

Dear Prof. Gerasimos Soldatos,

Thanks for your review on our paper.

You have mentioned many interesting points, which involve economics, politics and sociology. We can learn quite amounts of knowledge from these fields. However, because our research is concentrated on economics, we will only response your questions on economics.

In this case, your questions can be summarized as: “In sum, an exponential income distribution may be perfectly consistent with inefficiency and unfairness too, because unfairness does not mean equal opportunities but “punishing the cheater”, those who do not play by the rules of the game (Clark and D’Ambrosio (6)).”

For your question, we can do the following explanation.

Firstly, we need to clarify that the exponential income distribution in our paper is only suitable for the economy under free market regime. This is because the exponential income distribution is derived by using Arrow-Debreu’s general equilibrium model, which describes an ideal free economy. We have highlighted this point in the last sentence of this paper, which states “Although our model fits the reality very well, a caveat also needs to be applied to the empirics: The alarming level we proposed only suits for the free market system, which ensures the free competition and equal opportunity in a large part.”. Therefore, we completely agree with you that an exponential income distribution may be perfectly consistent with inefficiency and unfairness too. For example, if a country does not implement free markets, it, of course, has a possibility to reach an exponential income distribution; however, our theory cannot guarantee that it stays at a stable state, since it has gone against our basic assumptions about Arrow-Debreu’s general equilibrium model.

Finally, one more point we also need to clarify. Our research does not mean that, **for free market economies**, 0.5 is an alarming level of Gini coefficient. In fact, we hope to highlight that, for free market economies, the real value of the alarming level of Gini coefficient should be set at least equal or larger than 0.5. For this point, many scholars often misunderstand our result.

Thank you again for your review!

Xiangjun Wu, on behalf of all the authors.