

Response to Referee 1

First of all, I want to thank Referee 1 for his comments.

Reading the remarks I realize that the way in which the exposition is organized is not the best one and this may have influenced the Referee's evaluation. So, I will try to make clearer what the main line of reasoning is.

The Referee considers the paper interesting and containing a broad discussion of views and debates. However, s(he) considers it is not very well structured and gets lost in side issues. S(he) mentions as such "the severe criticism of the rationality assumption of economics, the microfoundation for macroeconomics, the extreme focus on prediction (rather than explanation), that the economy is not modelled as a complex system, the use of mathematics and the closedness of the publishing community."

Why do I discuss these supposedly side issues? Because they have been mentioned as responsible for the failures of neoclassical economics (See the references in the paper to Krugman, , Akerlof and Shiller, Gintis and Elster).

As the Referee says, I assert that the subprime meltdown was in first place a case of professional malpractice by hundreds of economists in banks and rating agencies who created and certified as almost risk-free securities assets that were actually highly risky.

I argue that orthodoxy is the main intellectual culprit for having created the ideological climate which stimulated the deregulation movement in the 1980s and 1990s. Deregulation allowed the development of the practices which culminated in the financial crash.

Then, I go on analyzing the arguments posed by the aforementioned and some other authors on the flaws of neoclassical economics to conclude that the main fault of orthodoxy is that it explains the functioning of an economy which is in good health but it is useless to cure economic illnesses. Orthodoxy is incapable of dealing with unstable, turbulent situations, let alone to predict a crash.

This leads to conclude that priorities in the economic theory agenda are misplaced. Economic illness rather than economic health should be the main object of economists' efforts.

That is why alternative approaches which may allow economics to arrive at more significant results for policy issues are then examined.

I conclude with fifteen recommendations to improve the practice of economics. The Referee considers that these recommendations are not very well supported.

As a matter of fact, most of them are a conclusion arrived at in some part of the previous text. Perhaps this is not quite clear to the reader and should be improved in a new version of the paper.

Once again, I want to thank the Referee for these editorial comments. They will be reflected in a revised version of the paper.