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Looting And Government

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Abstract

Looting typically stands for mass riots and civil unrest resulting in shop looting. 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.

Keywords: Looting, Government, Civil unrest resulting in chaos, corruption

1. Introduction

Traditional forms of looting can be observed in riots and warfare. In riots there is explosive events of a prisoner's dilemma (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 there are many opportunities for looting systematically, especially when rule of law institutions is weakly observed. One may separate between banal and refined state looting.

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 malpractices like:

- Favoritism
- Patronage
- Embezzlement
- Theft
- Harassment
- Racketeering

The essence of corruption is *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.

Petty 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 as well.

Arguably, banal forms of corruption or embezzlement reoccur 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 enough. These examples often reflect personal misery, and may be seen as 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 grand scale occurs when state assets are transferred to private ownership. Processes of looting typically goes on for a long period of time employing various quasi legal

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or illegal methods. Looting involves today not the *spolia* 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. Overall, looting is so 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 anonymous *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 to the people. 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 – oil
- B) Tunisia – telecom contracts
- C) Zaire - Mobutus 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 transformed to capitalism under the controls of KGB people. Mobutu took cash from state coffers to pay for luxury champagnes all the time, but the Russian oligarchs buy London properties and yachts for billions of dollars. Actually, the very same process of looting occurred in the other former Soviet republics too.

In North Korea the ruling family has created misery 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 Russian 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 Government?

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

Modern dictatorships have a conspicuous economic face. They are 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 necessarily taken into account. 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.

The Financial Economy

Looting would not play such an important role in the politics of globalisation without a vibrant global financial economy. The money that is transferred daily around the globe has increased exponentially the latest decades. Part of this money is in the official economy and the other part is in the unofficial 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 havens, offshore banks and money laundering operations. The problem: moving the capital 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 clarifying what is private or public, how property may be acquired or sold, what is a joint stock company, how they operate and pay tax, *bourses* etc;
- 4) Checks and balances, i.e. institutionalized mixed government with countervailing mechanisms of authority 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 for this, creating oligarchs.

Looting 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. It seems as if Russia under Putin has become a major supporter of looting regimes (Burgess 2021

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