

May 22, 2007

Rule of Law

Posted by Gordon Smith

Yesterday at the Law & Entrepreneurship Retreat, Darian Ibrahim and I outlined a new project in which we will be examining the connection between law and various fundamental concepts in entrepreneurial studies. One of the participants in the Retreat suggested that we look at the "rule of law" literature that has become so prominent in the reform efforts of the World Bank. Today I noticed a new paper by Ray Fisman and Edward Miguel entitled [Cultures of Corruption: Evidence from Diplomatic Parking Tickets](#), which bears on that debate. Here is the abstract:

Corruption is believed to be a major factor impeding economic development, but the importance of legal enforcement versus cultural norms in controlling corruption is poorly understood. To disentangle these two factors, we exploit a natural experiment, the stationing of thousands of diplomats from around the world in New York City. Diplomatic immunity means there was essentially zero legal enforcement of diplomatic parking violations, allowing us to examine the role of cultural norms alone. This generates a revealed preference measure of government officials' corruption based on real-world behavior taking place in the same setting. We find strong persistence in corruption norms: diplomats from high corruption countries (based on existing survey-based indices) have significantly more parking violations, and these differences persist over time. In a second main result, officials from countries that survey evidence indicates have less favorable popular views of the United States commit significantly more parking violations, providing non-laboratory evidence on sentiment in economic decisionmaking. Taken together, factors other than legal enforcement appear to be important determinants of corruption.

HT [ELS Blog](#).

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