First of all, we are grateful to the reviewer for his/her comments on our paper. The reviewer indeed has provided useful suggestions and comments that we will surely take into account in the implementation of our revision. All the points raised by the reviewer are indeed very well taken.

Such points can be summarised as follows.

First, the reviewer argues that our work needs further development regarding the motivation and the definition of the theoretical and empirical context.
Our answer to this pint is that we are going to address this issue by improving the introduction by describing the relevant literature and by explicitly stating our research question, motivated by the existing empirical and theoretical research. Also the description of the model is going to be developed even further.

Second, we are going to address the main aspect related to functioning of the labour market by clarifying how the key mechanisms work also in light of the existing literature in agent-based modelling. Specifically, as argued by the reviewer, our Equation 2 is precisely meant to introduce a Phillips Curve in our modelling framework, allowing wages and prices to be influenced by aggregate demand through the labour market. Additionally, the presence of a friction in the search-and-match process in the labour market is motivated by the willingness to replicate the possibility of failure in the bargaining process for the wage setting during the hiring process.

Third, we are also going to validate model results by highlighting the ability of the model to replicate some key stylised facts. Also, in the discussion of the results, we are going to introduce a more detailed discussion with reference to the existing literature.

Eventually, the reviewer also has some minor comments:

1) The inclusion of a complete description of the model would be very helpful. Alternatively, the authors could provide a link to the original model of Assenza et al. (2015a).

> We would like to keep the description of the model as smooth as possible so we'd rather include a link to the original model.

2) The meaning of all the symbols appearing in Equation 1 should be explained. Moreover, the authors should explain the rationale behind the formula chosen for the MPC out of wealth.

> We will include the explanation of each variable/parameter. The rationale for this equation is to introduce consumption in line with the Euler Equation.

3) Are wages all alike across workers and firms? When a worker changes employer, does he/she "inherit" the previously earned wage?

> Wages are alike across workers and firms and are updated in each period using eq. (2).

4) What is public expenditure used for?

> The government purchases goods on the goods market.

5) Are the pictures at pg. 8 Monte Carlo averages? Being very irregular, they actually seem coming from a single simulation.

Yes, the graphs show MC averages of the time series.

6) The cash-in-hands policy is not realistic. At most, it is Government to give people money.

The reviewer is right in pointing this out. However, in our simplified framework, one can think of the central bank as providing the government with cash which is eventually transferred to households.

7) Prud-E and Prud-L should be better explained, in particular why they are potentially relevant for macroeconomic stability.

We are going to improve the description of these two policies in our revision.