

## An equilibrium model with two types of asset bubbles

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### Abstract

We construct a model economy in which two types of asset bubbles can exist and investigate conditions for them to arise. One of them is a bubble on an intrinsically useless asset, that is nonproductive savings and the other is a bubble on the stocks of firms newly created by R&D activities. We derive a condition for the two types of asset bubbles to arise in a steady state equilibrium. If bubble on intrinsically useless asset supply is grows at constant rate, a steady state equilibrium with two types of asset bubbles can exist in the economy. Also we show that steady state equilibrium with two types asset bubbles has the growth enhancing effect and the degree of the growth enhancing effect depends the initial bubble and expansion rate of bubbles.

**Keywords:** pure bubble, stock bubble, crowd out effect, growth enhancing effect

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