Nursing & Healthcare 2018: Effect analysis of levying real estate tax on China acroeconomy under the perspective of DSGE model

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Abstract

As the lifeline of national economy, real estate industry attracts wide attention from all walks of life, and to solve drawbacks of real estate industry at the current stage, central government of China has proposed the method of levying real estate tax. Through the establishment of closed DSGE (Dynamic Stochastic General Equilibrium) Model, and according to data in recent years, this study analyzed the effect of levying real estate tax (economic variable) on national macro-economy as a whole by numerical simulation method. Main conclusions are drawn as follows: levying real estate tax, though having the effect of effectively curbing housing price in the long run, will reduce the overall social welfare and influence the living standard of residents; rapid rising in housing price, which causes negative effect on national economy for the time being, contributes as the driving force for its development as time goes by; positive currency policy, while having the effect of improving the value of property selling on market, also plays as a driving factor of consumption and total output of society; positive change occurred in customer's preference in terms of housing and consumption, on one hand, weakens the operation of national economy, while on the other hand, it has driving effect on total value of national output and public service. Besides, DSGE Model adopted in this study, compared with display value, has shown out relatively higher degree of agreement in many aspects, signifying that it is feasible for simulating China's economic operation, i.e., economic development situation of China can be objectively reflected by which to a good extent.

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