

Reply to Referee Report 2

General Critique

First of all, we are grateful that the referee is sympathetic with our approach and analysis. Moreover, we are happy to recognize that the referee appreciates all the work that was done to make this rather complex model as understandable as possible for the reader.

Major Issues

- We aware of the length of the paper and tried to handle this issue by outsourcing the empirical validation of the model to the appendix in order to enable the reader to focus on the model description and analysis. If there are doubts on the consistency or suitability of the chosen approach, the reader can consult the appendix. Thus, concerning the general trade-off accompanied with the usage of ACE models in economics between model complexity and the detailedness of the model description, we were rather opting for more details according to previous responses from peers. Streamlining the description given the current lack of a model standardization for ACE models in economic research would bear the risk that the reader might get the impression of hidden features that may drive the results or of a general level of opaqueness and our aim was to avoid this in any case. Moreover, we always kept in mind that we are building and need to describe an ACE *macro* model, i.e. a full fledged model of a decentralized economy consisting of all relevant sectors given the research question at hand. For a model of a subsystem of the economy, a shorter paper would be of higher priority. We already spent a considerable amount of time on trying to produce the text in an efficient way, but as it turned out, the original much shorter version of the paper received some criticism that parts are missing or not clear and detailed enough. Hence, we are in line with the referee that short and concise papers are desirable in general and verbosity should be avoided but we also do not see any space for streamlining this version of the paper without lowering the readability.
- We are going to add this clarifying sentence on "leaning against the wind" to the abstract as well as the required footnote. We also check the consistency of the phrase in the paper.
- We are going to add an explanation of endogenous money at its first appearance and why we use this approach.

Minor Issues

- We are going to correct that.
- We are going to remove the last sentence of the abstract
- We are going to correct that.
- We are going to correct that.
- We are going to use more precise wording here.
- We are going to use "overreactive" instead of "overactive".

- We are going to correct that.
- Indeed, this is a quote from Haldane/Qvigstad and we are going to use italics.
- Yes, the "s" is missing. We are going to correct that.
- We are going to change that.
- We are going to change that.
- When we speak about the target rate, we always mean the target interest rate of the central bank. We are going to clarify that.
- We are going to change that.
- We are going to adjust the size of the text and variables appropriately.
- We are going to adjust the size of the text and variables appropriately.
- We are going to change that.
- We are going to adjust the size of the deltas appropriately.
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- We are going to adjust the size of the text and variables appropriately.
- We are going to adjust the size of the text and variables appropriately.
- We are going to adjust the size of the text and variables appropriately.
- That is correct, we are going to change that.
- We are going to change that.
- We are going to change that.
- We are going to adjust the size of the text and variables appropriately.
- We are going to adjust the size of the text and variables appropriately.
- We are going to adjust the size of the text and variables appropriately.
- We are going to check whether turning to a log-log-scale improves the readability of the figure 21.
- This is just a typo. We mean "GDP". We are going to correct this.