identified the "collusive" quotes on NASDAQ, were PhDs from Chicago.[3] So were the authors who identified the abnormal returns of mutual fund managers when they trade stocks of companies whose CEOs are college mates, a finding so sensitive that they had to avoid using any company names to escape being sued.[4] More recently, one of my students at Chicago, using Russian bank transaction data, was able to estimate that 60 percent of Russian firms employ schemes to evade taxes by at least 40 percent.[5] His findings were so detailed and explosive that I feared for his life, given Russia's lawlessness. His seminar at the Russian Central Bank had to be canceled when the vice governor who invited him was assassinated. Using Illinois transaction data, another Chicago PhD student, working before the financial crisis began, found that 16 percent of the highly leveraged house purchases inflated the transaction price.[6] For this to happen, both the lender and the borrower had to be complicit in the deception. I still remember the sense of disbelief that filled the room at the school when he tried to defend his ideas. Eventually he was vindicated. These researchers don't see themselves as heroes dedicated to cleaning up the corporate world. They simply are pursuing their self-interest: to publish and to get tenure. Nevertheless, in the proper competitive environment their work helps identify dodges and swindles. Indeed, to limit crony capitalism, we need good data and powerful incentives to analyze them.

[6] Itzhak Ben-David, "Financial Constraints and Inflated Home Prices During the Real-Estate Boom," American Economic Journal: Applied Economics 3 (2011): 55-78