

# Asset Bubbles in Endogenous Fertility

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## Abstract

This paper investigates the condition of rational bubble under endogenous fertility. When without bubble, the economy always stays the steady state and instantaneously converges to it even if initial condition is not the steady state. The stationary bubbly equilibrium always worsens consumption, fertility and welfare in this economy. Both child allowance and pay-as-you-go (PAYG) social security decrease the stationary bubble and capital stock, while reverse-PAYG system may increase its possibility.

**Keywords:** Bubble, Endogenous fertility, Child allowance, Pay-as-you-go social security.

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