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Understanding the practices behind money laundering — A rational choice interpretation

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Abstract

The adoption of broad criminological theories has enriched understanding as to why people commit crime. Often integrated to create clear understanding, criminological theories have become instrumental in supporting the development of tactical and strategic preventative activities aligned beside a myriad of crime types. Although theoretically diverse and seemingly universally applicable, recent research indicates the most appropriate theoretical criminological perspective for increasing understanding surrounding the process of money laundering is the rational choice theory. By understanding the rational decisions made by the criminals involved in money laundering, rational choice theory uncovers the association between everyday circumstances and explicit driven activities. Accordingly, the application of rational choice theory when applied to money laundering reveals how at this, the uppermost level of organised criminality, a risk diverse process strictly exists in which every decision made is consistently rational.

Keywords: Criminological theories; Organised crime; Money laundering; Crime prevention; Rational choice theory

1. Introduction

Manifested from a need to secure the profitability and the enjoy-ability of illicitly gained financial funds, money laundering has become instrumental in both the success and collapse of organised crime (FATF, 2014). Unable to cleanse illicit funds creates a situation in which criminals are unable to reap the entire benefits of a predicate crime. This article clarifies the

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scope for understanding money laundering using the rational choice theory. By understanding the rational decisions made by criminals involved in the cleansing of illicit funds, it is possible to expand current understanding of the money laundering environment, assisting both investigations and those activities envisioned to prevent money laundering.

2. Organised crime and money laundering

Organised criminal activities are widespread, nurtured by the diversity of methods, people, and regions now besieged by the various parties involved in criminal undertakings. Together, however, these relatively simple issues control the significant challenges facing regional and national law enforcement agencies. Increased use of technology and migrating populations have shaped the sphere of organised crime—defining a now unimaginable and complex environment within which it is almost impossible to define boundaries in criminal activates or the level of involvement. Portraying the achievements of organised crime are the criminal activities and the geographical spread from which these activities have acquired. Success, nonetheless, at all levels, has not happened by chance. Criminals have become attuned to identifying rational opportunities for facilitating crime, reinforced by legislative inconsistencies, technological advancements, and consumer behaviour. Ironically, organised crime has expanded into new voids, seeking novel opportunities caused by general occurrences and the globalisation of various commodities and markets.

Providing an aura of legitimacy enabling overt enjoyment reflected by the purchasing of lavish items for example, money laundering has become characteristically associated with organised crime. Representing the *finale of crime*, realised by the way through which money laundering enables the continual funding of criminal activities, the cleansing of illicitly gained funds has typically been achieved through a three-stage money laundering process of placement, layering, and integration—a process that has become synonymous with defining the modus operandi of *all* money laundering methods. Without money laundering, the benefits from predicate crimes such as drug smuggling, people trafficking, fraud, and cyber crime would not be entirely accessible.

Similar to organised crime, the characterisations depicting money laundering have defined the process as widespread in terms of the opportunities through which the process can take place and the various locations capable of facilitating such processes. In the past, attempts to define known money laundering processes have been somewhat superficial, failing in most part to discuss in detail the "actors, financial flows and behaviours involved in carrying out these activities" (Irwin et al., 2012: 86). As lists depicting the many methods used to facilitate money laundering remain plentiful (Unger and Den Hartog, 2012), methods continue to vary from the most basic (Duyne et al., 2005; van Duyne and Levi, 2005) to the highly sophisticated (Merlonghi, 2010). Seemingly, low-level criminals are less likely to use the same methods as sophisticated organised criminal groups, not only due to the practical implications surrounding such methods but also because no one method may sufficiently serve both parties. Nevertheless, current methods of money laundering remain "limited only by the imagination of the criminal enterprise" (Arnone and Borlini, 2010: 236). With many methods also now taking place through one or more aspects associated with the Internet (Grabosky and Graycar, 1996; Nair and Vaithilingam, 2007), the complexities for those involved in detecting and preventing money laundering have become all too common (Duyne et al., 2005). This diverse and continually changing landscape indicates how theoretical understanding of organised criminal activities, in particular money laundering is now more