"Economic Gangsters," *Economic Development and Cultural Change*, Vol. 59, No. 1, October 2010: 231-234.

Review of Raymond Fisman and Edward Miguel, *Economic Gangsters: Corruption, Violence, and the Poverty of Nations.* Princeton: Princeton University Press, 2008

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Many readers, including this one, will applaud *Economic Gangsters* for its goal, style, method, and overarching messages. Its goal: "to understand the havoc wrought by the corruption and violence of the world's economic gangsters, and to place their impacts on economic development in sharper relief." Its style: friendly and colloquial, inviting undergraduates and general readers to reconsider big questions about development and foreign aid. Its method: six interesting and ingenious case studies. Its overarching messages: Poverty, violence, and corruption have connections that can be understood through economic analysis. Good data and good economics can lead to better solutions, or at least improvements.

How effectively do the authors make these arguments? Do their examples support their conclusions? How might professors assigning this book add to its educational value?

Perhaps inevitably given the difficulty of the problems and the limitations of a single volume, the book's ambitious goal is only partly fulfilled. The introductory chapter talks about "post-colonial plundering" and "bloody civil wars" and states that "the destructive power of corruption and violence is clear for all to see." The epilogue says, "We've tried to understand how corruption and violence and their allies, the world's economic gangsters, get in the way of economic progress and what can be done about it." Yet the book does not clarify the importance of various kinds of violence and corruption to various kinds of development. It does not address plundering, civil wars, and systemic corruption; instead, it focuses on interesting, narrow examples having unspecified importance to economic progress. The authors promise some "amazing facts and surprising solutions," but none of their case studies leads to a practical recommendation that is shown to have worked. The book's most remarkable fact, that UN diplomats from countries rated high on corruption and anti-American attitudes evade traffic tickets in New York more than diplomats from countries with lower such ratings, suggests that culture or attitudes toward the United States are more important than economic factors such as enforcement and penalties. No policy recommendation is drawn from this.

When policy-relevant suggestions are advanced, they tend to be based on plausible economic theory rather than evidence about their benefits and costs in practice. For example, weather-based crop insurance might work, but no evidence is provided about its impact and cost. "Large-scale industrial development that weans Africans from their dependence on the weather would be the best solution," the authors note—and leave it there. Throughout, the book's recommendations seem pallid and half-formed.

Consider chapter 2, "Suharto Inc." In Indonesia, "How much corruption is there, really?" To find out, the authors address a different question: "What's it worth to be the son of President Suharto?" They look at the value of stocks in the son's companies, compared with other companies, during political shocks—for example, a possibly life-threatening health problem for Daddy. If the son's companies lose more value than other companies less well connected, it's a clue to the value of those connections. Without a full time-series analysis but using various apparent health crises facing Suharto in the mid-1990s, the authors try to estimate this value. A key parameter comes from a few days' wandering among traders of the Jakarta Stock Exchange, asking their opinion of what would happen to the value of all stocks if President Suharto suddenly died (their average guess: a 20 percent drop). After some unspecified regression analysis, the authors estimate that 25 percent of the value of the son's companies might be attributed to his political connections with the father.

Note that the 25 percent figure is not an estimate of the extent of corruption in Indonesia, nor of corruption's damage to economic development in Indonesia. The authors admit they can't tell how much better Indonesia would have done with fewer or less intense political connections. They observe that Indonesia grew at a 6 percent clip under Suharto and that Suharto's monopolistic corruption might be better than disorganized corruption. Finally, they assert that under a dictatorship like Suharto's, economic estimates of the extent of corruption (or in this case, of political connections) don't help in designing reforms. "As corruption researchers, we don't yet have ready answers."

These conclusions understate what is known about the damage caused by various kinds of corruption and about reforms that can make a difference. Economic analysis has helped gauge the harm caused by corruption and poor governance of various kinds. Economic analysis has helped diagnose how corrupt systems work in procurement, police work and justice systems, customs bureaus and tax agencies, social security, and the provision of government services, to name a few. Economic analysis has helped identify weak points in organized economic crime, which in turn suggests strategies for subverting these corrupt systems. And economic analysis can help us understand examples around the world where corruption has been reduced (though never eliminated) in cities, companies, ministries, and countries.

The book's other case studies follow a similar pattern. The reader is attracted by the promise of learning more about the causes and consequences of various kinds of violence and corruption, and to link the findings to how to global poverty. The authors' clever economic sleuthing examines a dimension of the problem at hand. Their conclusions, however, turn out to be at once too strong and too weak.

Too strong, because the analyses don't turn out to provide a clear idea of the extent of or more importantly the damage caused by a particular form of violence and corruption; and because the authors' suggestions of ameliorative policies are not analyzed in terms of costs, benefits, and actual experience elsewhere with such reforms.

Too weak, because the authors do not bring forward the power of economic analysis both to estimate the damage caused by violence and corruption of various kinds and to understand possible reforms in theory and in practice.

Economic Gangsters is a popular book; it is not scholarly and literature-intensive. Teachers assigning this book in a course on development will want to supplement it with more of what academic research and practical experience have to say about violence, corruption, and development. Teachers will want to remind students that even in this book, not all violence and corruption are wrought by economic gangsters (though the title is catchy). Witches are killed by needy peasants, the authors argue. Neither the bombing in Vietnam, nor the postwar reconstruction the authors study, were products of gangsters. And gangsters is also the wrong word for most of those who smuggle chickens into China, evade parking tickets in New York, and invest in politically connected companies in Indonesia.

In a course on evaluation, teachers will want to add much more about randomized controlled trials or randomized program evaluations, which the authors ardently recommend. "If countries ever want to understand whether their anticorruption efforts are amounting to anything, and if we as a global community want to build up a toolkit for what works in fighting corruption, some systematic experimentation must be an essential part of our efforts." But research in the United States suggests that randomized trials have seldom led to improved programs and policies. Teachers might bring this debate into the classroom. The discussion should include data difficulties and ethical challenges, as well as issues of internal and external validity. More generally, the discussion should help students think through how randomized trials and other forms of policy analysis can contribute to better choices, perhaps not by "here's the result of the evaluation, therefore do that" but by stimulating creative, new thinking about objectives, alternatives, results, and partnerships.