

INDEX

- AAA rating, 19, 20–21
ABX index, 20
advisors, 33
Alpert, M., 24
Anderson, A., 14–15
annual turnover, NYSE, 16
arms-length bargaining, 34
Arrow, Kenneth J.: commentary
 on lecture, 81–87; overview,
 111
Arrow-Debreu securities, 3–4
The Arrow Impossibility Theorem
 (Maskin, Pattanaik, Sen), 2
A shares, China, 36–38
asset prices: asymmetry between
 going long and going short,
 8–9; variation due to investor
 beliefs, 65. *See also* bubbles
asset supply: credit bubble,
 19–21; dotcom bubble, 18–19;
 South Sea Bubble, 17–18
asymmetry, between going long
 and going short, 8–9
 basic value, 91
Bebchuk, L.A., 34
behavioral biases, 101*n*7
beliefs. *See* heterogeneous beliefs
Ben-David, I., 24
Bernanke, Ben, 91
The Big Short (Lewis), 90
Bolton, Patrick: commentary on
 lecture, 63–72; overview, 4,
 111–112; speculative market,
 34–35
B shares, China, 36–38
Bubble Act of 1720 (Great
 Britain), 14, 18
bubbles: asset supply, 17–21;
 credit bubble, 19–22, 32;
 defined, 8, 9, 101*n*2; dotcom
 bubble, 16–19, 92, 103*n*34;
 empirical evidence, 35–39;
 housing, 22, 93–94; implosion
 of, 17–21, 89–92; incentive
 structures for, 94–99;
 innovation and, 22;

INDEX

- bubbles (*continued*)
 overconfidence and, 24–25;
 policy recommendations,
 40; precipitating factors,
 11; rational, 10; role of
 corporations in, 33–35, 95–96;
 short-selling, 22–24; signals,
 39–40; South Sea Bubble,
 12–18; trading volume and,
 9–10, 16–17; warrant bubble,
 China, 38–39. *See also* models,
 bubble
- Burns, Arthur F., viii
- Cantillon, Richard, 14
- capital, limited, 29–30, 51–62
- Case-Shiller housing index, 22
- CDO (credit default
 obligation), 19, 20–21
- CDS (credit default swap),
 20, 22
- Cheng, I. H., 35
- compensation schemes, role in
 bubbles, 33–35, 95–96
- corporations, role in bubbles,
 33–35, 95–96
- Creating a Learning Society: A
 New Approach to Growth,
 Development, and Social
 Progress* (Greenwald and
 Stiglitz), 1
- credit bubble: asset supply and,
 19–21; innovation and, 22;
 leverage, 32
- credit default obligation
 (CDO), 19, 20–21
- credit default swap (CDS),
 20, 22
- D’Avolio, G., 23
- Diamond, Peter, 3–4
- Diether, K. B., 23–24
- dotcom bubble: asset supply
 and, 18–19; benefits from,
 92; research firms, 103/234;
 trading volume, 16–17
- empirical evidence, bubble
 models, 35–39
- Fama, Eugene, 101/11
- Famous First Bubbles* (Garber),
 13–14
- fire sale (market), value of
 collateral, 91
- flight-to-quality phenomenon, 70
- float, 19
- Fried, J. M., 34
- Friedman, M., 29
- Garber, Peter, 13–14
- general equilibrium theory, 2–3
- government-sponsored
 enterprises (GSEs), 19
- Greenwald, Bruce, 1
- Grossman, Sanford, 4, 73–80, 112
- GSEs (government-sponsored
 enterprises), 19

INDEX

- Harley, Robert, 15
- Harris, R., 18
- Harrison, J. M., 25
- heterogeneous beliefs:
- challenge of investors' inability to agree to disagree, 8–10; Chinese investors, 36; finding equilibrium, 83; flight-to-quality phenomenon, 70; incentive structures and, 96; learning and, 28–29; manias and, 68; overconfidence and, 24; speculation and, 65; survivorship and, 29. *See also* models, bubble
- Hong, H., 30, 32–33
- Hotelling, Harold, vii
- housing bubbles, 22, 93–94
- implosion of bubbles, 17–21, 89–92
- IMSSS (Institute of Mathematical Studies in the Social Sciences), 5
- incentive structures, for bubbles, 94–99
- initial public offerings (IPOs), 18–19
- innovation, role in bubbles, 8, 11, 22, 32–33
- Institute of Mathematical Studies in the Social Sciences (IMSSS), 5
- International Swaps and Derivatives Association (ISDA), 20
- Internet bubble: asset supply and, 18–19; benefits from, 92; research firms, 103*n*34; trading volume, 16–17
- investors: irrational, 26, 29–30, 96; rational, 26, 96
- invisible-hand concept, 2
- IPOs (initial public offerings), 18–19
- Irrational Exuberance* (Shiller), 11
- irrational investors, 26, 29–30, 96
- irrationality, role in economy, 96
- ISDA (International Swaps and Derivatives Association), 20
- Kreps, D. M., 25
- Lamont, O. A., 16–17
- learning, heterogeneous beliefs and, 28–29
- lenders, 23, 103*n*28
- leverage, 30–32, 98
- Lewis, Michael, 90, 103*n*37
- lockup period, dotcom company shares, 18–19
- long party, CDS, 20
- Mackay, C., 14
- Malloy, C. J., 23–24

INDEX

- manias, 67–68
 margin, 30
 marginal buyers, 10–11
 market (fire sale) value of
 collateral, 91
 market prices: determining, 10;
 marginal buyers and, 10–11
 Maskin, Eric, 2
 MBS (mortgage-backed
 security), 19, 20
 Mei, J., 36–37
 Mitchell, Wesley Clair, viii
 models, bubble: basic, 41–50;
 corporations and, 33–35;
 innovation and optimism,
 32–33; leverage and, 30–32;
 limited capital and, 29–30,
 51–62; overview, 25–29;
 risk-taking and, 33–35;
 speculation and, 33–35
 money market funds, 31
 mortgage-backed security
 (MBS), 19, 20

 1920's stock market boom, 16
 Nock, Albert Jay, ix, viii

 old fogey advisors, 33
 optimism, 32–33, 103#33
 overconfidence, role in bubbles,
 24–25

The Painted Word (Wolfe), 33
 Palm company, 16–17

 Pareto, Vilfredo, 2
 Pareto Optimality concept, 2, 3
 Pattanaik, Prasanta K., 2
 PLS (private-label mortgage-
 backed securities), 19–20
 policymaking in bubble
 environment, 40, 92–93
 precipitating factors, bubbles, 11
 Principal-Agent framework, 34
 private-label mortgage-backed
 securities (PLS), 19–20

 Raiffa, H., 24
 rational bubbles, 10
 rational investors, 26, 96
 rebate rate, short sales, 23
 risk-taking, role in bubbles,
 33–35

 safe assets, 19
 Scheinkman, José A., 25, 112–113
 Scherbina, A., 23–24
 securities: Arrow-Debreu, 3–4;
 money market funds and,
 31–32; mortgage-backed
 securities, 19, 20
 Sen, Amartya, 2
 Shiller, Robert, 11
 short party, CDS, 20
 short-selling, 22–24, 40, 74–75
 signals, of bubble, 39–40
 Smith, Adam, 2
*Social Choice and Individual
 Values* (Arrow), 2

INDEX

- South Sea Bubble: asset supply
and, 17–18; overview, 12–15;
trading volume, 16
- South Sea Company, 12–15
- speculation, role in bubbles,
33–35, 65
- Stiglitz, Joseph E., 113
- survivorship, heterogeneous
beliefs and, 29
- synthetic CDOs, 21, 102//25
- tech-savvy advisors, 33
- Tetlock, P. E., 24
- Thaler, R.H., 16–17
- 3Com Corporation, 16–17
- too big to fail institutions, 92–93
- trading volume: 1920's stock
market boom, 16; bubbles
and, 9–10; dotcom bubble,
16–17; South Sea Bubble, 16
- tranches: Arrow-Debreu, 3–4;
money market funds and,
31–32; mortgage-backed
securities, 19–20
- valuation: bubbles and, 8;
types of value, 91. *See also*
bubbles
- Wald, Abraham, 3
- Walras, Leon, 2–3
- warrant bubble, China, 38–39
- Wolfe, Tom, 32–33
- WuLiangYe Corporation,
38–39
- Xiong, W., 25, 38–39
- Yan, H., 29
- Yu, J., 38–39

