Michael Johnston's democratization theory and Money Laundering

# Introduction

Money laundering is transiting money collected from undisclosed sources away from the source territory. Such crimes amount to considerable value and are the cause of brewing new forms of crime throughout the world. Just in Europe, it has been noticed that at the end of the last decade, money laundering estimated to be around US$ 71.5bn(Alldridge, 2008). Similarly, the amount of money pooled in by other illegal means accounts much more than this. There are financial institutions which work for curbing such crimes but the figures reveal some slight decrease in such percentages. Although not harmful, money laundering sets the basis for other criminal activities and upstream offenses. In such cases, the tax amount is trespassed and some known and reliable channels are used to transmit money from one place to another. Money Laundering and such other crimes related to currency amounts for huge profits which also paves the way for other crimes as well(Alldridge, 2008).

Many different methods are used in initiating such illegal practices. Such illegal means vary from one activity to another, but there exist some commonalities in their methods. These commonalities include the use of organized crimes such as looting or other fraudulent means, gambling or the use of cash-intensive means. In this complete process of transferring money from a place to another, gambling houses, fuel stations, the real estate sector or any small kind of business is shown as a legal entity occupied by the offender. In the pretext of such businesses, these people commit such crimes. In some countries, it has also been noticed that some banks and other financial intermediaries are involved in such acts(Alldridge, 2008). As Banks incentivize such activities, therefore every time the anti-money launderers' focus on the banking streams primarily. Michael Johnston’s democratization theory also provides insight into such crimes. In his article titled *More than necessary, less than sufficient: Democratization and the control of Corruption,* he argues that presumption of accountability and limits on power are central for corruption and crimes related to money(Johnston, 2013).

## Michael Johnston’s Democratization theory

Johnston’s democratization theory is related in some forms to the democratic ideals of the present world. He has presented a kind of different view about democracy and the control of the authority. In his book, he argues that in a democracy the presumption of accountability and the rule of law are central scenarios in checking corruption. He connects his presumption about the basic tenets of democracy with that of corruption and such other illegal means. He also argues that there are ways democracy strengthens society. According to him the formation of coalitions, the strengthening of civil society, the persistence of freedom, the expansion in the electorate and civil liberties are what democracy is based over(Johnston, 1999). But on the other side, he argues that democracy paves the way for some illegal activities also. For example campaign financing, lobbying accuses, market deals and vote buying are some drawbacks of democracy. He believes that such political activities undercut the rights of citizens and also influence the quality of public life.

The debate about democratization theory is just not limited to democracy and rights of citizens or about criminal activities, it also includes the debate about reducing corruption. Johnston argues that reducing corruption in the absence of democratic processes is a difficult task. He presents many arguments in support of his theory(Johnston, 2013). For example, he believes that democracy is a transparent system, therefore in such a system, people responsible for misconducts are evident. Opposite to this is strict regimes in which it becomes difficult to hold anyone accountable. The democratization theory of Johnston also argues that democratization is essential for lasting reforms but on the other hand it does not confirm that democratization will control corruption or crimes related to money. For further simplifying his argument Johnston presents the example of India. He argues that despite a history of democracy prevalence, there is corruption and economic mismanagement. He, therefore, sums up the debate about democratization by arguing that democracy may even make some varieties of corruption worse(Johnston, 1999).

## Money Laundering and Democratization theory

Money laundering is not much different from many white collar crimes. In this specific form of activity, it is noticeable that money is transmitted to many systems, as a result, it becomes difficult to trace the exact source of money. Money Laundering is not a new phenomenon, it has existed in its modern form since the last century. As the world has moved toward globalization and things are more sophisticated, therefore the chances of cash leakages have increased. The modern-day criminologist make use of such process and loopholes for transmitting money. This is how money laundering is actually carried on. Although it appears a kind of a harmless crime, its traces have been found attached to drug trafficking and human trafficking. Since drug abuse and human trafficking are categorized as heinous crimes, therefore many financial and humanitarian international organization calls for joint actions against this crime(Johnston, 2014). This is not just the only platform where it helps criminalists but its layered transactions affect many other areas too. A jammed or stacked baking network is also caused by inflowing or withdrawing heavy amounts.

The democratization theory takes this notion from a specific group of people to that of the normal public. Johnston place masses in the helm of affairs by attaching the many forms of crime with that of democracy. As democratization is spreading the norms of democracy throughout the length and breadth of a society, therefore democracy makes a system more divided but linked together by some values. In such a system each representative work individually and without the interference of any other individual (or a system), therefore this increases the chances of criminal activities. Political differences, on the other hand, are the next reason for the smooth occurrence of such activities. For example, since many individuals are included in a democratic process and every individual attempt to trespass others, this is why they pillar their efforts upon such financial activities. As a result, such disorderly and contentious attitude becomes a reason for money laundering and many other financial crimes.

The political system of a country just not breed a single crime (directly or indirectly), rather there are many political activities which pave the way for criminal acts. The self- interested politicians are the notable source of such crimes. As at the present time, money laundering is being carried by the Banks and some other financial institutions, so it is evident that influential personalities can just be a tool for this(Whitehead, 2002). Such self-interested politicians are the tools for laundering and trespassing domestic financial regulations. This formula works in countries with nominal democratic regulations. In the countries where the democratic institutions are strong, the administration is totally kept separate with that from politics. Such division serves in many ways. Other than being efficient, it makes the way for strong legislation against crimes such as money laundering and other white collar crimes. This is referred by Johnston as the disintegration of states and the self-interested politicians.

Politicians are not the only tool incomplete process of money laundering. There are many other actors involved in completing this complete process. The other important sources related to transferring cash from a place to another are financial institutions and open market. Although many countries have abandoned the concept of open markets in many smaller countries they exist till this day. In such countries the role is divided, normally open market acts as the most reliable and transparent source of infusing unknown cash into the mainstream. This is how democratization is linked just not to electable but too many other institutions also.

Johnston democratization theory is based on the pretext that democracy narrows down the way for corruption, white collar crimes, money laundering, and such other malpractices. The critics of him argue that he too narrowly draws the pretext made for the explanation of such crime (Whitehead, 2002). They argue that there are proven facts that the democratic institutions have been a tool for money laundering and such other malicious activities (which Johnston himself has also referred to). Therefore, it appears feasible to argue that money laundering is related to more too political processes regardless of whether it is democracy or authoritarianism.

# Conclusion

The governance structure inside a country is majorly responsible for the good or bad ruling mechanism. It is evident in many ways that democracy has evolved itself as a kind of more acceptable form of governance. Compared to this authoritarianism is considered good for some and worst for many state institutions. Each system is then judged over its capability of dealing with the societal ills. Money Laundering is one such kind of ill. Michael Johnston's democratization theory is a general explanation of the phenomena that how democracy strengthens or weakens a corrupt system (mainly the financial structure). To sum up this whole debate, one may argue that despite maturing of democracy, there will remain the loopholes which will pave the way for financial malpractices. As like Johnston, many others have argued that a systematic and more general strategy can detach the financial crimes with that from the governance structure.

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