Thank you for your reply. I enjoy this possibility of an open academic discourse between author and referee!

Endogenous knowledge: I agree that in your model knowledge is "endogenous" in the sense that its level is determined by ressources allocated to the research sector. Since there are no decision-making economic agents and no coordination mechanisms like markets, however, there are no causal mechanisms *inside* the model which explain the level of knowledge. The social planner is a fictitious institution *outside* the model. Hence, we might have a slight semantic disagreement what should be called "endogenous".

Stocks and flows: I buy your argument that there is a difference between labour (low) and labour force (stock). But for 99.9% of all production functions I have ever seen, the inputs are (among others) the capital stock and the labor force, and not a hybrid mix of stock and flow variables. The output (flow) is determined by the *utilization* of these stocks. I wonder why you are insisting on this point because the logic of your model is not at all affected when using a upper-case variables for labor (stock) – and hence making it coherent with the macroeconomic literature.

Utility function: I never doubted that the assumption $U_K < 0, U_{KK} < 0$ is reasonable. I only requested a more detailed explanation/justification – such as you have provided in your reply!