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The Political Dimension in White Collar Crime and Financial Crises

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ABSTRACT

The fraud triangle is the dominant model used in accounting academic literature and fraud investigation training programs. The model is widely used to explain how felt pressures, organizational opportunities, and rationalizations lead to asset misappropriations and financial statement fraud by deviant individuals in white collar settings. In contrast, critical literature maintains that the fraud triangle and its common geometric variations place insufficient attention on elements in the social, legal, and political environment that can contribute to white collar crimes or even the collapse of basic financial institutions. Accounting academic literature pays insufficient attention to the role of collusion between highly connected political figures in financial crises. This paper considers two historical cases ─ one in Arkansas and one in Kansas ─ to highlight political dimensions of white collar crime that are overlooked in mainstream accounting literature. The paper concludes with thoughts on why the fraud triangle's individualist lens continues to be more palatable in the accounting literature than the macro-level perspective recommended by antagonists.

Key words: White collar crime, fraud triangle, Arkansas bond hypothecation case, Kansas school bond fraud

INTRODUCTION

If research impact is measured by citation counts and practical application, then Cressey's fraud triangle (1953) is unquestionably the most influential model used in accounting research and in practitioners' investigations of 'white collar' crimes. Tickner and Button (2021) estimated the model had been cited in over 8,500 academic studies. The number of times the model has been used to frame audit investigations is unknowable but likely informs the preponderance of white collar crime investigations given the prominence of the model in Association of Certified Fraud Examiners' (ACFE) training materials (https://www.acfe.com/), college accounting curricula, and U.S. auditing standards.

Cressey's (1953) theory of the psychological antecedents of embezzlement emphasizes 1) felt financial pressures, 2) opportunity, and 3) rationalization as key elements in the perpetration of fraud by deviant individuals. Wolfe and Hermanson's (2004) fraud diamond variation adds capability as a fourth element. A fraud pentagon model developed by Jonathan Marks, a partner with Crowe Howarth LLP, expands the model to include arrogance (Crowe Horwarth 2011). Vousinas' (2019) hexagon model includes collusion as a sixth element. Monteverde's star variation (2023) considers additional external and internal elements. In addition, numerous academic studies look at moderating variables that impact primary constructs, e. g., Andalia and Pantah (2021), Anisykurlillah, Ardiansha, and Nurrahmasari (2022), and Safriliana, Ramadahn, and Kautsar (2025). Table 1 below summarizes factors emphasized by the geometric fraud models referenced above.

Table 1. Summary of Geometric Fraud Models

TRIANGLE Cressey (1953)	**DIAMOND** Wolfe and Hermanson (2004)	**PENTAGON** Crowe Horwarth (2011)	**HEXAGON** Vousinas (2019)	**STAR** Monteverde (2023)
1. Felt pressure 2. Opportunity 3. Rationalization	1. Felt Pressure 2. Opportunity 3. Rationalization 4. Capability	1. Felt Pressure 2. Opportunity 3. Rationalization 4. Capability 5. Arrogance	1. Felt Pressure 2. Opportunity 3. Rationalization 4. Capability 5. Arrogance 6. Collusion	1. Social/Organization Culture 2. Internal Scope 3. External Scope 4. Incentives 5. Opportunity 6. Rationalization 7. Capacity

Homer's (2020) systematic review of the fraud triangle literature concludes that 32 out of 33 studies reviewed found support for at least one element of the fraud triangle and 27 found support for all three elements. Suryandari *et al.*'s (2025) review of 25 Scopus articles found that 60% of the studies were supportive of the fraud triangle elements. Still, it is important to remember that theoretical models can serve various functions. Some theories operate as a frame to tell a cogent story about conditions as they currently exist. Other potential functions for theoretical models would be to predict and avert problematic behaviors. While the fraud triangle model is widely used to frame stories about dysfunctional behaviors that have already occurred, its utility in predicting and controlling behaviors is still very much in question. The three elements of pressure, opportunity, and rationalization were first codified into U.S. auditing standards after the Enron scandal in the form of Statement on Auditing Standard No. 99 (AICPA 2002) per Suryandari *et al.* (2023). The fraud triangle model continues to frame the treatment of fraud in AU Section 316 in the AICPA codification of auditing standards. Nevertheless, Ramzan and Lokanan (2025) find that there is a critical gap between the fraud triangle's narrative of individuals' motivations for crime and the accounting profession's ability to link the theoretical constructs to practical applications in audit procedures, compliance systems, and internal controls.

The Ramzan and Lokanan (2025) analysis raises questions as to whether the fraud triangle model may be missing the mark. Has white collar crime diminished over time? The fraud triangle model helps practitioners envision controls to prevent gross misappropriation of assets, but what has it done to change the social environment that leads to felt pressures and supports psychological rationalization? Can this model address situations where powerful figures in society have incentives and means to cover up their role in activities that are so self-serving as to lead to collapses in financial institutions?

Critical literature paints the fraud triangle as a narrowly constructed model that can tell a story about individual actions that deviate from social norms and legal responsibilities but largely ignores factors that 1) support the felt-pressures before a crime has been committed or 2) protect insiders even after strong evidence of a significant financial fraud is revealed (Glebovskiy 2021). Payne (2012, p. 462) adds that mainstream white collar crime literature generally ignores multi-disciplinary perspectives on life course issues that motivate crime, social disorganization that upholds criminal behavior, gender theories that suggest different motivations for crime by demographic group, and the psychological impact of labels that become self-fulfilling prophecies. Further, Benson and Moore (1992) are highly critical of general theories of crime, suggesting that there are multiple paths to white-collar crime that differ based on offenders' degree of self-control.

Lord and Levy (2025) suggest that mainstream fraud literature is based on oversimplified theories that neglect deeper causes. Even papers that recommend broadening the theoretical perspectives used to explain fraud, e.g., Dorminey *et al.* (2012), focus on the preventation of individual deviance from established expectations rather than environmental factors that might point to widespread weakening of social norms. Morales *et al*. (2014) and Lokanan (2015) suggest that accounting and auditing researchers favor psychological explanations for deviance. Socio-political forces implicit in the genesis and continutation of white collar crime largely escape notice. Huber (2017) concludes that accounting literature has dealt with the numerous criticisms of the fraud triangle and other geometric variations by simply ignoring them.

MOTIVATION AND CONTRIBUTION

Theoretical models selected by accounting and finance professionals rarely address dimensions of the political environment that are a central focus in criminology, sociology, and legal/regulatory literatures. This paper contributes to accounting literature about white collar fraud by drawing attention to the role of political collusion and coverup in financial crises. The underlying assumption is that the institutional structures that support financial malfeasance must first be recognized if there is to be any effective program for preventing behaviors that are at odds with the public interest. The study is intended to encourage accounting researchers and educators to embrace inter-disciplinary theories that recognize the role of institutional and political factors in white collar crime.

The paper will begin by reviewing the origins of the white-collar crime construct and the fraud triangle model. The volume of the fraud triangle literature precludes a micro-level review of every paper of significance. Therefore, space limitations dictate that the introduction above and the body of the critique below will rely on seminal reviews to direct readers to additional details about key criticisms of the fraud triangle.

The body of the paper presents two state-level U.S. cases from the late nineteenth and early twentieth century that would be better explained by sociological/criminological frameworks that take a macro- or meso-perspective rather than the fraud triangle's individualist lens. The two cases draw attention to the role of political forces underlying collusive acts of financial malfeasance that have the potential to devolve to a full blown collapse in financial institutions. Though similar issues can be found in currently unfolding political and institutional dramas, historical vignettes are used in the analysis to keep the focus on underlying principles. The paper concludes with thoughts as to why academic researchers and fraud investigators may be so reluctant 1) to move beyond the fraud triangle model despite its significant limitations or 2) to provide analyses of weaknesses in contemporary financial institutions.

THE NATURE OF WHITE-COLLAR CRIME

Mainstream accounting white collar crime literature emphasizes investigation of acts of financial statement fraud and asset misappropriation, but it may be helpful to review broader sociological and criminological literature that looks at how crime in general and white collar crimes in particular are conceptualized. The classical view of crime has emphasized deviance from social norms. Per Legros and Cislaghi (2020, p. 62), the social norms literature extends over multiple disciplines and predates even the Greek philosophers like Aristotle by thousands of years. The social norms literature suggests that any given society has certain expectations about the rights and responsibilities of its members. Some individuals choose to ignore the rights of others and commit self-serving acts. When these acts are exposed, the group may choose to impose sanctions that punish or ostracize the member.

Early twentieth century sociological literature assumed that those who were poor, on the margins of society, or feeling strain to live up to social expectations were more likely to deviate from norms that promote social cohesion (Durkheim 1897; Merton 1938). Those assumptions were brought into question by sociologist Edwin H. Sutherland (1940) and emphasized in his 1944 Presidential speech to a joint meeting of the American Sociological Association and the American Economic Society. Sutherland (1940, 1945) contended that while official crime statistics brand the lower classes as the primary perpetrators of crime, the powerful in society in fact have greater opportunities to commit self-serving harmful acts that go unpunished.

Sutherland's (1953) seminal study of war crimes documented malfeasances such as restraint of trade, infringement of intellectual property rights, misleading advertising, rebate irregularities, and financial statement manipulations perpetrated by international business executives, i.e., white collar workers. Galliher and Guess (2009) note that Sutherland began collecting war crimes data in 1928 and wrote the manuscript using the names of parties investigated. Just prior to publication, his publisher required that he expunge the names of the seventy corporations investigated. An unredacted volume was later issued in 1983 (Geis and Goff 1983). The requirement to redact the original volume points to a major theme of the current manuscript, i.e., the power of key institutional players to shield themselves from accountability.

CRITICISMS OF THE FRAUD TRIANGLE

Donald Cressey conducted interviews with incarcerated embezzlers in the 1940s. By the 1950s he had identified common themes expressed by his subjects such as having a non-shareable problem which they come to realize could be resolved by violating covenants of trust and by internal verbalizations that allowed them to override feelings of guilt (Cressey 1953). The basic hypothesis underlying Cressey's (1953) work was that when individuals determine that a non-shareable secret [pressure] can be resolved by a violation of trust, they will find ways to adjust their self-concept so as to still view themselves as a trustworthy person. However, Cressey (1973, viii) notes that:

> The idea that rationalization is a motive *preceding* an act did not originate with *Other People's Money.* It can be found, in one form or another, in the works of Charles H. Cooley, George Herbert Mead, Edwin H. Sutherland, Herbert Blumer, Alfred R. Lindesmith, Kingsley Davis, and C. Wright Mills. I borrowed it from these men and made good use of it. (Cressey 1973, viii)

Though Cressey's work was influenced by Sutherland (1939), Cressey failed to incorporate elements of Sutherland's differential association theory which contends "criminal behavior is learned in interaction with persons in a pattern of communication." Sutherland's (1939) relational model is not predicated on the felt pressures, opportunities, or rationalization proposed by Cressey (1973). Differential association theory suggests an individual can learn to engage in malfeasance merely by watching and imitating actions of their colleagues in settings where the culture encourages self-serving behaviors. For example, Courtois and Gendron's (2017) study of bid rigging practices in a Canadian environment demonstrates how behaviors once viewed as 'deviant' can evolve to be the 'norm'. Deviant behavior is a product of weakened social bonds with outsiders that lead to new concepts of what is right or wrong for insiders of an organization per Hirschi's (1969) social control theory. Thus, Hirschi's (1969) social control theory could be seen as an extension of Durkheim's (1897) concept of anomie and Merton's (1938) work on strain theory which emphasized the role of obstacles to achievement as a motivation for negative affective states that in turn fuel deviant behavior.

Tickner and Button (2021) argue that Cressey never used the expression 'fraud triangle' in his lifetime. The term 'fraud triangle' was popularized in large part by Albrecht (1991). In the process of popularization, Morales, Gendron, and Gu'enin-Paracini (2014) and Huber (2017) argue that Cressey's model has been distorted and inappropriately promoted as a general theory of fraud that can be used to 'profile' persons who have or are likely to commit crimes. Cressey (1973) emphasized that *Other People's Money* was not action oriented:

> In keeping with the "scientific" and "value-free" sociological culture of two decades ago [1953], only four pages are devoted to prevention and recidivism. As far as I know, the ideas sketched [on pp. 153-156] have never been used in a prevention or correctional program. (Cressey 1973, xii)

Per Marquart and Thompsons' (2024, p. 4) assessment, the fraud triangle findings are skewed because the subjects were convicted criminals rather than active embezzlers. With more females in the modern white collar workplace, Marquart and Thompson (2024) suggest women's motivations would not necessarily mirror those of the male subjects Cressey interviewed in the 1940s and 1950s. Even though the fraud triangle may be a central piece in fraud prevention training, Tickner and Button (2021) are doubtful that organizations will be able to objectively assess employees' felt pressures.

Per Legros and Cislaghi (2020), the social norms approach focuses on the positive benefits associated with societies' informal rules of conduct. Unfortunately, this "limits the potential … to explain the persistence of harmful practices and behaviors" (Legros and Cislaghi 2020, p. 66). Freeman (2025) adds that the fraud triangle's over-emphasis on individual deviation from norms fails to explain why life challenges motivate one person to rationalize deviant behavior when others resist similar influences. Freeman (2025) employs complexity theory to argue that psychological motivations and social support for deviant behaviors are so intertwined and dynamic in nature that it is impossible to explain fraud with a simple generalizable model. Glebovskiy's (2021) critique concludes that the fraud triangle focuses on the individual micro-level act but ignores antecedents that lead to the felt pressures and rationalizations identified in the fraud triangle.

Despite the dynamic nature of supporting social institutions, Glebovskiy (2021, p. 121) provides a framework that diagrams connections between multi-layered influences at micro- (individual), meso- (organizational), and macro- (business environment) levels. The conventional fraud triangle model's primary practical takeaway is that organizations should create strong internal controls that will limit individuals' ability to misappropriate assets or make misrepresentations in financial statements. Glebovskiy (2021, p. 123) argues that meso- and macro-conditions facilitate the likelihood of individual acts of deviant behavior. The Glebovskiey (2021) study emphasizes that existing literature places insufficient attention on macro- conditions such as poorly conceived legal frameworks, collusion, weak law enforcement, corruption, inadequate market regulation, or factors that condition social acceptance of deviations from norms designed to promote social cohesion.

Ramzan and Lokanan's (2025) analysis of criminological theories used in accounting and finance literature catalogs variations of micro-, macro-, and blended theories. Micro-level models include: 1) A general theory of crime in the context of social control (Lokanan and Aujla 2021), 2) Rational choice theory (Cooper, Dacin, and Palmer 2013), 3) Strain theory and differential association (Donegan and Ganon 2008), and 4) General deterrence theory (Eaton and Korach 2016). The most prominent theories at the macro-level focus on 1) Cultural transmission (Sutherland 1953, 1983), 2) Anomie (Durkheim 1897, 1958, 1961), and 3) Ecological factors (Burgess 1928; Park 1936). Ramzan and Lokanan (2025) maintain that a weakness of macro-theories is a tendency to over-generalize without taking into consideration context factors that should inform preventive or corrective actions. Situational action theory (Lokanan 2018) and routine activity theory (Dzomira 2017) were identified as blended theories. Lokanan and Sharma (2023) posit that excessive attention to fraud as an individual or organizational phenomenon allows industry wide collusion to escape scrutiny.

A star schema model of fraud proposed by Monteverde (2023) adds organizational culture, internal scope, and external scope factors to the conventional fraud diamond (Wolfe and Hermanson 2024) of felt pressure, opportunity, rationalization, and capability. Though the star model provides a good balance of internal and external influences on fraudulent behavior, the current manuscript argues that none of the extant models direct sufficient attention to the role of political figures in promoting an environment conducive to recurring financial crises.

Even though Durkheim (1897, 1958, 1961) considered the role of the state in helping overcome anomie, the contemporary theories identified in the Ramzan and Lokanon (2025) review do not look specifically at the role of powerful political figures such as members of a state legislature in perpetrating or covering up white collar financial crimes. On the other hand, Fround *et al.*'s (2004) analysis of the Enron collapse argues that malfeasance deeply embedded in the political structure cannot be corrected merely by heightened attention to internal governance. The two case studies below show how political connections can influence opportunities for malfeasance and perpetuate an environment conducive to financial fraud.

TWO CASE STUDIES

The Arkansas Bond Hypothecation Case

Arkansas was first admitted to U.S. statehood on June 15, 1836. Historians concur that population and level of economic development was insufficient to sustain the higher administrative costs associated with moving from territorial status to statehood. The primary motivation for statehood was to overcome legal restrictions that prevented territories from establishing banks. Thus:

> [o]ne of the first actions in the new state's initial legislative session in 1836 was the creation of two banks: a commercial bank (the State Bank) and a real estate lending bank (the Real Estate Bank). Neither of these banks achieved a stable operating status before a major economic depression in 1837. (Moore 2006, p. 14)

Timing of key events after the opening of banks, such as suspension of specie payments, and bond defaults through the Civil War era are shown in Table 2 below. The State Bank opened in August 1837, followed by operations at a Real Estate Bank in 1838. By 1839 the Real Estate Bank had extended $1.5 Million in loans. During October 1839 the State Bank suspended payment of specie despite strict prohibition of this action in its founding charter. This was followed by suspension of specie at the Real Estate Bank in November 1839. Two million dollars of 6% bonds issued to establish the banks were supposed to be repaid from profits with a guarantee from the state treasury (Herndon 1922, p.480). Given gross overstatements in the value of farmland assigned as collateral and further deterioration in value during the recession, insufficient funds were available to pay the 2% interest at the end of the first year. The charter placed no restrictions on loans to bank directors. Herndon (1922, p. 483) argues that suspension of specie in 1839 took place not because the banks were out of money, but because loans made to members of the state legislature were due and parties serving in the dual roles of legislators and bank directors were unwilling to foreclose on themselves. In attempting to clean up the financial quagmire, further irregularities ensued.

The challenging times in the aftermath of the 1837 depression led the Fayetteville branch of the State Bank to rely on counter-intuitive entries to increase values on their balance sheet. Given that Arkansas bonds were being quoted at 13 to 17 cents on the dollar, they devised a scheme to have a broker buy back their bonds at 20 cents on the dollar which would have resulted in an entry similar to the following:

Bonds Payable written off	*100,000*	
Cash		*20,000*
Gain on extinguishment of debt		*80,000*

The entry above is not fraudulent as such. The logical interpretation of a reduction in the present value of a liability account due to either inflation or declining credit worthiness has long been a problematic issue in accounting theory. Late twentieth century U.S. and international accounting standards once required gains on early extinguishment of debt to be labelled as ‘extraordinary’ to highlight their problematic interpretation despite not being particularly unusual (Moore 2009, p. 330). The buy-back scheme and model entry illustrate that accounting standards promulgated through accepted institutional structures can serve to either highlight or to obscure potentially misleading transactions. Ironically, the bond buy-back scheme came to naught because the New York broker absconded with the funds without re-purchasing any bonds. When Governor Yell called for an investigation of the Fayetteville branch in 1841, the books were said to have been stolen. While a subset of the accounting ledgers were recovered ─ one from a river ─ key transaction pages were missing from the mutilated books.

When the bank charters were established in 1836, the legislature had instituted a rule that it was illegal to sell state guaranteed bonds below face. The rule was not practical given that the price of bonds must go below face if market interest rates increase, else the instruments would be unmarketable. In the late 1840s the Real Estate bank attempted to avoid default on interest due in January 1841 by devising a scheme to ‘hypothecate’ the bonds. That is, they would get the equivalent of the discounted price on the bonds by pledging the guaranteed bonds as collateral on a separate loan.

Table 2. Timeline of Arkansas Bank Bond Crisis through Civil War Era

November 1840	‘Hypothecation of bonds” to New York-based North American Trust Bank. Because it was illegal by state law to sell the bonds at a discount, $500,000 of bonds were pledged on a separate loan.
December 1840	North American Trust sells the $500,000 of collateral that should not have been in their hands to London banker John Holford shortly before the Trust declares bankruptcy.
May 1841	Fayetteville branch bank accounting records were stolen or hidden prior to examination. When recovered, key transaction pages were missing. A bank cashier admits 1838 conditions were misstated to prevent a bank run.
1842	Bankers set up a trust run by themselves to liquidate the State Bank. Governor Yell agrees to stand behind all state bonds except the Holford sale.
1846	Arkansas legislature adopts a constitutional amendment prohibiting any banks in the state.
1860	Governor Drew acknowledges the justness of payments on bank bonds currently in default but notes the state cannot afford to pay.
1869	Post-Civil War reconstruction legislature issues new bonds replacing all bank bonds including the Holfords.

Through the ‘hypothecation’ scheme, the Real Estate bank was to receive $121,000 backed by $500,000 of state bond collateral. Prudent organizations retain collateral and do not allow debtors access, but in this case the state bonds wound up in the hands of the creditor North American Trust and Banking Company which was itself in a precarious financial state. Just prior to the Trust’s declaration of bankruptcy, the firm took the state bonds pledged as collateral and sold them to a London banker John Holford. Holford claimed that he had no way of knowing this was not a legitimate sale of state bonds because he had previously bought similar bonds through the North American Trust. The Arkansas legislators nevertheless argued that they should not have to make good on an illegal sale of bonds to Holford. In addition to the State Bank defaults, the Real Estate Bank also defaulted on an interest payment of $91,000 which then represented more than half the state budget. The Real Estate Bank went into a receivership which protected members of the legislature, planters, and well-connected bank personnel.

The Arkansas State and Real Estate bank actions were not the result of a single rogue actor. The crisis was rooted in systemic efforts aimed at protecting insiders. Investigations that should have protected the public were hijacked by insiders for their own self-interest, leading to suspension of all state level banks from 1846 until a new post-Civil War constitution became effective in 1868. Further, the problems did not end after the Civil War. See Moore (2006) for a discussion of how the pre-Civil War Holford bonds again became an issue in the post-Civil War era as the legislature utilized technicalities in the timing of a vote to repudiate both the Holford bond payments and guarantees on an issue of Railroad Bonds that had been duly voted on by the taxpayers. In the 1920’s, Arkansas sustained a third default on highway bonds when Depression Era farms could not afford to pay their taxes.

Kansas School Bond Forgery Case

A Depression era Kansas school bond forgery case provides an opportunity to look at a fraud where key individuals took the brunt of the punishment to shield other highly positioned political insiders. In the summer of 1933, in the depths of the Great Depression, auditors determined that over $1.35 million of Kansas bonds had been forged. The fraud shook the pillars of public confidence because Ronald Finney, the mastermind behind the scheme, was not only a prominent businessman but also a close friend of Governor Landon and other constitutional officers. The Finney family members were also close friends with William Allen White, a prominent Emporia, Kansas newspaperman, poet, unsuccessful candidate for governor, and personal friend of U.S. President Theodore Roosevelt.

William Allen White’s son William Lindsay White used a *roman à clef* device which uses made up but transparently obvious pseudonyms and place names as a substitute for actual persons and locations, e. g., Oklarado as a state name instead of Kansas (White 1938). The work was marketed as a novel to avoid libel lawsuits. It is notable that another book on the case was written by Bader (1982) who is neither a financial professional nor an historian, but a biology professor. William Allen White printed ongoing reports of court proceedings and appeals in *The Emporia Gazette* as events unfolded.

The 1933 fraudulent bond issue was equal to 15% of Kansas’ total appropriations and more than double the revenue from a politically risky enactment of a new state income tax imposed despite Depression conditions to provide relief for property taxes on farmland (Bader 1982, xiii). Under Governor Landon’s vision for a slimmed-down, pay-as-you-go state government, the state’s house and senate had cut direct appropriations by just under 25% while simultaneously decreasing taxes by more than $20 million. This contrasted with other states and a federal government that adopted a Keynesian model of deficit spending to prop up a faltering economy (Bader 1982, pp. 2-3). The Ronald Finney case brought attention to questionable investments, loans, and payments to prominent Kansas businessmen and political figures.

Bond forgeries were uncovered during a routine examination of the National Bank of Topeka in late June 1933. Examiners became suspicious of a $100,000 series of Kansas municipal bonds which had been placed in the bank by Ronald Finney as collateral for a loan. An auditor's check of serial numbers turned up identical bonds being simultaneously held by the state's School Fund Commission. It was soon determined that duplicates of up to $400,000 of what should have been uncirculated bonds had been sold through commercial channels. When Justice Department investigators were denied entry to the state treasury to examine the bonds held there, U.S. district attorney Sard Brewster approached the governor to assert his authority to aid the investigation on Monday August 7, 1933.

The apparent perpetrator of the fraud, Ronald Finney, was a close friend of the Governor, having been entertained at a meal the prior Wednesday. The Governor was keenly aware that the fraud held the potential to undo the positive political capital gained by the recent budget cuts accompanied by passage of an income tax. When Governor Landon asked the State Treasurer Tom Boyd to admit federal investigators to the treasury, Boyd stalled by saying that he needed approval from the School Fund Commission board. The Governor reacted by placing the School Fund under martial law, sending in representatives of the National Guard and state militia to assure no records were removed from the treasury vault. By Tuesday August 8, 1933, the value of the known forgeries had risen to $658,000. The illegal bonds were not photo static copies, but high quality prints on premium paper with forged signatures that to the naked eye were indiscernible from the ones on authentic bonds.

As the case unfolded in court proceedings, the legislature, and the media, payments of interest and principal on all public bonds were suspended for months. Two state officers were impeached. Six federal indictments were brought against seven defendants. Three banks closed permanently with heavy losses to depositors and a major Chicago brokerage firm was bankrupted. The central figure, Ronald Finney, negotiated a reduced sentence of fifteen years for cooperation only to have the court renege on its promise. Bader (1982, p. 180) concludes that the failure to uphold the plea agreement was widely rumored but not conclusively shown to have stemmed from pressure applied in meetings with Governor Landon.

Finney was sentenced to a minimum of 36 up to a maximum of 600 years in the Kansas State Penitentiary to begin May 31, 1934. State Treasurer Tom Boyd's sentence was 4 to 10 years. Finney's employee and skilled signature forger Leland Caldwell received a sentence even longer than Ronald Finney's ─ 40 to 840 years. This was the longest sentence in Kansas history at the time. Kansas Attorney General Roland Boynton was impeached, but the legislature was unable to muster the two-thirds majority needed to uphold the charges. State Auditor Will French was also impeached for malfeasance but again the charges were not upheld. The time between discovery of the fraud, the trial verdict, an appeals process, and ultimate sentencing was less than a year ─ a remarkably short time in comparison to expectations in the current environment. The speed of the 'justice' system may have been in part due to political pressure to show a rapid resolution on the public's behalf.

Warren Finney, Ronald's father, publicly vowed to make up all losses from his personal holdings to assure no bank depositors would be harmed. The father was initially thought to be blameless. Later Warren Finney was charged with abetting his son's financial schemes in family owned banks. After a series of trials, proceedings, and appeals, the elder Warren Finney was expected to be bound over for incarceration by mid-June. White's (1938) rendition of the events suggests Warren Finney shot himself in the head on June 7, 1938 to avoid incarceration and to allow his wife to collect on a life insurance policy (Bader 1982, p. 307; White 1938, pp. 610-612). This was refuted in a statement from Mrs. Finney printed in *The Emporia Gazette* (June 8, 1934, CLV, p. 1) just below a small write up of her husband's funeral. The funeral announcement noted that the son did not attend the funeral. The will left the father's property entirely to his wife with no mention of the son.

Ronald Tucker Finney was born September 18, 1898. He attended college at Washburn University in Topeka, Kansas but later transferred to Cornell University in New York State where he graduated with a degree in liberal arts in 1921. After college, Finney senior put his son Ronald to work in the Neosho Falls bank. Using a network of family controlled banks, Warren taught his son to kite checks. The pair also colluded in falsifying the age of cattle pledged as collateral on farm loans to qualify for larger loans. Bader (1982, p. 128) claims that bank examiners ultimately "encouraged" Ronald Finney to seek opportunities outside the banking field. When he got out of banking and moved to Emporia, Ronald dabbled in selling stocks and bonds, life insurance, real estate, slot machines, and even buffalo steaks. With the bond business proving to be the most promising, he began to spend time in the Topeka Statehouse to promote a bill to encourage refinancing of municipal and state bonds. Finney intended to make money by facilitating exchanges for a percentage of the proceeds.

After making connections with officers in the Kansas Treasury and local printing houses, Ronald Finney hired Leland Caldwell who had previously used his free time in the family banks to practice his penmanship. His talents were first used to forge realistic signatures on bonds that were initially used to hide underwater positions in the banks and later put up for sale in the market. In promoting his bond bill, Finney's used a strategy of disguised gifts. Legislators would give Finney a small sum to 'invest' and receive above average returns on the investments along with opportunities for free vacations at the Finney family's Colorado ranch and personal use of a Topeka apartment. Boyd made enough on Finney investments to purchase two ranch properties on his modest State Treasurer's salary. Yet when the scandal over forged bonds broke, he gave a telephone interview arguing that Finney had lied to him, borrowing bonds worth $150,000 of bonds that were not returned as promised. Boyd did not seem to realize that he was directly implicating himself in the release of the genuine bonds that were later duplicated (Bader, p. 25-26). This naiveté may suggest that the climate of cronyism had become so pervasive that such behavior had become the norm among key elected officials.

Discussion of the Cases in Relation to the Fraud Triangle

The fraud triangle argues that deviations from ethical norms begin with felt pressure. Depression conditions may have caused widespread economic worries, but the more central issue in these cases seems to be that political figures were taking advantage of their positions to receive and grant favors. Roosevelt's bank holiday in March of 1933 may have prompted certain financial pressures for Ronald Finney. On the other hand, White's (1938) in depth exploration of his friend's character suggests that Ronald Finney had long been motivated by a combination of the thrill of deceit and prestige gained from aligning himself with powerful political figures.

In both the Arkansas and Kansas cases, fraud was perpetrated by and supported by powerful political figures who had the means to cover up their self-dealing. While it might be tempting to write these cases off as too old to inform current practices, more recent financial crises such as the savings and loan crisis of the 1990s, the subprime crisis of 2008, and the LIBOR rate collusions of 2012 all bear evidence of similar levels of connections between key players and political elites that simply are not emphasized in mainstream accounting literature on fraud and white collar crime. The usual response to financial crisis is to impose additional reporting and internal governance restrictions on business entities. Such responses may constitute little more than empty, symbolic acts that protect the status quo. Greenspan comments on the futility of imposing more detailed reporting requirements as follows:

> Should we set up a global reporting system of the positions of hedge and private equity funds to see if there are any dangerous concentrations that could indicate potential financial implosions? … I would not be able to judge from such reports whether … some dangerous trading was emerging. I would truly be surprised if *anyone* could. (Greenspan 2007, p. 490)

Greenspan (2007) goes on to suggest that heightened reporting requirements do little to address factors that motivate market participants to take on 'demonstrably stupid' risks that can lead to market implosions. Further, macro- level theories point out that legal systems often fail to respond on a timely basis to economic or technical changes that threaten economic stability. For example, new forms of artificial intelligence provide opportunities for fraud that have not yet been formally flagged as illegal by codes of jurisprudence.

THOUGHTS ON WHY THE FRAUD TRIANGLE ENDURES

Given the widespread criticism of the fraud triangle model, why has it endured as the preferred model among accounting and fraud examination professionals? First, Lakatos (1978) argues that once a paradigm achieves a certain status, those who have earned their reputations from the model will allow challenges to minor tenets but will wield sufficient power to strongly resist revision of core assumptions. For example, Jones and Dugdale (2002) use the case of activity-based costing to illustrate the bandwagon effect in accounting research. Despite pretensions of rigor in peer-reviewed academic research, Williams (2014) argues that impressions of objectivity are often illusory. Chua (1986) concludes that publishing protocols within the U.S. accounting academy have been inherently biased against radical departures from dominant views.

Tuttle and Dillard (2007) provide evidence that discourse in U.S. accounting academic journals is exceptionally insular. Not only does accounting research have little interaction with other disciplines, Bloch, Kleinman, and Peterson (2017) point to a significant disconnect between the topics addressed by academics and the perceived needs of accounting practitioners. Rodgers and Williams' (1996) study of output at *The Accounting Review* (TAR) from 1967-1993 emphasizes a longstanding pattern of omissions of practical issues in accounting research as follows:

> Accounting is done to and by organizations, yet there are virtually no references to sociology literature. Accounting makes rules affecting a wide diversity of people, yet there are few references to law literature and none to political science. … Accounting, mundanely, is about levying and paying taxes, yet there are remarkably few references to tax literature. A considerable amount of what accounting is, is simply missing. (Rodgers and Williams, 1996, pp. 76-77)

Humphrey and Gendron (2015) add:

> "something" is being lost in various academic fields –this "something" being expressed through phrases such as "intellectual stagnation", "lack of innovativeness" and "increasing conformity" (p. 3).

Humphrey and Gendron (2015) attribute the loss to a combination of short-term careerism and performance-based pressures associated with the ascendancy of journal rankings. Under the disciplinary classification schemes used by the Australian Business Deans Council (ABDC), key criminology and sociology journals cited in this manuscript might very well not count as valid scholarly outlets in business or accounting programs that rely on the ABDC list as validation of research quality.

Second, the accounting and fraud examiners' institutional position is that they often have been granted permission to obtain credentials such as a certified public accountants' (CPA) license through the legislative process. Even non-CPA fraud investigators commonly work for large corporations or government agencies. In these positions, they can report audit findings but have little to no institutional standing to assure that sanctions are commensurate with the severity of crimes committed or to suggest modifications in the power structure. Per Sanada (2020) and Thies (2025) standard setting processes do not merely exist to protect the public interest. Standards setters must take care to legitimate themselves to political forces that grant them the right to exist. That franchise is in turn contingent on having processes in place that appear fair but ultimately uphold the status of dominant players. Historians of the standard setting process like Zeff (2021) detail repeated cases in which U.S. standard setters were forced to reverse their preferred stances on issues such as the treatment of stock options, investment tax credits, inflation, and fair value accounting to satisfy political demands. Revsine (1991) suggests standard setting processes are implicitly tainted by political interests that prefer 'selective misrepresentations' in financial reporting. If Revsine's insights ring true, then accounting educators need to do more than merely teach students to recite the extant rules on a chapter and verse basis.

In divisive political environments where tenure protections are increasingly tenuous, even academics can be reluctant to discuss the role of political power in accounting. Still, failure to encourage students to question aspects of the institutional environments is not conducive to developing leaders who can recognize and work to address systemic flaws in the prevailing social order. Ravenscroft and Williams (2021) suggest that a culture of ignorance surrounding the potential for financial collapse increases opportunities for the very kinds of self-dealing that lead to institutional crises.

Concerned academics may wonder how they can address issues related to political incentives for financial misdealing without running afoul of current U.S. headwinds that target faculty who venture into politically sensitive issues. As a start, we suggest a model proposed by Moore and Rao (2024) for use in managerial accounting classes. They maintain that teaching only the material contained in content specification guidelines for certification programs and the standards or protocols currently contained in accounting authoritative literature is an insufficient basis for professional education. Moore and Rao (2024) emphasize that the most critical issues impacting institutional stability may well be those where (1) a consensus on best practice has not yet been determined, or (2) the positions favored by authorities are less than optimal for some members of society.

Given that it can indeed be fraught for educators to express opinions as to precisely how legal and other institutional frameworks should be reframed, Moore and Rao (2024) recommend choosing issues for analysis where the answers are not yet known and stakeholders have vastly different views of proper treatment. Alternative positions on accounting measurement and performance incentives can have unequal ramifications for those in power compared to other participants in the economic system. Requiring students to debate unsettled issues from more than one stakeholder position will encourage future fraud examiners to recognize that subtle nuances embedded in accounting standards and the rules of jurisprudence may be designed to serve the needs of some market participants better than others.

CONCLUSION

Administrators of accredited business and accounting programs are encouraged to revisit the tight boundaries that hinder cross-pollination of ideas between business, law, and criminology departments. Fraud programs outside schools of business tend to put more emphasis on the underlying causes of crime rather than rote study of audit procedures used to detect asset misappropriations or violations of current accounting standards. If more courses were offered for dual enrollment across accounting, political science, criminology, and forensic disciplines ─ ideally as team taught offerings ─ it might increase the visibility of and increase enrollment in fraud investigation coursework. A side effect of disciplinary cross-pollination would be that accounting students would be exposed to a more nuanced perspective on how the parameters of accountability are both formed by and constrained through political mechanisms.

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