Incidence of Corporate Fraud and its Influence on Shaping Economic Policy and Government Spending

A MULTIDIMENSIONAL TIMELINE

Abstract
The purpose of this study is to determine whether corporate fraud has a direct effect on United States economic policy and government spending. Looking at the big picture (2000 – 2015) and choosing specific, isolated events to analyze will help determine the causes of certain changes in economic policy and government spending over the relevant range. Understanding this relationship is key in determining whether economic policies geared towards fraud prevention are effective in:
- retroactively compensating for a major economic change caused by fraudulent activities,
- detecting incidents of fraud, and
- preventing potential future fraud.

Research Questions
For the purpose of this study, the following questions will be addressed:

- How has corporate fraud in the United States affected economic policy within the relevant range (2000 – 2015)?
- What changes in government spending have been made in order to prevent and detect fraud?
- Have these changes in policy or spending effectively reduced fraudulent activity?

Hypothesis
As part of the study, research has led to one hypothesis:

Corporate fraud is directly related to certain retroactive/reactionary changes in economic policies (taking place from 2000 to 2015) which lead to increases in government spending. These retroactive measures are ineffective in preventing and detecting future fraud.

Methodology
Analyzing the timeline and comparing incidents of overlap has helped determine which incidents will be cases of focus for this study. The next step is to report the findings in patterns between the case studies and write two case analyses.

Case Study #1
This case study begins with the collapse of Enron in October 2001 and focuses on the events leading up to and immediately following the Sarbanes-Oxley Act of 2002. Points of discussion include:
- Rule breakers - What are the common audit weaknesses?
- Legislation – What role does it play? Will it prove effective?
- Governance – Who is really in charge?

Case Study #2
This case study starts at the beginning of the Great Recession in December 2007 and focuses on the accounting scandals of Bear Stearns and Bernie Madoff and the expansionary economic policies that were passed throughout the recession. Points of discussion include:
- Corporate Mentality – Who is really setting the tone at the top?
- GAAP – Is it evolving at the same pace as the industry?
- Technology – Does it change our expectations?
- Transparency – Why are we unable to see through it?

Future Work
- Analyze data to determine the long-term effectiveness of the policy changes and the budgetary impacts of those changes (if any).
- Gather additional information to refine results.
- Document findings in a formal research paper.