

## Comments for Reviewer 2

Thank you for your comments. They have helped us improve the quality of the paper.

*The title of the paper is not suitable as it says a study of “Asian” countries whereas the sample studied only consists of 14 countries. A study of 14 countries with such limited data in terms of years in the sample cannot be generalized as a study of Asian continent of 45 plus countries. Additionally the sample of 14 countries is very heterogenous, countries like Armenia and China are in the same sample.*

*Econometrics of the paper does not use any technique to address the diversification of countries in the sample. The abstract of the paper makes sweeping statements such as “Asian countries have high levels of corruption and poor governance”, the statement is simply not correct as there is no evidence that the entire Asian countries are plagued by corruption and have poor governance. The abstract also boasts that it contributes to the literature in terms of theoretical modelling of the effect of corruption on income inequality but in reality just reproduction of two equations of Barro’s growth model cannot be classified as theoretical contribution.*

In the revised version, we have said “some Asian countries” to accommodate your comment. We have completed the explanation by adding the data about the governance index and the corruption perception index in some Asian countries in 2015 as the background to choose Asia as the object of analysis.

We developed the Ramsey growth model in Barro & Sala-i-Martin (2004) by adding two variables. They are the bribe variable (as the proxy of corruption), and the concealment cost variable. We have created a model of worker households paying bribes to bureaucrat households to get easier access to public services. If we assume that the wages earned by both types of households are the same, so the capital growth of the worker household becomes lower than the bureaucrat household. This is because the worker household gives a bribe and the bureaucrat household receives the bribe. The difference in capital growth between the two types of household contributes to the income inequality in the economy.

*The key words of the article “grease the wheel hypothesis” find no space in the whole article except for appearing once in a footnote. The first two sections of the paper have lots of repetition as the reader is quite confused as both seem to be a review of existing literature. First two sections of the paper cite mostly old papers and lack citation of very recent articles on Asia in the context of corruption. The theoretical model does not do justice in creation of the “corruption income-inequality trap”. The*

*paper would be better off if it focusses on applied econometrics and not try to form theoretical foundations of the areas of research.*

We have added the explanation of Grease the Wheel Hypothesis in the revised version. In the paper, we have applied econometrics as an identification of evidence of corruption that can contribute to income inequality. We explained this in the theoretical model and made an effort to prove it using empirical data with the econometrically technique. With the theoretical model, we have demonstrated that corruption can contribute to income inequality.

*The data set of the paper consists of 14 countries with very different time periods, with such varied time periods the results of the panel regression do not bring confidence in the reader. In terms of the estimators, Tobit and 2SLS estimators may be enough and OLS results may not be reported. One very big issue of the entire results is the reported standard errors, looking at the results it seems likely that the reported standard errors are not “robust”. Statistical software’s like Stata these days provide 4 to 5 options in terms of standard errors and I fear the default of simple standard errors has been used. The use of robust standard errors might change significance of some of the variables. Table 5 in the study with 2SLS estimator has very large coefficients for corruption, population growth and Governance. Robust standard errors might solve the issues of table 5.*

We have accommodated these comments in the revised version. We have used the robust standard errors in Table 6. We added a table of descriptive statistics, therefore Table 5 becomes Table 6 in the revised version.

*Governance variable is an average of six WGI dimensions that includes control of corruption and this averaged variable is used in the entire with the corruption variable. There could be strong correlation of these two variables and the reader does not find the correlation matrix or the descriptive statistics of the study.*

We have added the descriptive statistics as prior information for the readers. Regarding the strong correlation between governance and corruption variable, we employ the multicollinearity test in identifying the correlation between these variables. And, the multicollinearity test shows that the model passes the assumption test. This means that there is no strong correlation between these variables.