

Prevention and Landing of Bubble

Junmin Wan¹

Faculty of Economics, Fukuoka University

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Abstract

By replacing conventional assumptions on the satisfaction of the transversality condition with introducing capital gains taxes, transaction or property taxes, rebate options, and fixed periods of asset usage, rational bubble has been shown to be preventable. For an existing bubble, hard- and soft-landings have been shown to be possible. Hard landing is defined by a bubble which crashes via financial or tax tools, while soft landing is defined as an increasing bubble reaching some stable value via tax tools. Japan, U.S., and Greece experienced real estate bubbles and hard landings, while Taiwan ended its real estate bubble in the 1980s with a soft landing.

JEL classification: D46, D82, D84, G18

Keywords: Rational bubble, Bubble prevention, Hard landing, Soft landing, Tax,

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¹ Correspondence: Nanakuma 8-19-1, Jounan Ward, Fukuoka City, Fukuoka 8140180, Japan; (e-mail) wan@econ.fukuoka-u.ac.jp;

(tel) +81-92-871-6631(ext.4208); (fax) +81-92-864-2904.