Replication Study

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A Reply to a Replication of "Weathering Corruption" (*Journal of Law and Economics*, 2008): Different Data Produce Different Results

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Abstract

Cordis and Milyo replicate our study, which found a positive relationship between FEMA-provided disaster relief and public corruption in the US states. Our study used the corruption data that virtually every study of American corruption uses: PIN data. Using the same data, Cordis and Milyo find the same result. And using different corruption data from TRAC, they find a different result: no relationship between FEMA-provided disaster relief and public corruption. Unsurprisingly, different data produce different results. The meaning of that difference, however, is unclear, especially since the latter result, which implies that public actors do not respond rationally

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to incentives when making decisions regarding corrupt activities, contradicts the law of demand.

Keywords
Corruption, FEMA

Cordis and Milyo (2021) replicate a study we published thirteen years ago, which found a positive relationship between Federal Emergency Management Agency (FEMA) -provided disaster relief and public corruption in the US states (Leeson and Sobel 2008). Our study used the corruption data that virtually every study of American corruption uses: Public Integrity Section (PIN) data. Using the same data, Cordis and Milyo find the same result. And using different corruption data from Transactional Records Access Clearinghouse (TRAC), they find a different result: no relationship between FEMA-provided disaster relief and public corruption. Cordis and Milyo attribute the difference between the two data sets to postal service crimes, which they say are included in the PIN data but excluded from the TRAC data. They conclude that the TRAC data are superior, hence relationships identified using the PIN data, including ours, are in doubt.

We are grateful to Cordis and Milyo for contributing to the discussion about corruption in America. We are pleased that Cordis and Milyo successfully replicated our result using the conventional corruption data. And we are not surprised that using different corruption data whose correlation with the conventional data is nearly nonexistent, Cordis and Milyo find a different result. The meaning of that difference, however, is unclear.

Cordis and Milyo rest their argument for the superiority of the TRAC data on the claim that "excess" corruption cases found in the PIN data reflect postal service crimes. That claim, however, is based on Cordis and Milyo's analysis of fourteen PIN surveys from a single year (2006). Cordis and Milyo may be correct about postal crimes, and they may be correct that the TRAC data are superior. But those conclusions do not seem warranted by such a tiny sampling of PIN surveys.

The TRAC data, moreover, are not only poorly correlated with the conventional corruption data that we use. They are, according to Milyo and Cordis (2013), also poorly correlated with other measures of corruption found in the literature. One possibility therefore is that the other measures are off base and the TRAC data alone are not. Another possibility, however,

is that the TRAC data are off base. We are not saying that they are. But before concluding that the TRAC data are superior, it would be useful to understand why they are poorly correlated with not just one existing measure of corruption but several.

Suppose that Cordis and Milyo are right and the PIN data simply measure postal crimes. That would present a reason to use the TRAC data instead. Yet it would also present a puzzle: why, if the PIN data simply measure postal crimes, have those data generated plausible results in so many studies that use it to measure corruption? It seems unlikely that the consistent and reasonable results produced by a literature that relies on the PIN data to measure corruption could be mere coincidence.

Data differences aside, our study's argument is economically sensible, whereas the opposite argument—that enormous influxes of weakly policed federal money have no effect on the quantity of misappropriation and graft by recipient public employees—contradicts the law of demand. There is a reason, after all, that studies of corruption typically control for government budget size or the number of public employees: when government budgets and the number of people involved in spending those budgets are larger, opportunities for corruption are greater.

Our study documented specific instances of corruption pursuant to the receipt of FEMA relief—corrupt acts that would not have been possible if FEMA relief was not received. It thus is not a stretch that corruption convictions would rise pursuant to the receipt of FEMA relief. Apart from regression results, our study provided figures that depict time-series trends of FEMA-relief influxes and corruption convictions in Minnesota, Hawaii, Kansas, South Dakota, and Louisiana. Each figure clearly shows a rise in corruption convictions pursuant to the receipt of an influx of FEMA relief. If unscrupulous mailmen account for those trends, Cordis and Milyo do not explain how. In contrast, six years after our study was published, New Orleans Mayor Ray Nagin was convicted of corruption for accepting bribes when rebuilding the city after Hurricane Katrina.

In conclusion, we hasten to repeat: Cordis and Milyo's claim that the PIN data measure postal crimes and that therefore the TRAC data are superior may indeed be correct. Establishing that claim's correctness, however, will require going beyond simply claiming it. Furthermore, it is possible that Cordis and Milyo have discovered an important violation of the law of demand and that public actors do not respond to increases in opportunities for corruption by engaging in more corruption. We are skeptical. Nevertheless, we thank Cordis and Milyo for a replication exercise that we hope will stimulate rigorous inquiry into American corruption.

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