
Using an agent-based model of a credit economy, this paper presents the macroeconomic implication of an easy access to mortgage loans. The authors show that easier access to mortgage loans causes a higher economic instability, which can lead to mass bankruptcies with catastrophic effects on the credit sector and on the real economy. On the other hand, too strict regulations can be an obstacle to economic growth. This paper provides not only the evolution of credit crisis, which originates from the growth of a price bubble in the housing market and then due to the expenditure income ratio pressure, households have to sell houses and write off loans, finally the bubble bursts, but also provides a policy suggestion that a balanced regulation of the credit market between growth and stability is required to prevent economic crisis. Sum up, this paper contributes something new both in credit crisis evolution, determinants and policy guidance.

Besides the merits mentioned above, there are several minor suggestions I would like the authors to consider in their revision:

1. Page 8, in equation 5, the best production plan \( \tilde{q} - \max(I - \tilde{q}, 0) \) could be negative. For example, if \( I = 5 \), \( \tilde{q} = 2 \), then \( \tilde{q} - \max(I - \tilde{q}, 0) = -1 \). This is illogical.

2. Page 11, “……For the sake of simplicity, we stipulate that loans are infinitely lived and are never paid back”. Since the firms and construction firms needn’t pay back the loan, does it mean that the banking system always faces loss, not just when the firms and construction firms go bankrupt?

3. Page 12, “……and liquidity of the producer is set to the same level as in the start of the simulation, \( U(f, s) = 0 \).” The liquidity should be \( M(f, s) \), not \( U(f, s) \) according to Table 1. In the following equations in this paragraph, such as \( D_f \), \( D_s \), \( E_f \), \( E_s \), \( U \) in these equations are also should be changed to \( M \).

4. Page 19, “Tables 7 and 8 in the appendices summarize the values given to relevant parameters and initial values of the main endogenous variables of the model.” Table 7 and 8 appears in this paper prior to table 4 in page 21, which arrangement is a bit of strange.