

Reply to referee report #2 on the paper “Information Stickiness in General Equilibrium and Endogenous Cycles”, submitted to *E-conomics, the Open-Access, Open-Assessment E-Journal*.

I thank the referee for her/his insightful comments. The report offers three remarks and suggestions:

1) Section 2 could be better organized. It is stated that the section is either too long or too short. Too short because the Mankiw-Reis framework is not explained with sufficient detail and too long because it does not focus the analysis directly on the issues that are central to the undertaken study. My intention was to provide the main structure and results of the information stickiness basic setup without entering in details that the original framework explores and that are unnecessary to repeat given the context and the goals that this paper intends to fulfill. I can follow the suggestion in the report, namely in what concerns the introduction of an appendix with additional features about the structure of the information stickiness model (e.g., the derivation of the Euler equation, as mentioned in one of the readers’ comments). Furthermore, the section can be reoriented in the direction of a stronger emphasis on the novelties that the paper brings relatively to the original setup.

2) Departures from perfect foresight, although reasonable, are not sufficiently justified in the paper. It is true that there is a huge amount of literature supporting such departures, both on theoretical and on empirical levels. A few remarks can be added to the already presented arguments, namely concerning the evidence on bounded rationality.

3) The results in the paper rely heavily on a numerical example. This raises the doubt on whether the results continue to hold if the values of parameters are changed. As suggested by the referee, I can include a short footnote explaining that under other reasonable sets of parameter values the bifurcation still occurs and that, most likely, endogenous fluctuations will continue to be observed in the transition between states with different stability properties. If necessary, an example with other parameter values can be discussed.