Association for Lifelong Learning
The MAC Center
909 Progress Circle, Salisbury, Maryland 21804

The Persistence of Asset Bubbles And Options for Public Policy

A mini-course in four sessions
Thursdays, October 29, November 5, November 12, November 19
10:00-11:30 A.M.

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https://msuweb.montclair.edu/~lebelp/ThePersistenceOfAssetBubbles.html

Course Description: In a market economy, we often confront the challenge of deciding whether the price movement of an asset is a rational basis for making an investment decision. Taking inflation into consideration, as long as the asset price appears to be rising faster than the general level of prices, the temptation to invest often is irresistible, often fueled by herd behavior. Inevitably, asset prices reach a peak, then often go into a sudden decline. Why do asset bubbles appear, why do people choose to invest in them, and why do they so often wind up with dramatic losses, with all of the financial and destruction that ensues? In this mini-course, we take up these questions through a sequence of themes from which we may gain possible insights that could lead to more rational decisions in the financial marketplace.

(10/29/15) Session One – Waves of Asset Bubbles Over Time

1. The Dutch Tulip Bulb Mania
2. The Mississippi Bubble
3. The South Sea Bubble
4. The Roaring Twenties
5. The Dot.com Bubble
6. The Great Recession of 2008

(11/05/15) Session Two – Measuring Asset Bubbles

1. What do asset prices alone reveal?
2. Rationality and irrationality in economic decisions
3. Are denominators relevant in assessing asset bubbles?
4. How does herd behavior affect the choice of investment decisions?

(11/12/15) Session Three – The Impact of Asset Bubbles

1. Macroeconomic instability – measuring inflation and unemployment
2. Ghost towns and zombie industries
3. Labor market imperfections and rusting industries
4. Inequality consequences of asset bubbles

(11/19/15) Session Four – Options for Public Policy to Moderate Asset Bubbles

1. Government agency as the ultimate risk manager in the presence of moral hazard
2. Symmetric transparency in public regulation
3. Economic incentives to promote rational behavior
4. On the public and private rate of social discount