

Many thanks for the very helpful comments I'll respond to them individually below.

1.- My main concern on the analysis of the paper is the absence of unambiguous and clearly stated results. Results presented in Section 2 are just based on some particular stochastic process. In addition there is no proposition where the author states the main result. The author should try to provide more rigorous proofs of the statements. In the current version, the reader has to spend some time looking for the equation that corresponds.

*This is also the concern of other readers I will try to clarify in a rewrite.*

2.- I found some parts of the paper too technical and I missed more economic intuition. First, regarding the economic rationale behind the different stochastic process proposed and second, regarding the implication on poverty and inequality measures of those processes. In this context, one wonders if the paper has any solid implication for policy analysis. This is particularly important given the topic of the paper.

*This is also the concern of other readers who noted that Mincer years ago pointed out the absence of any economic content in the assumed stochastic processes. I agree with Mincer entirely, but that has not stopped economists in the fields of growth and income and consumption behavior from using them in describing the progress of the size distribution of income over time. The object of my paper is to demonstrate that, when they are assumed or employed by economists (and the three processes I discuss are the ones most employed by economists), they have strong implications for the various measures of wellbeing that economists use to describe those societies that are being modeled. It is not the object of the paper to justify the use of these processes in terms of their economic rationale. Perhaps I should make this clearer in the paper.*

3.- The paper, in its present form, is too hard to read. I believe that the paper could be immensely improved by presenting the different income process in a more systematic fashion, and also by more formally defining the measures of inequality, poverty and mobility. In addition, after reading Sections 2 and 3 the reader must know which are the main theoretical findings and thus the specific hypotheses that are going to be tested in the empirical application.

*Again a concern of other readers, I'll try to clarify this in a rewrite.*

Additional comments on the paper's text are the following:

a) The introduction needs a lot of work. It is not focused. It is not clear enough for the reader what the aims are, the current state of the most related literature, the results and therefore to what extent this paper contributes to the literature.

*Point taken I'll work on it in a rewrite.*

b) I suggest the author presenting the concepts of “rising tides raise all boats” and “trickle down effects” more formally. As it is the aim of the paper to check their validity, from a theoretical and empirical point of view, it is of special relevance to describe them more profoundly and clarify the underlying assumptions behind both mechanisms (and the empirical evidence supporting those assumptions). This is crucial in order to better understand the economic reasons why in general those mechanisms do not seem to operate (one of the results in the paper).

*I'm not sure I agree, “rising tides raise all boats” and “trickle down effects” are well captured by unit root processes with positive drift or mean reverting processes with systematic positive trends which are in essence the processes I consider in the paper. With all the revisions I'm proposing the paper is getting rather long, perhaps I could make the connection when I introduce the processes.*

c) One of the strengths of the paper, in my view, is the analysis presented in Section 3. I think it is a rather novel approach to understand the properties of the distribution of some aggregates variables in the population. In this sense I think that income might be just an application and thus the author could try to provide a more general analysis of mixture distributions. Another application might be the study of human capital distribution in the population, for which there is evidence that different process govern the distribution of human capital for individuals with different economic background (see Heckman (2006)).

d) I found it very interesting the empirical application. Nevertheless, the “rising tides raise all boats” and “trickle down effects” are usually understood as “income” transmission mechanisms among individuals rather than countries. One of the reasons for that association is the existing empirical evidence regarding the existence of human capital externalities among individuals (see, for example, Moretti (2004)). I suggest the author to comment on this point. This might help to understand, for example, to what extent the results hold had the data be individual level instead of country level.

*With respect to c) and d) again I'm happy to note in the paper that these ideas can be applied to size distributions of human capital or other concepts.*