

**Referee Report on the Paper**  
**”Information Stickiness in General Equilibrium and Endogenous**  
**Cycles”**  
**by Orlando Gomes**

In the above-mentioned paper the author extends the sticky-information general equilibrium (SIGE) model by Mankiw and Reis by relaxing two key assumptions of the original linear framework. Instead of considering the case of both perfect foresight and constant information updating, agents are now allowed to have *partial* perfect foresight and to update information counter-cyclically (i.e. the attentiveness to new information increases in a recession). Both assumptions are reasonable and the latter is furthermore supported by empirical evidence. This new and nonlinear framework is then thoroughly analysed. In particular, a stability analysis of the steady state is undertaken and possible model dynamics are investigated and illustrated by means of a numerical example. Finally, the author concludes that - amongst others - neither a departure from perfect foresight nor from continuous information updating alone is both necessary and sufficient for obtaining endogenous business cycle dynamics.

Overall, the paper is well-structured and well-written. In my opinion, the results obtained are quite interesting and meaningful from an ”heterodox” economic point of view. I can thus only recommend to consider the paper for being published in *Economics*.

However, I have some minor remarks and suggestions for improvement which are as follows:

1. I am unhappy with section 2. The presentation of the original framework by Mankiw and Reis in this section could be much better organised. In its current form the section is either too long or too short. Too short since some steps of the derivations are omitted. Too long since it distracts the reader from the relevant equations to understand the impact of the proposed interesting changes in the model’s assumptions. I would thus suggest to revise this section and to either give some more explanations and derivations in an appendix or to abridge the section in order to emphasise the relevance of the author’s proposed changes of the original framework.
2. Empirical evidence (Doms and Morin 2004) is only given for justifying the counter-cyclical information updating. Personally, I totally agree with the author that a departure from perfect foresight is quite reasonable and makes more sense than considering perfect foresight and

rational expectations. However, many economists still cling to perfect foresight and rational expectations. It would thus be nice if the author tried to give some empirical evidence to underline the proposed departure from perfect foresight and rational expectations.

3. The conclusions drawn in sections 5 and 6 heavily rely on a numerical example. As an economist who is interested in nonlinear dynamics I am well-aware of all the difficulties to obtain interpretable analytical results in a a general context. As a reader, however, I was just curious about the general validity of the results. Do the results still hold for other numerical values given? Or do these results drastically change under other numerical conditions? For instance, is it possible to observe a Neimark-Sacker bifurcation in another numerical example? Some clarifying remarks in a short footnote would really help the reader to understand the relevance of the conclusions.