

This is an ambitious attempt to extend the Stock-Flow Consistent approach to considering asset markets. The authors execute their challenging task competently, and for those reasons alone the paper is worthy of publication.

The disappointment is that, despite the thoroughness of the authors' work, the paper ends up saying very little about the topic itself. A few experiments are conducted on the model via the standard practice of "shocking" some exogenous parameter--in this paper the shocks were to expected prices of both securities and houses--and the transient results were reported. But there were no persistent results: the model returned to equilibrium after the shock.

What would be of much greater interest of course would be a model of cumulative processes by which a financial system progresses from a state of robustness to one of fragility via rising speculation and feedbacks to debt levels, expectations, etc. These events have been very much seen in the real world, and one would hope that models in the SFC tradition would be able to illuminate these processes.

The fact that the authors did not do this reflects more on the limitations of the standard SFC approach than on their ability. With the reliance on difference equations with a single, uniform one year delay for all variables, the resulting dynamic system, as complex as it is with 50 equations, has no equation with anything more than a first order time delay.

Such a dynamic system can only have either a totally stable or a totally unstable equilibrium. But clearly the real world is far more nuanced than that.

Such models can be constructed if more elaborate time delays are used. And they should be, since investment and consumption, for example, have vastly different time dynamics in the real world--but they beat to the same rhythm in this and indeed most SFC models.

This is not necessary: the SFC approach could be used with differing time delays while working in discrete time, or with differing time lags when working in continuous time. But it seems that most researchers in this tradition are not sufficiently trained in dynamic systems analysis to do this.

There are also ways in which the SFC approach is a step in the right direction, but not the final destination--and I see some acknowledgement in this paper with the authors' statement on page 8 that "We follow the methodology developed by Mouakil (2006), as we find it the clearest way of exposition when dealing with cumbersome SFC models."

The models and the approach are indeed cumbersome, and it is to be hoped that a more intuitive and powerful approach evolves to extend the undoubted advance that SFC modeling is over simplistic equilibrium modeling.