To both reviewers (B and D):

We would like to thank you for the encouraging feedback. With respect to
your comments/corrections, we would like to inform you that we have
performed the following modifications in the paper:

Suggestions:

B: A more detailed flowchart of the modeling process might also be helpful
due to the complexity of the model.

D: The model in the paper is fairly complex and full description spans
several pages. It would therefore be helpful to the reader to have a
summarized table of what individuals, firms, and government do, perhaps
including the key equations.

Changes:

We have added four new tables in the Appendix (Tables 8-11) with the key
equations of the actors (Young and old consumers, Firms, Government).

Suggestion:

D: In the results section, some discussion of how stable the simulation is
among different runs should also be part of the discussion.

Changes:

We have added some words in the end of page 26 about the interpretation of
the constructed confidence intervals using the normal and t-student
distribution. These confidence intervals provide a concise measure of the
stability of simulations.

Suggestion:

The discussion of simulation results and conclusions seem somewhat basic
compared to the description of the model. Results given are clear and
intuitive; however, their transferability to a more complex network, if
additional regions or links are added or if assumptions are relaxed, is not
explicitly addressed. In order to maintain computational efficiency, a
number of assumptions had to be made in formulation of the model (e.g. two
regions, myopic prices, rents, and wages, no population growth, no capital
bequests and land trades, single individual households, normally
distributed skill variation, etc.) – a discussion of how these might impact
model results (or be addressed in future research) would add credibility to
the conclusions.

Changes:

With respect to myopic expectations, we discuss the resemblance between
myopic and rational expectations equilibria in the final section. Also, we
have added a new reference which focuses exactly on this issue. This

reference has been added in section 3.1, straight after the expectation equations, which have been simplified.

Regarding the transferability to more complex networks, we have added a new paragraph in the conclusion with some comments on how results would look in a multiregional setting.

Population growth is left as a topic for future research.

On capital bequests and land trade, there are also some comments in the conclusion. There is also a small paragraph in page 18, section 3.1 on the rationale behind these assumptions.

Suggestion:

D: I think the readability can be strengthened by spending time in the introduction section to state in simpler terms what the goals of the model are, where it fits in discussions of investments on infrastructure, and how the authors envision using it.

Changes:

The entire introduction has been changed to state the main purpose of the model, i.e. to capture a new channel through which transport infrastructure can influence regional growth, namely increased labor productivity.

Paragraph 1: Main idea (trade and matching effects)
Paragraph 2: The idea intuitively
Paragraph 3: Rationalization (possible uses of the model)
Paragraph 4: Primary literature
Paragraphs 5&6: Secondary sources
Paragraphs 7&8: Prologue to the model

We have added one paragraph in the final section on how we envision the use of this model in the future.

Suggestion:

D: While the paper initially critiques cost benefit studies hinting that the proposed model may overcome some of the weaknesses, it doesn't come back to this point again. It would be helpful if the authors discuss whether the gains they compute are significantly different from approaches that use travel time savings, and what implications their model has for practice.

Changes:

This observation is absolutely correct. The critique on CBA has been removed, since the primary focus of this paper is rather regional growth than welfare. We apologize for the confusion the previous draft version

might have caused. The welfare dimensions of this model can be investigated in the future.

Suggestion:

Part of this discussion (what the goals of the model are, where it fits in discussions of investments on infrastructure, and how the authors envision using it) could go in the conclusion section which currently is rather short.

Changes:

Comments on how we envision the model have been added in the last section.

Finally, note that the title has been slightly changed in order to be more informative of the problem at hand.

Kind regards