

Reply to the referees' comments:

We are thankful to the referees for their comments and the manuscript has been revised following the suggestions.

First Referee:

List of changes:

- (a) Page 4, Para 1 (middle): Reference regarding data added.
- (b) Page 6, Para 1 and 2: Clarifications regarding changes in $m(t)$ are added.
- (c) Page 12, Para 1: Discussion on the distribution of λ near 0.2 added.
- (d) Page 28: Reference added (Purica, 2004)

Second Referee:

We are extremely thankful to the second referee for a very careful reading of the manuscript and valuable suggestions.

List of changes:

- (a) Page 22, Para 3 and Page 23, Para 1,2: Discussions in the context of the 'worrying trends' (Gallegati et al, 2006) have been added.
- (b) Page 4, Para 1: Discussion added on the limitations of the income tax data.
- (c) Unnumbered formulas have been numbered.
- (d) Typos have been corrected.
- (e) Page 25 and 27: All the suggested references have been added (Atkinson, Brandolini (2009), Atkinson et al (2009), Bach et al (2009) and Gallegati et al (2006)).