

The link between corruption and income inequality

Summary of the article

The paper examines the relationship between corruption and income inequality dually using Ramsey Growth model's development in Asian countries, employing Ordinary Least Square (OLS), Tobit, and Two Stage Least Square (2SLS) methods. This study reveals two-way causality between corruption and income inequality, controlling for per capita income, the gross enrolment rate in primary school, population growth, gross fixed capital information (% GDP), foreign direct investment, and governance. The results also exhibit that the higher level of corruption leads to a higher level of income inequality and vice versa, which is in line with other empirical researches (Usleaner, 2007,2011; You&Khagram 2005; Apergis, Dincer & Payne, 2010) and propose to be put more efforts for the eradication of corruption in Asian countries.

Overall evaluation

The research question is consistent with the context which is interesting and satisfying. Especially, using the Tobit and Two Stage Least Square methods as well as Ordinary Least Square make the findings more convincing with control variables that have robust effects on income inequality in Asian countries. Therefore, this empirical study can make a valid contribution to the literature. However, a few points are needed to become clear.

Major comments

1. The author stated in abstract that "in general, Asian countries have high level of corruption and poor governance" but does not give any references. Readers may want to know this information's source, so it would be better if the reference was provided.
2. In the introduction, the types of corruption are specified, namely bribery, extortion and embezzlement. However, none of them were explained, so giving more details and saying their difference from each other will make it easier to be understood by the readers.

3. In second section, it is indicated that You&Khagram (2005) found an adverse relationship between income inequality and public confidence in the legitimacy of the rules and institutions. This is expectable that the increase in public confidence in the legitimacy of rules and institution leads to higher income inequality. However, the author's findings in table 1 and 2 display that the improved governance system increase substantially income inequality, which is opposite to You&Khagram's study and to the expectations. The possible reasons could have explained for this unexpected result. (I thought that the governance quality is increased, leading to the higher public confidence in the legitimacy of the rules and institutions).
4. In conclusion, each relationship between dependent and independent variables was explained one by one, which has been already interpreted deeply after each table. To avoid the repetition of the similar sentences, that is possible to point out the finding results as follows:

“The higher per capita income, gross enrolment rate in primary education, gross fixed capital formation, population growth, and governance trigger the higher level of income inequality while FDI value leads to lower income inequality.”

This is also possible to do similar comments for other tests in which dependent variable is corruption instead of income inequality.

Minor comments

1. According to author's believe, there has not been studied theoretically how corruption can affect income inequality in Asian region. That might be right, but it would be better to use more certain phrases instead of 'believe'. It may be expressed as 'up until now, it has not been studied the impact of corruption on income inequality for Asian region'.
2. It is claimed that all models have met the assumptions of OLS, passing the test of normality, non-heteroskedasticity and non-multicollinearity, however, the results of these tests were not shown in the paper. These results could have released in appendix part to make it clearer for the readers.