

Anonymous - Referee Report 1

December 04, 2019 - 08:37

This is a very interesting study of inequality persistence using an innovative approach and finding evidence of persistence despite increases in taxes and welfare payments. It is well written and structured and deserves to be published in Economics. I have the following minor comments:

- At the end of the ...[more]

... introduction the authors could add a sentence outlining the rest of the paper.

- The equations could be numbered, the authors could also check that $\Delta G(t)$ is correctly defined under the first equation.

- The conclusion could add a sentence on any policy implications to remedy inequality arising from the findings in the study.

Javier Ordóñez - Answer to referee

December 17, 2019 - 10:15

Dear referee,

Thank you very much for your comments. We have included a sentence at the end of the introduction outlining the rest of the paper. The equations have been numbered.

We have also revised the first equation and it is correct.

Our paper reveals that ...[more]

... not only inequality is persistent, but Government redistribution policies do not significantly reduce such persistency. We have included the following sentence in the conclusions:

Our results suggest that persistence in income inequality is of structural rather than cyclical nature, and structural reforms are needed to cope with the undesired effects of increasing and persistent inequality.

Thank you very much for your comments. We have included a sentence at the end of the introduction outlining the rest of the paper. The equations have been numbered.

We have also revised the first equation and it is correct.

Our paper reveals that not only inequality is persistent, but Government redistribution policies do not significantly reduce such persistency.

We have also included the following sentence in the conclusions:

Our results suggest that persistence in income inequality is of structural rather than cyclical nature, and structural reforms are needed to cope with the undesired effects of increasing and persistent inequality.

Anonymous - Referee Report 2

December 17, 2019 - 07:19

The paper aims to empirically test the extent to which inequality is persistent across sixty countries over the period 1984-2013. The paper employs second-generation panel unit root tests including Palm et al (2011) cross sectional dependence robust

block bootstrap panel unit root test. The paper concludes that inequality is highly ...[more]

... persistent due to the presence of unit root.

The paper is well written and organised. The findings are interesting and offer further insights on the dynamics of inequality persistence. There are, however, minor issues I wish to raise:

1. The objective of the paper needs to be spelled out more clearly.
2. Tables 1: The critical values for the CD statistics are not reported.
3. Can the authors explain what the M and N type tests in a note underneath Table 2.
4. Why did the authors used Palm et al (2011) and not the others they referred to such as Bai and Ng (2004, 2010) and Moon and Perron (2004)?
5. Add page numbers.

Javier Ordonez - Answer to referee

December 23, 2019 - 16:46

Dear referee,

Thank you very much for your comments.

Regarding the first issue you have raised, we have included the following paragraph to explain both the aim of the paper and the importance of the topic:

This paper explores income inequality persistence for a sample of ...[more]

... 60 countries from 1984 to 2015. Persistence implies that innovations to inequality such as technology or financial shocks have long-lasting effects, undermining economic growth and social cohesion. If inequality is highly persistent, pronounced redistribution policies are required to cope with the undesired effect of an unequal income distribution.

We have included the critical values in Table 1 and explained what are the M and N type test in Table 2. Actually, M and N type are typographical errors. They are meant to be Gini Market and Gini net respectively.

Regarding the last comment, we have included the following paragraph:

The second generation procedures of Moon and Perron (2004) and Bai and Ng (2004) model cross-sectional dependence in the form of common factors, although the method of dealing with the common factors are different. While these second-generation panel unit root tests can deal with common factor structures and contemporaneous dependence, they cannot deal with dynamic forms of cross-sectional dependence. Of particular interest for practical applications are dynamic interrelationships. Palm et. al. (2011) put forward a panel unit root method that can deal with common factors as well as dynamic cross sectional dependence. Further, the Palm et. al. (2011) test does not require specification of the dependence structure when the true form of the cross sectional as well as temporal dependence is unknown.

We hope we have addressed your concern.

Best regards,

Javier Ordonez - Final version

January 08, 2020 - 18:52

Dear editor,

Please find enclosed the final version of the paper that includes the answers to all comments raised by the referees.

Best regards,

The authors

[ [Download attached file](#)] *[file enclosed as separate supplementary material – DG]*

Anonymous - Invited Reader Comment

January 20, 2020 - 07:35

Report on the paper “Re-examining inequality persistence”

Paper summary

This paper analyses income inequality from an empirical perspective by employing unit root tests to shed some light on the persistence of the process. By applying first and second generation panel unit roots tests; the paper concludes that government ...[more]

... redistribution policies have not been able to reduce inequality persistence.

Main comments

My main comment is related to the panel unit root tests employed. Given the long time series of the analysis, I would recommend testing also for unit roots in the presence of structural breaks (Carrion, et al for instance)

I would also recommend splitting the sample into advanced and emerging economies since the time series properties in terms of persistence may be very different between the two groups.