

# A Prevention against Bubble<sup>1</sup>

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## *Abstract*

We show a solution to prevent the occurrence of the "rational" bubble in the asset trading. That is, a capital gain tax at 100% can induce a "real demand," while exclude "speculative demand" and then exclude "rational" bubble *ex ante* and *ex post*. Our proposal does not distort the asset price based on fundamentals even when the information on fundamentals is renewed. We also show that the transaction tax (Tobin's proposal) excludes "speculative demand" to exclude "rational" bubble only if the tax rate is equal to 100% at which market economy is ruled out, and distorts the fundamental price hence this tax is not appropriate in a market economy. *JEL classification*: D46, D82, D84, G18  
*Keywords*: speculative demand, real demand, asset price, "rational" bubble, income gain, capital gain tax, transaction tax

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