as **Figure 1** show that of the 126 females, 114 were in mixed-gender co-offending groups, which accounted for 90.5% of the females in this study. Meanwhile, mixed-gender offending groups only accounted for 39.2% of males. This means that a majority of males

worked either alone or in all-male offending groups, while females overwhelmingly worked in mixed-gender offending groups.

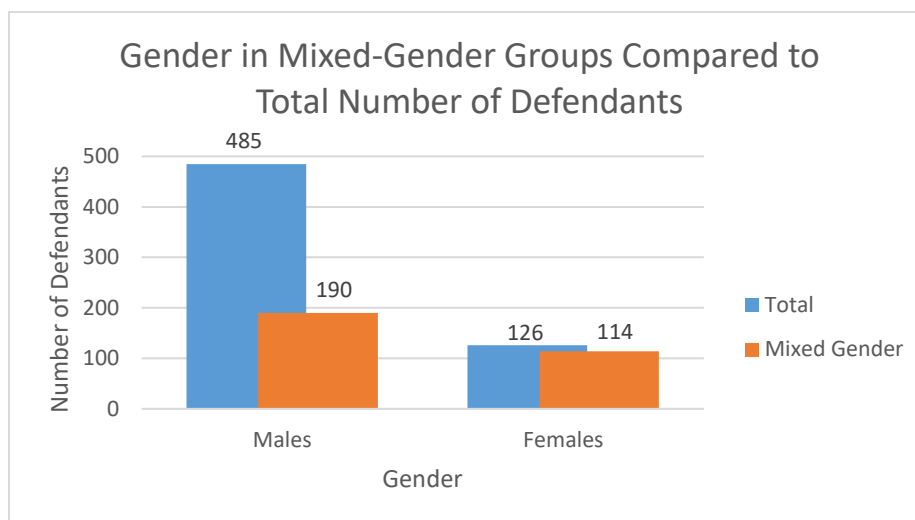


Figure 1: Gender in Mixed-Gender Groups Compared to Total Number of Defendants

To better understand the composition of these mixed-gender groups, **Table 9** demonstrates the relationship between gender and number of defendants in mixed-gender groups. Because the number of defendants in each group ranged from 2 to 21, the number of defendants in mixed-gender groups was broken down into 2, 3 – 4, 5 – 6, and 7 or more to make analysis easier, as shown in **Table 9**.

Table 9: Gender and Group Size

| Num. in Group | Frequency | Num. Male | Num. Female | Gender Gap (%) | Profile Male (%) | Profile Female (%) |
|---------------|------------|------------|-------------|----------------|------------------|--------------------|
| 2 | 40 | 20 | 20 | 6.5 | 10.5 | 17.6 |
| 3 – 4 | 98 | 58 | 40 | 13.2 | 30.5 | 35.1 |
| 5 – 6 | 58 | 42 | 16 | 5.3 | 22.1 | 14.0 |
| 7+ | 108 | 70 | 38 | 12.5 | 36.9 | 33.3 |
| Total | 304 | 190 | 114 | 37.5 | 100 | 100 |

The breakdown of gender by number of defendants in all male groups or co-offending mixed-gender groups in **Table 9** shows that the highest percentage of males (30.5%) and females

(35.1%) were in groups of 3 or 4 defendants. The distribution for the rest of the groups was fairly scattered, with a minority of females working in groups of 2 or 5-6 and one-third working in groups of 7 or more. The largest gender gap is groups of 5 to 6 with a 5.3% gap, and groups of 2 with 6.5%.

The size and frequency of mixed-gender groups compared to all male groups is shown in **Figure 2**. All female groups were excluded because of their frequency of 2. Solo male and solo female groups were also excluded because the groups contain only one defendant. **Figure 2** therefore illustrates the relationship between number of defendants and group composition with 81 all-male cases and 69 mixed-gender cases.

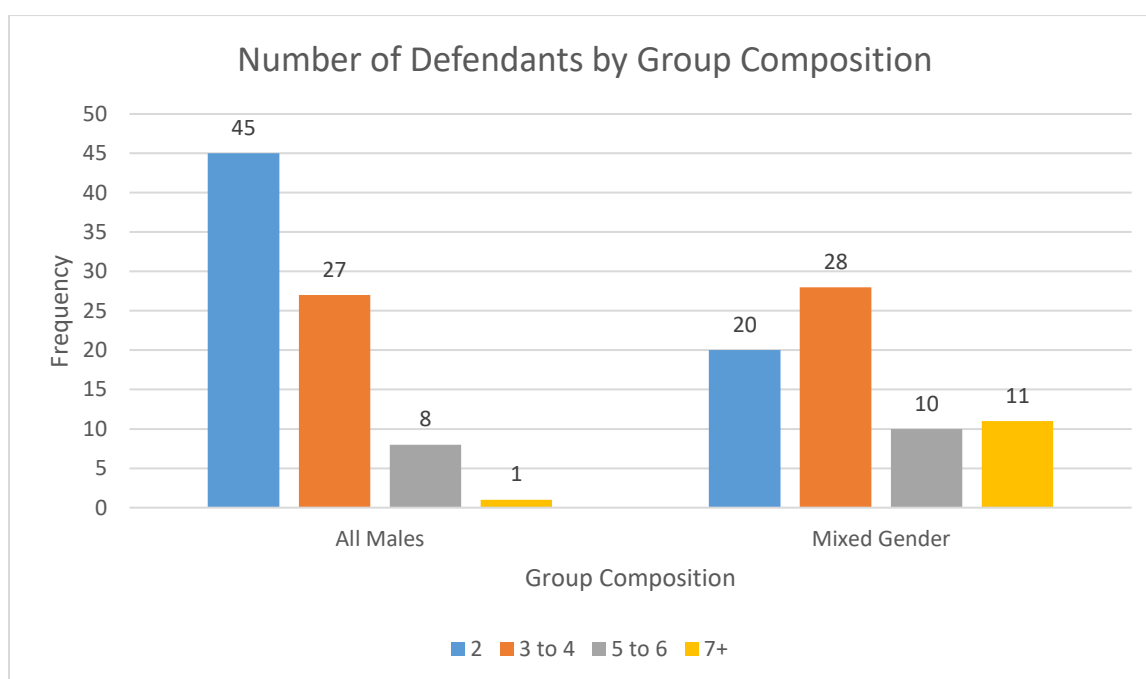


Figure 2: Number of Defendants by Group Composition

The number of all male and mixed-gender groups was fairly even, which makes the comparison easy between the two groups. As **Figure 2** shows, when men co-offend with only males, they were more likely to offend in smaller groups while when offending in a mixed-

gender group, the groups were likely to be larger. On the high end of the scale, only one all male group had 7 or more members while 11 mixed-gender groups had 7 or more, with one group having 21 co-conspirators.

Women were more likely to work in mixed-gender groups; a majority of females in this study (90.5%) offended in mixed-gender groups. These groups were also likely to be larger compared to all-male groups. When men offended in all-male groups, the groups were likely to be smaller, most commonly having only 2 members in the group.

Hypothesis 3

The third research question posed involves the relationship between gender and the defendant's role (or nature of involvement) in the fraud in mixed-gender cases. The defendant's role in the fraud was measured as: Ringleader, Major Player, or Minor Player. The Ringleader was the defendant who was the leader of the offending group, gave instructions, or otherwise directed the actions of the group. The Major Player was the defendant below the Ringleader who played an important role and was the most active after the Ringleader. The Minor Player was the defendant who took a less active role, whose role was not as important, and participated part-time or from a distance. **Table 10** shows the relationship between gender and the defendant's role in mixed-gender cases.

Table 10: Role Defendants Played in the Fraud for Mixed-Gender Groups

| Role in Fraud | Frequency | Num. Male | Num. Female | Percent Female (Gender Gap) | Profile Male (%) | Profile Female (%) |
|----------------------|------------------|------------------|--------------------|------------------------------------|-------------------------|---------------------------|
| Ringleader | 66 | 59 | 7 | 10.6 | 31.1 | 6.1 |
| Major Player | 148 | 76 | 72 | 48.6 | 40.0 | 63.2 |
| Minor Player | 90 | 55 | 35 | 38.9 | 28.9 | 30.7 |
| Total | 304 | 190 | 114 | - | 100 | 100.00 |

This table shows a major and very important finding of this research: the gender gap was greatest for Ringleaders at 10.6% which means that females were less likely to play the Ringleader role compared to males. The gender gap was almost nonexistent for Major Players with females representing 48.6% of the Major Players. **Table 10** also shows that 31.1% of men were the Ringleader in a fraud and another 40.0% played a major role. Contrastingly, only 6.1% of the women were Ringleaders and 63.2% were major players.

Hypothesis 4

The fourth and final hypothesis concerns the relationship between gender and the amount of restitution the defendant is ordered to pay. Information for this variable, when available, was extracted from each press release or court document. **Table 11** shows the gender gap and within-gender profile for restitution for individual defendants. Data was excluded from this analysis for cases in progress, where restitution had not been ordered yet, or where there was no restitution ordered.

Table 11: Restitution for Individual Defendants with the Gender Gap and Profile Calculations

| Money Involved | Frequency | Num. Male | Num. Female | Percent Female (Gender Gap) | Profile Male (%) | Profile Female (%) |
|---------------------|------------|------------|-------------|-----------------------------|------------------|--------------------|
| Under 500,000 | 80 | 65 | 15 | 18.7 | 14.9 | 14.2 |
| 500,000 – 1 million | 58 | 45 | 13 | 22.4 | 10.3 | 12.3 |
| 1 – 5 million | 152 | 116 | 36 | 23.7 | 26.7 | 34.0 |
| 5 – 15 million | 108 | 82 | 26 | 24.1 | 18.9 | 24.5 |
| 15 – 25 million | 52 | 46 | 6 | 11.5 | 10.6 | 5.6 |
| 25 – 50 million | 41 | 35 | 6 | 14.6 | 8.0 | 5.6 |
| 50 million + | 50 | 46 | 4 | 8.0 | 10.6 | 3.8 |
| Total | 541 | 435 | 106 | 19.6 | 100 | 100 |

Table 11 shows that women paid less restitution for their violations compared to males. The table shows a fairly even distribution of restitution between males and females, with females profiting moderately less than their male counterparts. A greater percentage of the males (29.2%)

paid restitution amounts of 15 million or more compared to only 15% of females. On the lower end of the scale, 60.5% of women paid between 500,000 and 5 million compared to 52% of males. Most notably, the female share was the lowest at 50 million or more with only 3.8% of females paying more than 50 million for their scams. This means that women were less likely to have paid more than 50 million for their violations and more likely to have paid between 500,000 to 15 million.

To better examine the effect that gender has on restitution, **Table 12** shows the relationship between the Amount of Restitution and Group Composition to show if mixed-gender groups had more or less restitution, and therefore more serious violations, compared to all-male groups. All female groups and solo female groups were excluded because of their lower frequency compared to all male and mixed-gender groups. Solo-male groups were excluded to better understand the relationship between mixed-gender groups and all-male groups with multiple defendants.

Table 12: Restitution Amount for Individual Defendants in All Male and Mixed-Gender Groups

| Amount of Restitution | N. All Males | All Males Profile % | Mixed-Gender Groups | | | |
|-----------------------|--------------|---------------------|---------------------|----------------|-----------|------------------|
| | | | N Males | Male Profile % | N Females | Female Profile % |
| Under 500,000 | 26 | 12.8 | 25 | 14.4 | 15 | 15.8 |
| 500,000 – 1 million | 23 | 11.3 | 13 | 7.5 | 9 | 9.5 |
| 1 – 5 million | 48 | 23.7 | 50 | 28.7 | 32 | 33.7 |
| 5 – 15 million | 39 | 19.2 | 36 | 20.7 | 23 | 24.2 |
| 15 – 25 million | 29 | 14.3 | 15 | 8.6 | 6 | 6.3 |
| 25 – 50 million | 15 | 7.4 | 15 | 8.6 | 6 | 6.3 |
| 50 million + | 23 | 11.3 | 20 | 11.5 | 4 | 4.2 |
| Total | 203 | 100 | 174 | 100 | 95 | 100 |

Table 12 shows that between all male groups and mixed-gender groups, the distribution of restitution was fairly similar. Comparing all male groups to males working in mixed-gender groups, males in mixed-gender groups had greater restitution amounts than those working in all male-groups. 11.5% of males in mixed-gender groups and 11.3% of males in all male groups had restitution amounts of 50 million or more, while 8.6% and 7.4% fell into the 25 to 50 million range, respectively.

When comparing the restitution amounts between male and females in mixed-gender groups, females generally paid less than their male counterparts. As illustrated in both **Table 12** and **Figure 3**, a greater percentage of females compared to males paid under \$15 million while a greater percentage of males paid more than 15 million when compared to their female counterparts.

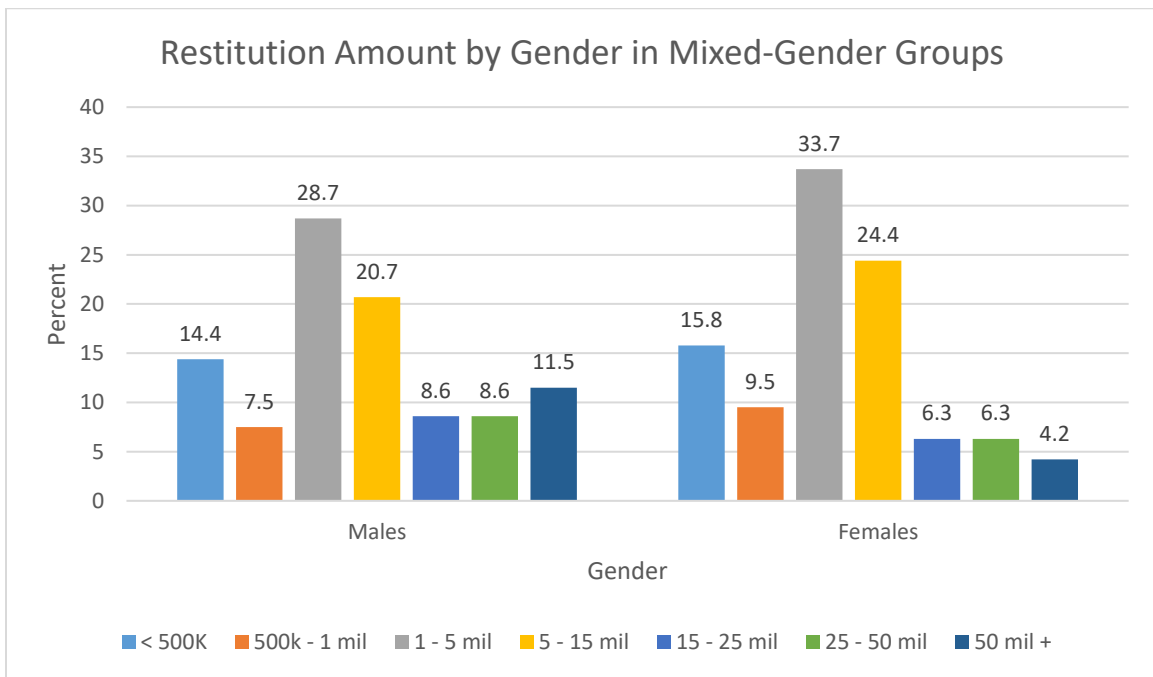


Figure 3: Restitution Amount by Gender in Mixed-Gender Groups

As shown in **Figure 3**, for both males and females, the greatest range of restitution was between 1 and 5 million, and the second greatest was between 5 and 15 million. Most notably, on the higher end of the scale, 11.5% of males paid 50 million or more compared to only 4.2% of females. Both this graph and **Table 12** illustrate that when working with males in mixed-gender groups, females were likely to pay less compared to their male counterparts. However, when comparing males in all male groups to those in mixed-gender groups, the males in mixed-gender groups were likely to pay either more than 25 million or less than 5 million for their violations.

Overall, women were less likely to pay greater restitution amounts than their male counterparts. Restitution amounts for all-male and mixed-gender groups were fairly similar, showing that having a woman in the group does not affect the amount of restitution an individual defendant must pay.

Chapter 5

Discussions and Conclusions

This thesis aimed to add to prior research and theory on female involvement and the gender gap in occupational and business financial fraud, using data on financial frauds perpetrated under the jurisdiction of the Federal Trade Commission Consumer Protection (FTC/CP) Violations. These frauds mainly involve telemarketing scams, false advertising, debt relief scams, and other financial-based frauds. The main hypotheses proposed were as follows: (1) Women are less likely to be involved in FTC/CP violations (2) When perpetrating FTC/CP financial frauds, women defendants are more likely to be involved in mixed-gender offending groups than working alone or in all-female groups (3) Women defendants are less likely to play the ringleader role in mixed-gender offending groups as compared to males, and (4) Amount of restitution defendants are ordered to pay will be less for female than male defendants.

To examine these hypotheses, data was obtained from press releases and court documents from the Federal Trade Commission's website. The data included 222 cases of financial fraud from 2014 to 2017, involving 611 defendants. Data used for this study included case and defendant characteristics such as gender, type of violation, organization of the fraud incident (solo male, all-male, solo female, all-female, mixed-gender), defendant's role in mixed-gender incidents, and amount of restitution.

Summary of Main Findings

Hypothesis 1: Women are less likely to be involved in FTC/CP violations compared to men.

This hypothesis was supported. Of the 611 defendants, 485 were male and 126 of female, placing the distribution at 79.4% male and 20.6% female (see **Table 4**). This shows that women were less likely to be involved in FTC/CP violations compared to men. Also important to note, male defendants were involved in 96% of all cases as compared to 80% of all defendants.

Hypothesis 2: Women are more likely to be involved in mixed-gender offending groups than working alone or in all-female groups.

This hypothesis was supported by the study's findings. Of the 126 female defendants, ninety-one percent were involved in mixed-gender frauds as compared to five percent involved in all-female groups and four percent involved as solo offenders (see **Table 8**). See **Appendix B** for examples of solo female and all-female cases.

Hypothesis 3: Women defendants are less likely to play the ringleader role in mixed-gender offending groups compared to male defendants.

This hypothesis was also supported. Of all defendants in mixed-gender groups, only 6% of female defendants were the ringleader, compared to 31% of male defendants (see **Table 10**).

The female-to-male percentage of the ringleader role was the smallest at 10.6% compared to their greater share in the major and minor player roles.

Hypothesis 4: Women are more likely to pay less money for their violations.

This hypothesis was supported. The gender gap was the greatest (female percent was only 8.0%) at the highest dollar amount – 50 million and greater. Finally, the female profile had the majority of females (85%) and a smaller percentage of males (70.8%) with restitution amounts under 15 million (see **Table 11**).

Comparison to Other Research

Because the 2013 Steffensmeier et al study of gender differences in corporate financial fraud provided the major template for this thesis, it is important to present a comparison between the study's results and this thesis' findings on FTC/CP violations. Key similarities include the following: both this thesis and the Steffensmeier study concluded that women were less likely to be involved in the frauds, women were more likely to be involved in mixed-gender offending groups, and women were less likely to be the ringleader when involved in mixed-gender frauds. While Steffensmeier et al found no cases of solo female involvement in corporate fraud or in all-female conspiracy, this thesis had 7 solo female cases and 2 all-female cases, although these only accounted for 4.1% of the total cases.

Steffensmeier et al also examined the level of profit males and females made from their frauds and determined that female offenders profited significantly less than their male

counterparts. While this thesis did not examine profit, it did study restitution and concluded that women also pay less for their violations than males.

The strong similarities between these two studies is important due to the major differences in the type of fraud incidents that the two studies examined. The Steffensmeier et al study examined high levels of corporate fraud while this thesis examined less serious and lower-level financial frauds. The similarities in the gender differences between these two studies shows the validity of the findings across two different types of financial frauds.

Limitations

The first limitation for this study was the type of data that could be found on the FTC website. I would have liked to also collect data on age, race, ethnicity, and other demographic characteristics of the defendants, but was unable to do so because such information was not readily available on the FTC website. Second, I would have also liked to have examined the nature of the relationship between co-offenders (e.g. kin, business partner); however, the information was only rarely reported. There is especially a lack of information on the content of female offending in mixed-gender frauds and notably their relationship to the male co-offenders. For example, there is a lack of data on how many women involved were spouses or related by family or other kinship ties.

An additional limitation is that the larger number of women playing a major role instead of a minor role, as seen in previous studies, may be due to coding error. When information about the role of the defendant was not provided, additional research and the amount of restitution were

used to determine the offender's role in the fraud. This may have led to more defendants being labeled as major players instead of minor ones.

The final limitation imposed on this study is the need for more statistical analysis. Due to time constraints, the data in this thesis was unable to be tested for statistical significance. As such, the results presented in this study represent the presence of a relationship between two variables but does not show the strength of that relationship.

Future Research

With a scarcity of previous research into FTC/CP violations, the opportunities for continued research are extensive. The FTC also updates the website daily with new cases, providing current and up to date information on all current cases. Future research should be done to complete the missing information outlined by the "Limitations" section. Researchers can continue to explore the research that has been started in this thesis as well as expand on the data reported here. If desired, future researchers could add to my current data by exploring the offenses more in-depth and taking a more qualitative approach over a quantitative one.

Future research is also needed to compare my findings to that of other studies on occupational, white collar, and business frauds. More research is needed comparing my results to the UCR data, adding to the literature on the reliability of UCR data to measure different types of frauds and scams. The UCR lacks data that distinguishes more common scams and frauds from higher level white collar and corporate fraud.

With over 25 million Americans falling prey to fraudulent schemes every year, this examined female involvement and the gender gap in perpetrators of these schemes. As document

in this thesis, women were less likely to be involved in FTC/CP financial fraud violations; when women were involved in these financial frauds, they were more likely to work in mixed-gender groups; and when women were involved in mixed-gender groups, they were less likely to play the ringleader. Despite shortcomings in the data, findings were consistent with previous empirical studies of female involvement and gender differences in commission of business-related financial frauds.

Appendix A

Code Book

1. Case Number (for internal use)
2. FTC Case number
3. Last updated date
4. Name of case
5. Jurisdiction
6. Name of Defendant
7. Number of Defendants
8. Name of Affiliated Company
9. Gender
 1. Male
 2. Female
10. Sex Composition in Group
 1. Solo Male
 2. All Males
 3. Solo Female
 4. All Females
 5. Mixed Sex
11. Role in Fraud
 1. Ringleader
 2. Major Player
 3. Minor Player
12. Violation Category
 1. Deceptive Practices/Scams
 2. Debt

13. Violation Committed

1. False advertising
2. Credit card scam
3. Debt relief scam
4. False advertising with hidden fees
5. Telemarketing Scam
6. Debt Collection scheme
7. Unauthorized charges (cramming)
8. Abusive debt collection
9. Investment Scheme (ex – pyramid scheme)
10. Business Opportunity Scam
11. Mortgage relief scam
12. Other

14. Restitution

1. Yes
2. No
99. Case still in progress

15. Amount of Restitution

1. Under 500,000
2. 500,000 – 1 million
3. 1 million – 5 million
4. 5 million - 15 million
5. 15 million – 25 million
6. 25 million – 50 million
7. 50 million +
99. Case still in progress
0. No Restitution

Appendix B

Example Cases

False Advertising

FTC Case 102 3047. Defendants marketed and sold a device that promised it could help consumers lose ten pounds in two weeks if used three minutes per day. The defendants claimed that using the device for three minutes a day was equivalent to a 30-minute gym workout. A complaint was filed in 2012 charging the defendants with making false and/or unsupported claims. The complaint states that the defendants misrepresented their product through deceptive advertising in order to deceive consumers of the products abilities.

Credit Card Scam

FTC Case 122 3197. Defendants made calls to consumers claiming they could reduce consumer's credit card interest rates. If defendants agreed, they would be "approved" for the program and asked to pay advance fees for the defendant's services. The defendants would pay the fees only to never see the reduced credit card rates and would be unable to get the advance fee returned to them.

Debt Relief Scam

FTC Case 172 3126. Defendants targeted students with loans promising student loan debt relief. The defendants took more than \$20 million from consumers, promising that for an upfront fee of \$1,000, they could reduce students' loan debt by entering them into a free government program. Defendants never reduced the student debt nor returned the fee when they could not

deliver on their promises. Defendants also told consumers to cut off contact with their loan services while they lowered their debt. This caused consumers to default on their loans and accumulate more debt.

False advertising with Hidden Fees

FTC Case 142 3186. Defendants sold fake weight loss supplements to consumers and offered false free trials. The defendants advertised that the weight loss supplements were proven to work by scientific studies, promising consumers that they could lose a substantial amount of weight. When consumers signed up for the free trial, they would automatically be enrolled in a monthly plan that charged fees to their credit card. The defendants also made it difficult for consumers to receive refunds for both the supplements and the monthly fees.

Telemarketing Scam

FTC Case 132 3254. The defendants placed millions of illegal robocalls to consumers on the Do Not Call Registry. These calls advertised home security systems or helped home security companies gather leads for their own business. Placing calls to those on the Do Not Call Registry is considered a serious offense by the FTC.

Debt Collection Scheme

FTC Case 152 3173. The defendants called consumers and impersonated law enforcement, threatening consumers to pay fake debts. When the consumers argued that they did not owe any money or asked for proof of their debts, the defendants threatened the consumers with legal action including arrest or lawsuit. The defendants also had consumers personal

information such as social security numbers and bank account information, adding to their credibility and helping them convince consumers that the fake debts were real.

Unauthorized Charges/Cramming

FTC Case 122 3008. Defendants placed more than \$70 million in fake charges on consumers' phone bills. The consumers did not order the services, nor did they authorize the charges. The defendants told consumers that they had authorized the charges by signing up online. The defendants also transferred the ill-gotten money to a nonprofit who had no right to use the funds.

Abusive Debt Collection

FTC Case 122 3096. Defendants called consumers who owed debts and threatened the consumers with insults, false threats, and other legal action if they did not pay their payday loans. The defendants claimed consumers have committed crimes by not paying their debts and would be arrested unless they pay. They also posed as law enforcement and repeatedly called consumers, harassing them and using obscene language.

Investment Scheme

FTC Case 102 3212. The defendants called consumers and promised that by investing in precious metals, such as gold or silver, consumers could double or triple their money. After the defendants collected money from consumers, they deposited the money into a clearinghouse, but never purchased the gold or silver investment as promised. Consumers were also unaware that they would need to pay interest for up to 80 percent of their investments. Consumers were also

led to believe that the investments were low-risk and were safe because the metals were physical assets.

Business Opportunity Scam

FTC Case 122 3186. Defendants promised consumers that by working from home, they could make money through their own website; earning a commission through affiliating with other well-known companies. After buying into the program, consumers were forced to pay \$100 or more to finish setting up their website. Consumers were promised that they could make up to \$15,000 per month, but after paying over \$100 to set up their website, consumers made no profit and defendants ignored consumers requests for refunds.

Mortgage Relief Scam

FTC Case 132 3289. Defendants contacted consumers, promising they could lower their mortgage payments, reduce their mortgage interest rate, or stop an impending foreclosure. The defendants claimed they were with then-president Obama's "Making Home Affordable Program" or with another government or lender service, promising a lower mortgage or reduced rate in 2 to 4 months. The defendants urged some consumers to stop paying their mortgage or to stop communication with their lender service. Charging an upfront fee, the defendants took consumers' money and never fulfilled the promised services.

Other

FTC Case 162 3253. Defendants infected consumers computers with a pop-up ad that would appear as a virus, urging consumers to call a number in order to save their computers.

Consumers would then be forced to pay hundreds of dollars for bogus services for the removal of the viruses, repair services, or anti-virus protection.

FTC Case 052-3155. Defendants created and sent checks from an account specified by a consumer, without determining if the consumer had the authority to access that account. This company had been used by con artists to draw fraudulent checks from consumers bank accounts without their knowledge. The defendants would even create and send checks when the name on the account was different than the person who asked for the check to be sent.

FTC Case 132 3128. The defendants broke the FTC's Funeral Rule – not giving consumers the proper pricing and other information while making funeral arrangements. The defendants did not provide casket pricing information in the proper time and manner when FTC workers went in undercover to the funeral home.

Solo Female

FTC Case 152 3086. Defendant operated several fraudulent companies that promised consumers they could lower their student debt. She also promised she could repair their credit for a small fee. She charged an illegal up-front fee and never fulfilled the services she promised. The defendant also posted fake online reviews of her services to attract more customers.

All Female

FTC Case 122 3127. Defendants contacted consumers and promised a credit card rate reduction program. The defendants promised they could save customers thousands of dollars and provide a significant reduction in credit card rates. After being charged an up-front fee,

consumers received none of the promised services. The defendants also refused to return the consumers money and would not give any refunds.

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ACADEMIC VITA

Kristen Swantek

kristenswantek@gmail.com

OBJECTIVE:

To obtain a full time job working in security, risk analysis, intelligence analysis, or intelligence modeling.

EDUCATION:

Penn State University, University Park, PA
Bachelor of Science: Security and Risk Analysis
Bachelor of Arts: Criminology
Schreyer Honors College

Graduation: May 2019

Honors:

- Penn State Schreyer Honor Scholar Fall 2017 – Present
- Penn State Dean's List Fall 2015 – Present
- Highest Cumulative Average for Penn State College of IST December 2016

RELEVANT EXPERIENCE:

Research Assistant, Pennsylvania State University November 2018 – March 2019

- Assist with coding data for a research project, funded by the National Institute of Justice, that studies the correlation of CEO narcissism and corporate securities fraud

Data Analyst and Office Manager, Geospatial Data Analysis Corp April 2018 – January 2019

- Collect data off of websites and pdf files to incorporate into standardized Excel files for use in the client database
- Create file formats for new data sources to ensure consistency of data formatting for easier future use and analysis
- Write manuals for new sources to provide context and guidelines for future users and update existing source manuals to reflect any changes

WORK EXPERIENCE

Production Assistant, Movers Mindset Podcast

- Run various social media pages and engage with listeners through a positive social media platform
- Create and publish podcasts, blogs, and other digital content on a scheduled basis
- Manage a small team of content creators and ensure their production components are scheduled and on time
- Work with a group of paying listeners to create exclusive content and manage their membership service

ACCOMPLISHMENTS:

- Schreyer Peer Mentor Fall 2017 – Present
- Women's Commission Award April 2017
- Tour Guide Mentor Chair for Lion Ambassadors Fall 2015 – Spring 2017
- Vice President of Penn State Lehigh Valley Honors Club Fall 2016 – Spring 2017
- Accepted to Penn State's Early College Admission Program May 2015

SKILLS:

- Computer: Microsoft Word, Excel, and PowerPoint, Analyst Notebook, ACH, SPSS, C++ and Python - Basic Understanding, ArcGIS
- Language: Arabic – Modern Standard: (basic)

PROJECTS:

Decision Theory & Analysis (SRA 231)

- Led and collaborated with a team on a simulated terrorist scenario to analyze events and deliver an analytic summary

Honor's Thesis

- Writing an honor's thesis on gender differences in Federal Trade Commission violations in commerce and trade

Research Methods in Criminal Justice (Crim 250W)

- Developed and designed a research project based on a central research question and literature review