

Reply to the first referee report

I would like to thank you for your comments.

However, your comments made me wonder whether you have actually read more than the first page of the paper as your whole report is solely based on what is stated in the introduction. Any of your content-related comments concerning what you feel to be missing and you would have liked to be discussed actually **are** discussed in the paper.

While I fully agree with the statement that especially the first sentence could use a fine tune, I am very positive that one should not and cannot extrapolate this to the whole paper. Though, I agree that I should get rid of the general crime part in the introduction and rather directly shift attention towards corruption. However, there are several comments I would like to address in more detail:

Dimant certainly knows that it has often been discussed what corruption is. So he has no excuse for not trying to clarify. He uses the concept loosely for all kind of gray and black activity, almost as another term for economic dishonesty. I think it is confusing.

The cleanest definition uses the principal agent framework to define corruption as follows: Corruption occurs when an agent dealing with a third party colludes with that party to defraud the principal. The key point is that the two parties to the deal cheat the principal of at least one of the two. In the case of public sector corruption the principal may be a chain ending with 'the people'.

We really do not want to term all kinds of gray and black activity corruption. A drug mafia may bribe a custom official to close his eyes to a drug transport, or smuggle the drugs in on a boat at night, as is cheapest, but the key activity is the import and sale of the drugs. This is a criminal business, but it is not corruption. However, if it is defined as corruption the surely free trade makes it easier! If two businessmen sit down to make business in such a way that it escapes the taxman it might be criminal, but it is not corruption, etc.

For a start, this paper is intended to be an overview article, mainly focusing on explaining the people's reasoning to engage in corruption from an interdisciplinary point of view. By that, I do not introduce any own definition of corruption but rather present approaches discussed in existing literature. There are plenty articles out there solely dealing with the issue of clearly defining corruption. I don't want to fight this war in this article but rather provide a general overview over what kind of definitions are out there. While I agree with the definition you proposed, it is not the "common" definition used in literature. I focused on the most prominent ones and maybe the most prominent one is the one that is used by Transparency International.

I also **really** wonder who you refer to as "we" in sentences like "we really do not want...". Certainly, the literature is hardly convinced that one single definition serves every purpose. At no point anyone will claim to have *the* perfect and overarching definition. Neither do I presume having provided every existing definition on corruption. This not only is impossible but also does not serve the article's purpose. It is the interdisciplinary perspective on corruption that is in the foreground, not an extensive discussion of various definitions (which I, seemingly, still do on two full pages, see pp. 5-6). You seem to be mostly bothered with the fact that the

definition you believe in most has not been mentioned in this article - I don't see any justification for that as no particular value would be added by introducing more definitions. However, I am happy to include this definition in Chapter 2.2 if the general impression is that this definition should really be mentioned.

We know that the strongest relation between any economic variable and corruption is from the level of incomes to corruption – and it is negative relation: The higher the income the lower is corruption. Causal testing is tricky business, but in this case a formal causality test has been published (in Economics Letters 103 (2009) 146–8).

In fact, this and many other links are extensively discussed in the article so I do not fully understand your comment. Table 1 on page 14 clearly shows that this aspect has been considered.

We certainly know that most developed countries were much more corrupt 200 years ago. And this also applies the Asiatic Tigers only 50 years ago. This has not prevented development and it has then reduced corruption. This should be reflected in the paper. There is even the theory that sometimes institutions are so restrictive that some corruption acts as grease making the system work! Pierre-Guillaume Méon has worked on that, and it seems that it is only in extreme cases. Normally corruption is a cost.

Again, everything you mention here is extensively discussed in the paper. I devote quite some space to discuss both greasing and sanding the wheels hypotheses in Chapter 4. I also highlight the current's literature opinion on the validity of the greasing the wheels hypothesis. So, again, I cannot follow your argumentation at this point.

Considering the comments you state, my impression is that you have made up your mind based on the first page of the introduction and then expressed whatever is your understanding of corruption. Any content you mention to be missing is indeed extensively discussed in the paper. This article is intended to provide an extensive and up-to-date literature survey rather than focusing on one particular point of view. In this vein, I introduce the diverse discussion that is led in current literature. The paper is not intended to represent subjective viewpoints of any kind.

I still appreciate your comments and look forward to other reviewers' comments that help me to improve this paper.