# Foreword

Over the last few decades, the growth of the world economy has been quite positive, and there have been improvements in the economic well-being of most countries. However, this growth has been accompanied by some negative developments. The growth in economic crime has become a global problem, and there has been a strong increase in activity by international criminal organizations. Financial and tax fraud and corruption have shown strong increases. Organized crime has gained a significant influence on economies throughout the world, resulting in huge rises in expenditures for law enforcement and the judiciary in their efforts to combat this trend. Investigation of this "dark" side of a globalized economic world is becoming more and more important in the efforts to prevent and control crime.

An increase in corruption has major negative effects on the economy of a country: It leads to higher emigration rates, especially in developing countries. Especially important is the fact that high levels of corruption in government and the business sector lead to highly skilled and well-educated workers leaving developing countries. This results in a shortage of skilled labor and slower economic growth, which in turn create higher unemployment and encourage further emigration. Corruption also shifts public spending from health and education to sectors with less transparency in spending (e.g., the military sector), disadvantaging low-skilled workers and encouraging them to emigrate.

A number of studies show that increased corruption and a larger shadow economy lead to an increase in public debt. Additional research studies indicate that when there is widespread fraud and corruption in the government and those in control of the business sector, the *shadow economy* increases. This effect of corruption leads to huge increases in public debt, as well as distrust in the competency of the public and private leaders of the countries. Studies show that a larger shadow economy reduces tax revenues and thus increases public debt. The higher government expenditures increase the effects of corruption.

For all of these reasons, reducing corruption should be a primary policy goal of governments. Given the complementary relationship between corruption and the shadow economy, reducing corruption would also lead to a decline in the size of the *shadow economy*, public debt, and the many types of criminal activities that are associated with corruption and fraud.

Fraud, with its connected criminal activities, leads to *dirty money* (money laundering), which is earned through various underground activities, such as drug, weapons, and human trafficking. It is impossible to determine how much illicit crime money in all its forms can be detected and recorded, but the most widely quoted figure by the International Monetary Fund (IMF) for the extent of money laundering from criminal proceeds has ranged from 20% to 50% of the global gross domestic product (GDP).

From these few remarks about the dark side of a globalized economic world, it is obvious that we should know much more about corruption and fraud. This is precisely the goal of the authors who have contributed to this book on the prevention and control of fraud and corruption edited by Maximilian Edelbacher and Peter Kratcoski. Only when we have a detailed knowledge about corruption and fraud, including its connected activities, can we develop policy strategies, enact legislation, and implement effective programs to combat the fraud and corruption that exist to some extent in all of the public and private governments and affect the quality of life of the people. This information can lead to good governance rules and institutions which we urgently need to improve our well-being. I highly recommend this book to anyone interested in finding ways to prevent and control corruption and its related crimes.

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