

# **Financial Institution, Asset Bubbles and Economic Performance**

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The purpose of this paper is to present a macroeconomic model with asset bubbles to analyze how the emergence of asset bubbles and their bursting affect macroeconomic performance. First, we present a model with deterministic bubbles. Then, we present a model with stochastic bubbles. Welfare implications of asset bubbles and government policy implications after bubbles bursting are also discussed.