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**Bubble Contagion:**

**Evidence from Japan's Asset Price Bubble of the 1980-90s**

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**Abstract**

This paper subjects one of the most documented asset price bubbles of the 1980-90s in Japan, to the rigors of recent time series-based econometric tests. We focus on testing for bubbles in the Japanese stock and real estate markets from 1970Q1 to 1999Q4 using the right-tailed unit root test of Phillips, Shi and Yu (2015, PSY). We also utilize the econometric methods of Greenaway-McGrevy and Phillips (2016) to explore the possibility of contagion between these two markets. We find significant econometric based evidence of bubbles in both markets during this period in Japan and importantly, for the first time in the literature, signs of bubble contagion from Japan's stock market to its real estate market.

**Keywords**

Japanese asset price bubble

contagion

stock market

real estate market

**JEL Classifications**

C12; G12; R30

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