

ASIAN INSTITUTE OF INTERNATIONAL FINANCIAL LAW
FACULTY OF LAW, THE UNIVERSITY OF HONG KONG

LAW AND ECONOMIC WORKSHOP SERIES

The Whack-A-Mole Game: Tobin Tax and Trading Frenzy

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1:30 - 2:30 pm

Room 723, 7/F Cheng Yu Tung Tower

The University of Hong Kong

To dampen the trading frenzy in the stock market, the Chinese government tripled the stamp tax for stock trading on May 30, 2007. Interestingly, the largely increased trading cost caused trading frenzy to migrate from the stock market to the warrant market, which was not subject to the stamp tax, exacerbating a spectacular price bubble in a set of deep out-of-the-money put warrants. This episode highlights the so-called “Whack-A-Mole” game in financial regulations - when a policy is instituted to whack down frenzy or turmoil in one market, it may crop up in other unregulated markets. The paper is a joint work with Jinghan Cai (Scranton), Jibao He (Shenzhen Stock Exchange) and Wei Xiong (Princeton).

Dr Wenxi Jiang joined the CUHK Business School in 2015 as an Assistant Professor of Finance. He obtained a PhD in Financial Economics from Yale University in 2015 and a Bachelor degree from Renmin University of China in 2007. His research interests include asset pricing, institutional investor, and behavioural finance. His research papers have appeared in the *Journal of Finance* and *Review of Financial Studies*.

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