

# Collateral, Speculation and Economic Fluctuations\*

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## Abstract

We develop a model incorporating agents, who demand lands not for production but for speculation, and analyze the effects of land price on the real economy. We show that the economic fluctuations are milder than the land price fluctuations. In a certain circumstance, we lead a financial accelerator mechanism even when the economy has no asymmetric information. Moreover, we find that the changes in land price exhibit both pro-cyclical and counter-cyclical fluctuations. We may conclude that the results obtained from our analyses are consistent with what the Japanese economy has experienced after the late of 1980s.

**Keywords:** Land, Expectation, Collateral, Speculation, Economic Fluctuations

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