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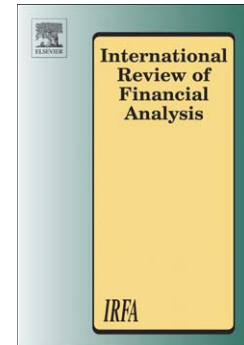
Asset price bubbles and economic welfare

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# Asset Price Bubbles and Economic Welfare<sup>1</sup>

by

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## ABSTRACT

In this paper, we provide the first empirical evidence on whether or not asset price bubbles predict economic welfare. Using a time-series model, we show that asset price bubbles both positively and negatively predict economic welfare, although the evidence that asset price bubbles are welfare-enhancing is much stronger. These results are also robust to out-of-sample forecasting as well as to a predictive regression model augmented by structural break dates.

Keywords: *Asset Price Bubbles; Welfare; Predictability.*

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