Referee report for “Theoretical Foundations of Buffer Stock Savings”

The paper builds theoretical foundations of a buffer stock savings model. As I explain below, I question the generality of these results and, therefore, cannot recommend publication in *Econometrica*.

The model assumptions are restrictive. The model is not an equilibrium one as there is no market clearing. The interest rate is exogenous and fixed. There are no dividends and, therefore, no prices of financial assets. The permanent shocks to the non-capital income are *i.i.d.* and there is no room for addressing changing conditional expectations on non-capital income. The model does not address the joint time series properties of endowments, dividends, consumption, and prices. The model does not incorporate an age-dependent pattern of income which is crucial in the investigations of life-cycle behaviour, such as Gomes and Michaelides (*RFS, 2008),* Gourinchas and Parker (*Econometrica*, 2002), and Storesletten, Telmer, and Yaron (*JME*, 2004).

Furthermore, the literature on the interface between macroeconomics and financial markets generally recognizes the need to introduce some additional elements in the model such as habit (internal, external, or as in Campbell and Cochrane (*JPE*, 1999)), Epstein-Zin and Weil preferences that disentangle risk eversion and IES and address the timing of uncertainty resolution, slow-varying conditional expectations on dividend and consumption growth, systemic and/or household catastrophic events, model uncertainty, frictions, and deviations from rationality. None of these elements is incorporated in the model.