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# Looting – A New Analysis

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**ABSTRACT**

**Looting typically stands for mass riots and civil unrest resulting in shop lensing. However, we can in a fruitful manner broaden the concept to include the management of embezzlement in the state. It is not the same as corruption. And it drives dictatorships.**

## INTRODUCTION

Traditional forms of looting can be observed in riots and warfare. In riots there is explosive events of a PD game where each looter tries to come first or looks for the best grab. Often the forces of law and order have been sidelined.

Looting in war is sometimes systematic as the winning side secures the *spolia.* For example, Tamerlane brought enough spoils back to create the wonders of Uzbekistan.

In the state today the are many opportunities for looting systematically, especially when rule of law institutions are weekly observed. One may separate between banal and refined state looting.

## ON CORRUPTION

One would like to emphasize that looting and corruption is not the same. Sometimes the concept of corruption is defined broadly to cover a number of sins like:
Favoritism
Patronage
Embezzlement
Theft
Harassment

The essence of corruption is a thè *quid pro quo, i.e. a* tangible interaction between two parties in which an illegal trade occurs to the benefit of both, most often of pecuniary or fungible nature.

Corruption is bribery, which tends to be different from embezzlement or theft or harassment. It has been suggested that corruption is partiality, following the proposal of philosopher Barry that impartiality is the core of justice. However, friendship entails partiality but not corruption nor injustice. Before big corruption, there must be looting.

## BANAL VERSUS SERIOUS LOOTING

International indices tapping corruption deals with the public sector. This is a serious limitation as private sector behaviour often displays dysfunctions like the above.

Banal forms of corruption or embezzlement occur no doubt in any country. An employee at US open in tennis operates his own gate letting in people against a bribe. Or the border clerk in Burma receives a bribe for not checking a lorry minutely. Banal corruption or embezzlement often reflects personal misery. Actually, it may be legitimate in a country where salaries are irregular or basic needs denied. Petty corruption is hardly a nuisance in a poor country.

Looting on a gtsnd scale occurs when state assets are transferred to.private ownership. Processes of looting typically goes on for s long period of time employing various quasi legal or illegal methods. Looting involves today not the *spoila* in the Roman civilisation, but the smart employment of financial tricks to empty the state coffers to private benefit.

It is most visible in the former USSR , the Arab kingdoms and at times in African and Latin American dictatorships. The occurrence of looting is to be found in dictatorships where it is essential. Looting is much much simpler in a dictatorship than in a rule of law society. It is the essence of dictatorship being a handy form of embezzling.

In some traditional countries there is no clear conception of the *fiscus as* the economic assets of the state. For example, oil and natural gas riches are seen as belonging to the ruling dynasty and not the anonymous *fiscus*. It was the Roman's who first developed this notion of state coffers. In patrimonial countries the public services constitute a gift to the inhabitants who pay no taxes. No need for parliament.

Organised looting became big business with the transformation of the Soviet economy. One may point to other examples of big scale corruption or embezzlement:

A) Angola – the oil
B) Tunisia – the telecom contracts
C) Zaire - sMobutus theft
D) Argentine – stealing babies
E) Libya under khadaffi
F) Saudi Arabia – oil money

However, nothing compares to the pauperization of the former USSR when the economy became capitalism under controls of KGB people. Mobutu took cash from state coffees to pay for luxury champagnes all the time, but the Russian oligarchs buy London properties and yachts for billions $. Actually, the very same process of looting occurred in the Soviet republics except the Balkans.

In North Korea in possession of nuks ruling family has created miserly for its population. It remains to be seen if the communist party of China can curb its many billionaires.

Pillage occurs of course in the private sector too when a company is taken over and cut into pieces and sold off. In well-ordered societies such predatory strategies are restrained by the rule of law. But in the communist or post-communist state there was or is no rule of law.

Only the complicated system of institutions making up rule of law can harness wild or crony capitalism and government looting. It is as much a matter of constraints upon the private sector as the public sector.

## CUI BONO IN THE STATE?

In a democracy the interests of the electorate are transmitted to government by means of party completion. What interests do dictatorships pursue?

Modern dictatorships have a conspicuous economic face. It is driven by the search for material advantages like luxury lifestyle and the accumulation of private wealth and properties. Nowhere is this motivation more apparent than in the former USSR (Belton, 2020).

Government is basically the management of the public sector. The principal is the nation or the people/citizens. They hire managers to handle state affairs by sending signals like voting, laws, constitution and opinion polls. In a dictatorship these restraints are few and not always taken seriously. Instead the dictator employs these with myths about the will and needs of the state or the ordinary man and woman. In the end the agents become the principal.

## FINANCIAL ECONOMY

Looting would not play such an important role in the politics of globalisation if there was no vibrate global financial economy. The money that is transferred daily around the globe has increased much the latest decades. Part of this money is in the official economy and the other part is in the unofficial economy or black economy. The black global economy thus comprises the interactions between the looters and the financial institutions that handle the loot. It could be:

a) Taxable incomes or profits
b) Money from theft, corruption, embezzlement and extortion
c) Wind fall profits
d) Money from illegal activities

On the other side of the table, we have tax heavens, offshore banks and swiss banks and London city and Wall Street. The problem: money laundering or get the money from the unofficial financial economy to the official economy.

## RULE OF LAW: ESSENCE

There is no neat and tidy definition of the expression “rule of law". The Oxford English Dictionary offers the following entry:

> *“[t]he authority and influence of law in society, especially when viewed as a constraint on individual and institutional behavior; (hence) the principle whereby all members of a society (including those in government) are considered equally subject to publicly disclosed legal codes and processes.”*

Now, this sounds rather complicated as well as somewhat legalistic: how to measure it in order to compare states?

One may deconstruct this concept with other concepts or criteria like:

1) Strong legal formalism promoting equality under the laws;
2) Individual rights covering contract, free labour and property;
3) Property institutions clrifying whar is private or public, how property may bbe acquired or sold, what is s joined stock company, how they operate and pay tax, *bòurses* etc;
4) Checks and balances, i.e. institutionalized mixed government with countervailing competences between executive, legislature and judiciary

A political regime characterized by limited government and countervailing competences may satisfy different institutional models of democracy.

## THE GLOBAL PICTURE

Spreading democracy around the globe is tantamount to inserting rule of law. The world justice project (WJP) measures today the existence of rule of law. The WJP unpacks a rule of law regime as follows:

a) Constraints on Government Powers
b) Absence of Corruption
c) Open Government
d) Fundamental Rights
e) Order and Security
f) Regulatory Enforcement
g) Civil Justice
h) Criminal Justice

The WJP underlines accountability, judicial independence, legal formalism and balance of power between executive and legislature. It is worth pointing out that democracy is not mentioned. Rule of law was conceptualized before the advent of democracy after the Great War. Rule of law as legality, rights and countervailing rule may be combined with democracy as popular participation rule, but it has not always been so.

**Table 1 presents the results of the most recent survey of the RL Index for 128 countries around the world, presenting the mean value by region**

| Region | Min | Average | Max |
|---|---|---|---|
| East Asia & Pacific | 0,32 | 0,60 | 0,83 |
| Eastern Europe & Central Asia | 0,42 | 0,50 | 0,61 |
| EU + EFTA + North America | 0,52 | 0,74 | 0,90 |
| Latin America & Caribbean | 0,27 | 0,52 | 0,71 |
| Middle East & North Africa | 0,35 | 0,49 | 0,64 |
| South Asia | 0,35 | 0,44 | 0,52 |
| Sub-Saharan Africa | 0,35 | 0,46 | 0,62 |

Not merely Western countries score above 0.6 on this scale. Rule of law countries include: Japan, South Korea, Singapore, Chile, Costa Rica, Uruguay, Mauritius and Namibia. But the countries with crony capitalism – money laundering, tax evasion, offshore banking – resulting in looting all score under .5.

## CONCLUSION

Elites in government are typically paid less than business elites, at least in well-ordered societies. In dictatorships looting offers the remedy creating oligarchs.

The remuneration of politicians may get out of hand. This is very much the case when looting occurs. It is feasible in any dictatorship - actually its main reason. Weber stated that a regime based upon *naked* power was instable. And Lenin argued that the revolution need an agency - the party *vanguard* (Nimtz, 2014). Both were wrong. The agents of government (politicians, bureaucrats and consultants) can sit for a long time embezzling the principal – money trumping power. Only rule of law and competitive politics can stop the motive of looting and its consequences. It seems as if Russia under Putin has become a major supporter of looting regimes.

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