

## Research Article

# FACTORS IN THE FORMATION OF ECONOMIC CRIMES AND THE ROLE OF THE STATE IN THEIR PREVENTION

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### ABSTRACT

The present study aims to examine the factors contributing to the commission of economic crimes and the state's role in preventing them. The research method is descriptive-analytical, based on library data. The findings indicate that crime prevention encompasses various categories, which in one classification are divided into penal and non-penal prevention. In general, the objective of prevention is to reduce the incidence and prevalence, the duration of prevalence, and the residual disability resulting from an event, and it is carried out at three levels. Primary prevention refers to programs and services provided to the general population to prevent the occurrence of an event. Secondary prevention refers to programs and services delivered at the early stages of an event, leading to timely identification and preventing its progression and chronicity. Tertiary prevention includes programs and services aimed at reducing the prevalence of consequences and disabilities resulting from the event. Penal prevention is primarily punitive and falls under the judiciary's responsibility. The target group of this type of prevention is offenders. Preventive measures against crime are implemented through the criminalization of behaviors and the punishment of their perpetrators, often to reduce recidivism. Non-penal prevention includes measures that are non-punitive and are primarily aimed at preventing crime rather than its recurrence. Social prevention and situational prevention are considered among the most recent classifications of non-penal prevention.

## INTRODUCTION

Economic crimes constitute a major threat to countries' economic security. This issue is particularly pronounced in rentier economies, where it manifests more visibly. Economic crimes are interconnected with a chain of other offenses, such as bribery, laundering of illicit proceeds (money laundering), falsification of customs or tax declarations, and, in organized forms, disruption of the economic system. Each of these, in turn, possesses significant potential to undermine national interests and social capital. Windfall gains, disruption of economic balance, capital flight, and interference with managers' and officials' plans to maintain economic health and security are among the common features of all types of economic crimes (Hajiani, 2005).

Undoubtedly, numerous economic, cultural, social, political, and other factors are influential in the emergence and occurrence of corruption and economic crimes, and it is not possible to enumerate all of them within the scope of this brief discussion. Researchers and experts have pointed to many contributing factors in this regard. The Supreme Leader of the Islamic Revolution has stated: "If the hands of corrupt individuals and those who exploit governmental resources are not cut off, and if privilege-seekers, excessively demanding claimants, and monopolists are not excluded, investors, producers, and job seekers will all feel insecurity and despair, and some will be encouraged to resort to illegitimate and unlawful means" (Khamenei, 2001, p. 154). In this statement, privilege-seeking and excessive greed are identified as key drivers that push certain individuals and groups toward illegitimate and unlawful paths, which we have referred to as corruption and economic crime. Some social realities indicate that individuals, in the course of their daily lives, often prioritize their own interests and objectives over those of others. This tendency is particularly evident among individuals who lack elevated human and ethical qualities and are less endowed with such virtues; they are more prone than others to exhibit such self-centered behavior. Some researchers argue that this proposition does not imply that they disregard collective interests altogether, but rather that they consistently prioritize their personal interests (Khezri, 2002, p. 12).

Preventing economic crime is achievable through two categories of measures and strategies: social preventive measures and situational preventive measures. Solutions within these two spectrums are included in Iran's criminal policy to prevent such crimes. Situational prevention of economic crimes involves disrupting the opportunities and conditions that enable crime. The concept of situational prevention is based on addressing issues before they occur and may encompass any form of intervention that can be conceived. This is because situational prevention deals, on the one hand, with the probabilities of future criminal behavior, and on the other hand, with certain perceptions shaping criminal behavior that has not yet materialized. Its criteria, scope, and framework are determined by those who employ and implement it. Resorting to situational prevention of economic crimes requires examining pre-offense contexts from individual and social perspectives, as well as environmental and political dimensions. Considering the aforementioned points, the objective of the present study is to examine the factors contributing to the commission of economic crimes and the state's role in preventing them.

## METHOD

Given the use of existing books and the description and analysis of data, the research method is descriptive-analytical and based on library data. In this method, the available sources were first identified, the relevant materials carefully examined, and the required content extracted.

### Factors Contributing to the Emergence of Economic Crimes

In Iran, cumbersome and opaque laws, as well as overlapping and conflicting laws, circulars, and regulations, lead to reduced investment, the failure of firms to develop, and a shortage of job opportunities. These conditions also push entrepreneurs toward the informal economy. In the informal economy, enterprises are free from government control and oversight, as well as from those of affiliated institutions; consequently, they avoid various costs, including taxes, but in return are deprived of many benefits. As a result, a portion of government revenues is not realized, and the state increases the tax burden on enterprises operating in the formal sector. “Due to the lack of formal supervision over economic activities, over the past years—particularly in recent years—the products produced in this sector lack quality standards. Since enterprises in the informal sector are unable to obtain bank credit, they are compelled to meet the requirements for starting a business and to navigate the lengthy process of obtaining licenses and operating permits through informal or illegal means. They are also unable to resort to courts for dispute resolution.” The use of shortcuts and under-the-table payments constitutes another negative factor emerging in the country’s economy. Women are more severely affected in this sector, as they constitute 75% of the workforce. Corruption is also highly prevalent in this sector due to numerous opportunities for bribery. In what follows, the factors contributing to the emergence of economic crimes are examined.

One such factor is the absence of unified and coherent laws. God Almighty states: “Allah is He who created the heavens and the earth and sent down water from the sky, and thereby brought forth fruits as provision for you; and He subjected for you the ships to sail upon the sea by His command, and He subjected for you the rivers; and He subjected for you the sun and the moon, constant in their courses, and He subjected for you the night and the day. And He gave you of all that you asked of Him; and if you were to count the blessings of Allah, you could not enumerate them. Indeed, man is most unjust and ungrateful” (Qur’an, Ibrahim 14:32–34).

Therefore, according to the Quran, the main problem is not the weariness of nature or its inability to meet human needs. However, rather than the problems being caused by human behavior, the next verse says: “Indeed, man is a transgressor of the disbelievers” (Ibrahim, 34). Therefore, one is human oppression in the distribution of wealth, and the other is the failure to fully utilize natural resources, in the form of disbelief in blessings and their wasteful use, are the fundamental causes of the problems and crises that poor people have always struggled with since the earliest times of history. Only if we evaluate and interpret the problems with this perspective, that is, in the first case, we replace unjust relations with just relations, and in the second case, we discover and extract the hidden reserves of nature by using all the material and technical means, can we overcome economic disorders.

“The rationale for granting permits for economic activities is to facilitate the initiation of operations and to safeguard public safety and health. However, complex permit procedures and the difficulty of complying with regulations increase operating costs and other requirements

within the formal sector, thereby encouraging activity in the informal sector to evade safety standards. Furthermore, unplanned and inefficient government inspections impose high costs on economic actors” (Raghfar, 2007, p. 40). The confusion faced by economic actors in obtaining permits and various clearances, the dispersion of organizations and institutions responsible for issuing licenses, and the lengthy time required to obtain such permits are major obstacles that create concern and hesitation among economic actors seeking to initiate business activities and obtain licenses in Iran. In many cases, illegal and corrupt methods are employed to overcome these obstacles, only to create new impediments.

Another contributing factor is the reduction in hiring capacity and the creation of stringent conditions in this regard. The difficulty of hiring and dismissing labor forces employers in the formal sector to pay higher taxes and social security contributions, leading them to discriminate in hiring. In the informal sector, issues such as the employment of women and children, and the denial of workers' social benefits, arise. The lack of an appropriate balance between labor market flexibility that protects employees, offers hope to the unemployed of entering the workforce, and ensures job stability constitutes a major obstacle, rendering the business environment unfavorable from this perspective. Moreover, due to the absence of a comprehensive social security system, workers' sense of security and confidence in the face of unforeseen events is diminished. “Rigid labor laws increase business costs, and enterprises are unable to adapt to new technologies, macroeconomic shocks, and the influx of migrant labor. Even under competitive conditions and trade liberalization, complex labor regulations hinder the transfer of workers from less productive sectors to more productive ones” (Raghfar, 2007, p. 44). The absence of laws governing labor relations and the role of unions and syndicates in regulating employer–employee relations is another obstacle present in the country.

Another factor concerns the conditions for obtaining bank credit. “The non-acceptance of many assets as collateral for securing loans, the absence of a comprehensive and efficient credit information system, and the difficulty of accessing such systems—issues related to banking laws—lead to a reduction in loan approvals and to uncertain repayments. Credit extended to the private sector is correlated with gross domestic product. The imposition of ceilings on loan amounts also contributes to the difficulty of obtaining credit” (ibid., p. 33). In addition to these issues, the country lacks coverage of private credit information. In general, credit information registries worldwide serve as comprehensive databases of credit information for individuals and legal entities. By collecting credit data from financial and non-financial institutions and sharing it with credit rating agencies, they assist banks and other lenders in assessing borrowers' risk, determining loan amounts and interest rates in proportion to that risk, and securing appropriate collateral, thereby reducing the bank's credit risk. However, because such mechanisms are absent in Iran, business owners must personally gather this information.

Another factor is the neglect of shareholders' rights. In Iran, economic power is largely derived from political power. However, decisions regarding which information should be disclosed, the formulation of disclosure regulations, and the determination of shareholders' authority to pursue delinquent managers should be entrusted to relevant judicial and legal institutions. Insufficient protection of minority shareholders and the difficulty of initiating legal actions discourage them from investing. When individuals are unwilling to purchase shares and ownership becomes highly concentrated, investors are unable to benefit from diversified assets. They must rely on a single source of financing—namely, banks. Under such circumstances, entrepreneurs face difficulties in accessing liquidity. Due to existing financing constraints, economic enterprises fail to reach their optimal level of efficiency, and their economic growth

stagnates. On the one hand, the risk of expropriation decreases with the number of owners; on the other hand, it reduces the entrepreneur's incentive to engage in activities whose profits accrue to others. The lack of information regarding related-party transactions is among the most significant obstacles facing investors. Some less developed countries attempt to compensate for shareholders' lack of access to court information by appointing government inspectors. Compared to individual litigation, this approach is less costly and more effective, as inspectors can obtain more information from the accused; however, it should be noted that government inspectors have motivations that differ from those of shareholders.

**Another factor is the tax system's traditional nature and the lack of adequate attention to it.**

Tax collection by governments is essential for financing public infrastructure. Without such infrastructure, productivity and economic growth are not possible. However, non-transparent, heavy, and discriminatory taxes—sometimes even exceeding the profits of economic actors—drive enterprises either to cease production or to engage in tax evasion. “Tax evasion has numerous adverse effects on the economy. It leads to the failure to secure the revenues the government needs for social expenditures. Consequently, social services are not provided by the state at an optimal level or quality. Furthermore, tax evasion results in the improper distribution of income across society and the concentration of wealth in the hands of specific groups. This not only strengthens the political power of such groups but also widens class disparities, thereby increasing political and social tensions. Ultimately, it disrupts the economic security necessary for the expansion of economic activities and investment” (Nasiri Aghdam & Naderan, 2006, p. 15). Such a phenomenon, in the medium and long term, hinders economic growth and development. In wealthy countries, business taxes tend to be lower, and tax systems are less complex, whereas in poorer countries, enterprises are often treated as primary points of tax collection. Reducing exemptions and adjusting tax rates to broaden the tax base is recommended.

Enterprises generally prefer lower tax rates, as they are easier to pay. When tax rates are high, firms expect better services in return; however, particularly in developing countries, this expectation is often unmet. Production units also prefer a tax system characterized by transparency and non-discrimination in both legislation and enforcement—an issue that remains a serious problem in the country. Moreover, the lack of a comprehensive information system and the challenges associated with implementing value-added tax constitute additional major problems. In some cases, inadequate tax rates, a large informal sector, or insufficient public expenditure may create further issues. In many developing countries, higher tax payments do not have a clear or direct relationship with improved social outcomes. Such taxes do not necessarily increase government spending on health and education, improve literacy or life expectancy, or reduce child mortality; rather, they may be diverted toward luxury and extravagant expenditures. Likewise, higher taxation does not necessarily translate into better infrastructure or increased public services, as effective mechanisms for monitoring how tax revenues are spent are lacking.

Another factor is the lengthiness of litigation in commercial matters. The difficulty of resolving commercial disputes and collecting claims through courts, the high cost and lengthy duration, the incompetence and corruption of court personnel, delays in appellate procedures, and the prolonged enforcement of judgments compel enterprises to seek alternative mechanisms for

dispute resolution. When the cost of accessing the courts is high, fewer commercial transactions occur, and participation in the market is limited to a small group with prior relationships or experience with the courts. In such conditions, less wealth is generated. The absence of a comprehensive claims information system, as well as an inadequate database on legal rights arising from contracts and procedural practices, constitutes a significant obstacle that creates uncertainty among economic actors about the enforceability of contracts. The ease of contract enforcement is closely related to increased bank lending, which currently receives insufficient attention in the country. Moreover, the existence of efficient courts facilitates the entry of new firms and increases employment within existing enterprises. Barriers to contract enforcement increase demand for government budgetary support. The necessity and soundness of the judiciary, as a supporter of economic enterprises in disputes and litigation, are greater in countries where judgments are issued more rapidly, and administrative procedures are fewer. Seventy percent of production enterprises in Iran do not pursue their claims through legal channels due to distrust in the judicial system. The non-enforcement, delayed enforcement, or incomplete enforcement of contracts harms not only the affected enterprises but also their network of partners and counterparties, and ultimately the entire business environment (*ibid.*, p. 16). Instability in monetary, fiscal, and trade policies—especially in the production sector—has caused losses for enterprises in the country, and the inability of firms to repay debts leads to bankruptcy.

### **The Role of the State in Preventing Economic Crimes**

Within domestic law, one legal instrument aimed at preventing conflicts of interest is the “Act Prohibiting the Intervention of Ministers, Members of Parliament, and Government Employees in Government and National Transactions,” enacted in 1958. According to this law, certain civil and military officials, government employees, and those affiliated with governmental bodies, municipalities, individuals receiving continuous salaries or remuneration from the state treasury, and certain companies (under specified conditions) are prohibited from participating in transactions or arbitration in disputes involving the government, parliament, municipalities, or affiliated institutions. Moreover, close relatives of such individuals—including parents, siblings, spouses, direct descendants, as well as sons and daughters-in-law—are also deprived of this right. This law merely addresses the prohibition of engaging in transactions and arbitration with the government; therefore, the enactment of legislation that explicitly defines instances and forms of conflicts of interest and establishes executive mechanisms to prevent corruption arising from such conflicts appears necessary. In recent years, some regulations have addressed this issue only to a limited extent; for example, the Code of Ethics and Conduct for Customs Employees prohibits customs staff from engaging in trade, brokerage, or any profession related to their official duties (Article 5, Clause 1). Undoubtedly, numerous economic, cultural, social, political, and other factors contribute to the emergence of corruption and economic crimes. Some social realities indicate that individuals in their daily lives often prioritize their own interests over others' welfare. This tendency is particularly evident among individuals who lack higher moral and human virtues. Some researchers argue that this does not mean they completely disregard collective interests, but rather that they consistently prioritize personal gain (Khezri, 2002, p. 12). This issue is especially relevant to government managers and employees who have direct access to public financial resources and are entrusted with the management and supervision of production, maintenance, distribution, and

consumption of national resources and capital. Some political and social analysts attribute the causes of economic corruption in the country to a wide range of factors, among the most important of which are: extravagance and wastefulness among officials; inequality and injustice; class disparities; mismatch between income levels; restriction of lawful income-generating opportunities; lack of cooperation and coordination among branches of government and institutions; weaknesses in administrative, social, and economic systems; professional incompetence; normalization of minor violations; facilitation of opportunities for unqualified individuals; ineffective accountability and responsibility mechanisms; absence of transparent laws and the prevalence of lawbreakers; emergence of affiliated and state-owned companies with dual identities; failure to collect overdue government claims from organizations; deficiencies in the tax and customs systems; neglect of key control points; reliance on untrained personnel; problems in the banking and monetary system; complex bureaucracies; uncritical defense by officials of their subordinates; lack of transparency and restricted access to accurate information; lack of job security or perceived insecurity; partisan and factional support for offenders; failure to take serious action against violators; weaknesses in the penal and judicial system; low standards of living; and the absence of an efficient and comprehensive social security system.

### **Establishment of a Comprehensive Supervisory and Control System**

Given that a significant portion of the proceeds from economic crimes—especially corruption and money laundering—flows through monetary and banking systems and enters the country's economic structure, attention to the performance of such institutions through the establishment and proper implementation of a comprehensive supervisory and control system can serve as an important preventive measure. Continuous oversight ensures the constant risk of detection. In general, it can be concluded that there is a correlation between preventive effects and the likelihood of detection. In addition to domestic regulations, key United Nations instruments emphasize control measures, such as customer identification, record-keeping, and reporting of suspicious transactions, which are discussed in detail below.

In some countries, opening accounts under false names is not considered a crime. Such banks refrain from obtaining full identification documents or reporting suspicious transactions to government authorities. However, international efforts over the past two decades have guided the global community toward prohibiting such accounts and ensuring full customer identification. In this context, it can also be stated that the issuance of bearer bonds—which are particularly attractive to money launderers due to the anonymity of their holders—should be restricted, and legislators should reconsider their regulation in this regard.

Article 3 of the directive of the Money and Credit Council, regarding the identification of legal (corporate) customers by financial and banking institutions, does not mandate the collection of information concerning the nature of business activities, financial statements, the names and addresses of the board of directors, the CEO, and shareholders holding more than 20 percent of shares in companies, nor does it require such information regarding founders, boards of trustees, and similar bodies in non-commercial institutions, or the names and addresses of auditors. However, merely obtaining such information is insufficient; banks and financial institutions must take effective, appropriate measures to ensure the accurate and practical identification of customers. Such measures include verifying a company's actual operations rather than relying solely on articles of association, financial statements, and stated addresses,

and instead requiring adequate, credible supporting documentation. Paragraph (a) of Section 1 of Article 7 of the United Nations Convention against Transnational Organized Crime provides: “Within their competence, and to prevent and detect all forms of money laundering, States Parties shall establish a comprehensive domestic regulatory and supervisory regime for banks and non-bank financial institutions and, where appropriate, other bodies particularly susceptible to money laundering. This regime shall emphasize requirements for customer identification, record-keeping, and the reporting of suspicious transactions.” Likewise, Article 14 of the United Nations Convention against Corruption, entitled “Measures to prevent money laundering,” in paragraph (1), refers to the establishment of a comprehensive domestic regulatory and supervisory system for banks and non-bank financial institutions. A review of the relevant provisions of the domestic legal system alongside the aforementioned conventions shows that, firstly. However, the directive of Iran’s Money and Credit Council was adopted and implemented before these conventions; its provisions—particularly regarding the identification of beneficial owners, record-keeping, and similar matters—are generally consistent with the conventions. However, the Anti-Money Laundering Law enacted after these conventions has disregarded some of their provisions, as it does not make customer identification mandatory in all cases but rather conditions it on the presence of indications of wrongdoing. Secondly, the criteria outlined in paragraph (a) of Article 7 of the Anti-Money Laundering Law may themselves create grounds for the commission of such crimes, as the requirement for customer identification is not absolute but contingent on suspicion. In contrast, the commission of such offenses in the absence of clear indicators is not implausible and may appear ordinary.

The obligation to retain and maintain records related to account opening, such as customer identification, has been deemed necessary by the directive of the Money and Credit Council and the aforementioned United Nations conventions. However, it is essential to respect individuals’ privacy at all levels. Accordingly, personal records are presumed confidential unless the law specifies certain transactions or cases as subject to reporting; therefore, such records must not be used for purposes other than those defined by law. According to Article 8 of the Anti-Money Laundering Law, “any disclosure of information or its use, directly or indirectly, for personal benefit or the benefit of others by government officials or other persons specified in the law is prohibited, and its sanction is punishment in accordance with the Law on the Publication and Disclosure of Confidential Documents (1974). Financial and monetary institutions must retain relevant documents and records for the period specified by regulations.” According to Article 14 of the Money and Credit Council resolution, the retention period for such documents is five years. Concerning the non-disclosure of account holders’ information, the Palermo and Merida Conventions remain silent; however, Article 2 of the United Nations Model Law on Money Laundering provides: “Competent authorities shall under no circumstances transmit the aforementioned information and reports externally, and third parties who become aware of such information and reports shall not transfer them to natural or legal persons other than those specified by law, unless the competent authorities authorize such transfer.”

### **Reducing the Role of the State in Direct Economic Activities**

Excessive state intervention in the economy—beyond the functions traditionally attributed to it by classical theory (such as regulation, maintenance of order and security, and enforcement

of contracts)—leads to the expansion of bureaucracy and the emergence of phenomena such as bribery and rent-seeking, the social costs of which ultimately place society in a worse condition. In reality, from a historical perspective, market mechanisms cannot function without a strong, supervisory state. Even in advanced capitalist countries such as the United States, contrary to widespread perceptions, there exists strict oversight of market performance. Creating a competitive economic environment is one of the most effective ways to prevent economic crime. This issue is so important that more than 100 countries worldwide currently have competition laws, and the United Nations issued a set of principles and rules on competition in 1980, which was revised in 2000. Establishing such a competitive environment and reducing the role of the state in economic affairs depends on the following key measures:

**Privatization:** Privatization is an executive, financial, and legal process implemented by governments to reform the economy and administrative systems. The term “privatization” reflects a shift in the balance between the state and the market in favor of the latter. Thus, privatization, in its narrow sense, refers to “the process of transferring the functions and facilities of a public entity to a private entity or the sale of more than 50 percent of the shares of a public enterprise to the private sector.” In a broader sense, it refers to the transfer and delegation of governmental functions to market forces. In contemporary terms, international institutions define privatization as the assignment of responsibility for economic activities to individuals (Ardeshiri, 2007, p. 352). In essence, privatization can be regarded as a reform program aimed at combating corruption (Rabiei, 2004, p. 42).

**Liberalization and Reduction of State Monopoly:** Liberalization involves measures aimed at removing government controls from financial markets, goods and services markets, labor markets, and external sectors, and transferring them to market mechanisms. Key measures in this regard include deregulating financial markets, liberalizing controlled prices and allowing market forces to determine them, eliminating subsidies and adjusting subsidized prices, officially adjusting currency values, liberalizing specific trade sectors, removing tariffs and external restrictions, and promoting investment participation. In general, liberalization aims to benefit from global trade, with its main tools including the removal of non-tariff barriers, such as quotas, the shift toward tariff-based trade systems, and the gradual reduction or elimination of domestic support mechanisms, such as subsidies to production entities. These measures collectively direct production toward open participation in the global economy. To prevent monopolies, Chapter Nine of the Law on the General Policies of Article 44 of the Constitution of Iran is devoted to competition law (anti-monopoly law), under which the Competition Council is tasked with “supervising all competitive activities carried out by public, private, cooperative, and governmental sectors to prevent the formation of monopolies in the market.”

### Asset Declaration

Requiring public officials to declare their assets—whether to the public or to anti-corruption governmental bodies—is an effective measure for preventing corruption. Asset and interest disclosure assists both the official concerned and the government in identifying potential conflicts of interest. It may entail the relinquishment of private benefits or the reassignment of public responsibilities to another official not subject to such conflicts. In general, requiring officials to fully disclose their assets, including specific disclosures at different stages of their tenure, provides a basis and tool for comparison and for identifying assets acquired through

corrupt means. It is reasonable to require an official who has acquired substantial assets during their tenure to explain the origin of such assets. “Resorting to such a method for the prevention of corruption requires that governments prosecute and punish public officials whose assets have increased unreasonably during their tenure and for which no justification exists based on their lawful income” (W. Paatii Ofosu-Amaah, 2005, p. 24). In domestic law, preventive mechanisms to combat the misuse of public office and power by high-ranking officials are provided in Article 142 of the Constitution, which states: “The assets of the Leader, the President, the Vice Presidents, ministers, and their spouses and children, both before and after their term of office, shall be examined by the judiciary to ensure that they have not increased unlawfully.” Furthermore, under Article 1 of the “Law on the Examination of the Assets of Ministers and Government Employees, both civil and military, municipalities, and their affiliated institutions” (1958), individuals subject to this law are required to submit statements of their own assets, as well as those of their spouses and dependent children, to the competent authorities and obtain a receipt thereof.

### **Promoting Transparency in the Public Sector**

A necessary condition for a sound economic system is financial transparency across various dimensions, particularly in government operations, because these crimes—unlike ordinary crimes—are committed in environments characterized by ambiguity and lack of transparency. Government transparency initially requires the provision of reliable information regarding the macro-level objectives of fiscal policies, followed by the publication of detailed information on government operations. One preventive situational strategy for effective crime control, which deters individuals from violating the law and helps prevent economic crimes, is enhancing transparency in government activities and transactions. From an economic perspective, transparency means the truthful and comprehensive dissemination of information in economic activities and clarity regarding the mechanisms governing economic relations, namely, how wealth is produced and distributed within society. Economic transparency, in addition to information dissemination through mass media and press, includes information generated through the proper functioning of economic mechanisms, including the price mechanism, which in a competitive market system provides accurate information about the scarcity of resources to producers and consumers, guiding them toward rational decision-making and optimal resource allocation (Tadbir Economics Research Institute, 2010, Vol. 2, p. 16).

It can be asserted with confidence that the most important situational factor generating corruption is “lack of transparency and weakness in establishing it” (Hamdami Khotbesara, 2004, p. 146). Lack of transparency creates opportunities for misuse by government agents whose personal interests conflict with public or others' interests. Moreover, because of the lack of effective detection and prosecution mechanisms, such officials have little fear of engaging in criminal behavior, as they consider the probability of detection negligible.

### **Adjustment of Banking Secrecy Rules**

Government officials sometimes have access to a wide range of sensitive information and are therefore subject to confidentiality rules and disclosure restrictions. These rules are accompanied by positive obligations to maintain secrecy or adopt necessary measures to

prevent the leakage or misuse of information, as well as sanctions for intentional disclosure and, in some cases, negligence. Banking secrecy regulations are considered a major obstacle to investigating and prosecuting financially oriented crimes (Langseth, 2008, p. 177). However, in the case of economic crimes, the situation differs, as in some cases there is an explicit emphasis on limiting banking secrecy rules to prevent such crimes. The implementation of this preventive mechanism—particularly in the prevention of money laundering—requires bank employees and financial institutions to report suspicious transactions and disclose customer banking information. This makes potential offenders perceive the detection of such crimes as likely, increases the perceived cost of committing them beyond their benefits, and thereby discourages their commission. In domestic law, according to Article 5 of the Anti-Money Laundering Law, all banks, financial and credit institutions, insurance companies, the Central Insurance, savings and loan funds, charitable foundations and institutions, and municipalities are required to report suspicious cases. These institutions are obligated to provide requested information in suspicious cases or transactions exceeding specified thresholds in accordance with relevant laws and regulations, and they may not invoke banking secrecy or professional confidentiality in this regard. In other words, these institutions are legally required to breach confidentiality rules when necessary. Chapter Three of the Executive Guidelines on Anti-Money Laundering Regulations, titled “Suspicious Banking Operations and Reporting Procedures,” outlines reporting procedures for suspicious transactions to the supervisory committee responsible for anti-money laundering oversight, but does not define “suspicious transaction.” In United Nations conventions, such preventive measures are also observed. In this regard, Article 40 of the Convention against Corruption states that “in the context of domestic investigations into offenses established under this Convention, States Parties shall ensure that their legal systems provide appropriate mechanisms to overcome obstacles that may arise from the application of banking secrecy laws.”

### **Establishment of a Financial Intelligence Unit (FIU)**

To facilitate the examination of suspicious transactions and operations, establishing a Financial Intelligence Unit is essential. This unit is responsible for collecting, analyzing, and, where appropriate, disseminating information and reports to judicial or executive authorities for legal action. Potential offenders, aware of the existence of such a unit tasked with collecting, analyzing, and transmitting information for prosecution, are likely to anticipate rapid and effective detection of their actions, thereby perceiving the cost of committing such crimes as higher than their benefits and consequently refraining from engaging in them. Article 4 of Iran’s Anti-Money Laundering Law establishes the Supreme Anti-Money Laundering Council, responsible for collecting, processing, and analyzing reports, documents, and information; evaluating incoming reports; identifying suspicious transactions; developing information systems; and coordinating with relevant institutions. This council is chaired by the Minister of Economic Affairs and Finance and includes the Ministers of Commerce, Intelligence, and Interior, as well as the Governor of the Central Bank. Article 7 of the Palermo Convention does not explicitly require the establishment of such a unit for the collection, analysis, and dissemination of information related to money laundering. However, Article 14(1)(b) of the United Nations Convention against Corruption (Merida Convention) stipulates that States Parties shall consider establishing Financial Intelligence Units as national centers for the collection, analysis, and dissemination of information related to potential money laundering.

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## CONCLUSION

The present study aimed to examine the factors contributing to the commission of economic crimes and the state's role in preventing them. The findings indicate that some crimes and corrupt practices occur due to the absence of preventive and deterrent regulations. These regulations are not limited to criminal laws; gaps in financial systems, public services, and other domains also create conditions conducive to crime and exploitation by opportunistic individuals. Therefore, relevant authorities must identify legal gaps and, in cooperation with related institutions, take necessary measures to address them.

Appointing individuals with positive backgrounds to positions prone to corruption reduces the likelihood of crime. Recording and monitoring organizational assets, implementing supervisory and control mechanisms by oversight bodies, and planning to prevent employee unemployment can all contribute to reducing administrative crimes and corruption.

In administrative systems, familiarizing employees with laws, regulations, and administrative rules, and with the consequences of criminal or disciplinary violations, plays an important role in reducing corruption and offenses. It has frequently been observed that, after the arrest of suspects, ignorance of laws and regulations has been a major factor in their involvement in such acts.

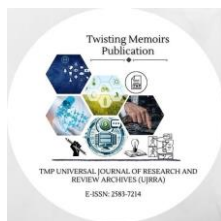
Strengthening the moral and spiritual dimensions of employees is directly related to the development of a culture of self-control. What is referred to in modern management science as “self-control” is rooted in the Islamic principle of “Hold yourselves accountable before you are held accountable.” The more effectively cultural institutions fulfill their role in strengthening religious faith and piety among employees and in enhancing awareness of the moral and divine consequences of such acts, the greater their impact in preventing and reducing crime and corruption.

Failure of organizations to properly identify individuals and hiring without adequate background checks may lead to the selection of corrupt individuals who impose long-term costs on institutions. Implementing probationary and temporary employment regulations, along with careful vetting processes, can help prevent the recruitment of offenders. Individuals with social or family behavioral disorders are likely to create problems within organizations as well.

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