JOSÉ A. SCHEINKMAN

SPECULATION, TRADING, AND BUBBLES

SPECULATION, TRADING, AND BUBBLES

KENNETH J. ARROW LECTURE SERIES

KENNETH J. ARROW LECTURE SERIES

Kenneth J. Arrow's work has shaped the course of economics for the past sixty years so deeply that, in a sense, every modern economist is his student. His ideas, style of research, and breadth of vision have been a model for generations of the boldest, most creative, and most innovative economists. His work has yielded such seminal theorems as general equilibrium, social choice, and endogenous growth, proving that simple ideas have profound effects. The Kenneth J. Arrow Lecture Series highlights economists, from Nobel laureates to groundbreaking younger scholars, whose work builds on Arrow's scholarship as well as his innovative spirit. The books in the series are an expansion of the lectures that are held in Arrow's honor at Columbia University.

Creating a Learning Society: A New Approach to Growth, Development, and Social Progress, Joseph E. Stiglitz and Bruce C. Greenwald The Arrow Impossibility Theorem, Eric Maskin and Amartya Sen

SPECULATION, TRADING, AND BUBBLES

JOSÉ A. SCHEINKMAN

WITH

KENNETH J. ARROW,
PATRICK BOLTON,
SANFORD J. GROSSMAN,
AND JOSEPH E. STIGLITZ

COLUMBIA UNIVERSITY PRESS | NEW YORK



Columbia University Press

Publishers Since 1893

New York Chichester, West Sussex

cup.columbia.edu

Copyright © 2014 Columbia University Press

All rights reserved

Library of Congress Cataloging-in-Publication Data
Scheinkman, José Alexandre.

Speculation, trading, and bubbles / José A. Scheinkman, with
Kenneth J. Arrow, Patrick Bolton, Sanford J. Grossman,
and Joseph E. Stiglitz.
pages cm. — (Kenneth J. Arrow lecture series)
Includes bibliographical references and index.
ISBN 978-0-231-15902-9 (cloth: alk. paper) —
ISBN 978-0-231-53763-6 (ebook)
I. Speculation—History. 2. Investments—History. 3. Capital
market—History. 4. Stocks—Prices—History. I. Title.
HG6005.S34 2014
332.64'5—dc23



Columbia University Press books are printed on permanent and durable acid-free paper. This book is printed on paper with recycled content. Printed in the United States of America

C 10 9 8 7 6 5 4 3 2 I

Cover design: Noah Arlow

References to websites (URLs) were accurate at the time of writing.

Neither the author nor Columbia University Press is responsible
for URLs that may have expired or changed since the
manuscript was prepared.