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January 11, 2013

Professor Christopher Carroll
Department of Economics
The Johns Hopkins University
3400 N. Charles St.
Baltimore, MD 21218-2685

Dear Chris:

RE: *Econometrica* MS 11052: Theoretical Foundations of Buffer Stock Saving

I have now received three reports on the above mentioned manuscript. All three referees think that this is a difficult problem that is fundamental for macroeconomics. Nevertheless, the referees are unanimous in their recommendation against the publication of this paper in *Econometrica*, on the basis of the argument that the theoretical characterization is not sharp enough and the results, in their current form, will not be of sufficient general interest. Despite my sympathy for the importance of the topic and the difficulty of the problem, I agree with their overall assessment and I have no choice but to follow the recommendation.

I hope you will find the comments of the referees useful in preparing a revision for an alternative outlet.

Thanks for submitting your work to *Econometrica* and I hope you will continue to do so in the future.

Best Regards,



Daron Acemoglu
Editor, *Econometrica*