Abstract

In this paper, we build a fully specified parsimonious Sraffian supermultiplier stock-flow consistent model (SSM-SFC) with residential investment. This means we present the flow of funds tables and balance sheets only for the strictly necessary institutional sectors (households, firms and banks); growth is led by “non-capacity creating” autonomous expenditure (in this case, residential investment); and non-residential investment is a induced expenditure. The introduction of residential investment implies that our SSM-SFC model has two real assets: firms’ productive capital and households’ real estate. The numerical simulation experiments report the main standard results of Sraffian Supermultipier growth models: (i) changes in income distribution affect growth only during the traverse; (ii) the rate of growth of autonomous expenditure (residential investment) alone explains growth in steady state; (iii) the rate of capacity utilization converges towards the normal one. As a particular result, an increase of the rate of growth of residential investment causes a reduction of the share of real estate in total real assets. Therefore, this model introduces housing on Sraffian Supermultiplier agenda and extends the range of autonomous expenditures alternatives.

Keywords: Residential investment; Sraffian Supermultiplier; Stock-Flow Consistent approach.