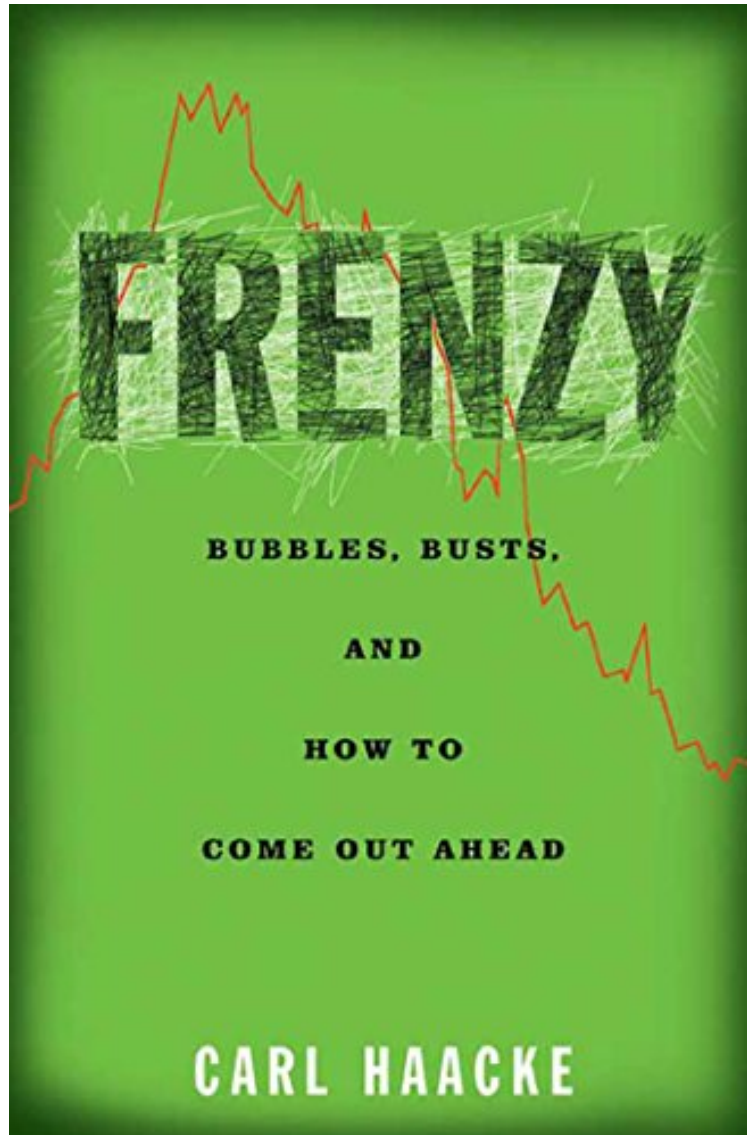


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## Frenzy: Bubbles, Busts, and How to Come Out Ahead

*Carl Haacke*

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**Carl Haacke : Frenzy: Bubbles, Busts, and How to Come Out Ahead** before purchasing it in order to gage whether or not it would be worth my time, and all praised Frenzy: Bubbles, Busts, and How to Come Out Ahead:

2 of 4 people found the following review helpful. Good Ideas...unexciting presentation....By dennis wentraub  
Early on in this helpful but somewhat randomly organized discussion of investment manias the key points are made. Investment bubbles are an inevitable part of economic history because at their source is an exaggerated enthusiasm, an unshakeable faith, for an extraordinary opportunity. Two kinds of bubbles appear over time. Asset bubbles are purely speculative, momentum driven, and ultimately depend on finding a greater fool from whom you will want to unload your gains. The Dutch Tulip Mania of the 1630's is the classic example as are most stock market bubbles and the

extravagantly leveraged hedge fund failure of Long-Term Capital Management. When these asset bubbles burst wealth is destroyed and nothing but fear and disillusionment remains. Business investment bubbles are the second type of mania and are more interesting and more complex. At their heart is a new technology such as rail systems and canals in the nineteenth century or personal computers and the internet in our time. When business bubbles burst an infrastructure remains that in time changes society. They burst when the exaggerated hopes for the new technology's immediate widespread adoption and rich-as-Microsoft profits are not instantly realized. Purely speculative asset bubbles are inflated by individual investors. New technology bubbles, on the other hand, find support from a range of sponsors that include venture capitalists and other institutional investors. FRENZY offers useful analysis of "bubble dynamics" and looks at common warning signs that we are in a bubble and how to respond. Inside the bubble objectivity is degraded, traditional analysis is rationalized away by emotion, and those who disagree with us "simply don't get it". Haacke suggests that bubbles may become more frequent in the future with today's rapid global movement of capital. Haacke seems undecided about the role or ability of the Federal Reserve to control bubbles (so why bring up the topic?). Academics who cling to the belief that markets are very efficient at establishing value will find this book instructive. And a broader base of general investors may be better equipped to recognize current and future excesses with Haacke's book.

0 of 0 people found the following review helpful. Great book to read  
By Eleazar Fuentes  
This is a great book with a lot of history about why bubbles drives innovation and how can we learn about it  
5 of 7 people found the following review helpful. Good information, but reads like a research paper  
By Stacy E. Burrell  
I bought this book based on the recommendations and the review from Publisher's Weekly, which is usually on point. The book is well researched and does explain how bubbles start, grow and end. However, I would not say that this book is amusing or insightful and I agree that none of the information or suggestions will be heeded during the next bubble. My problem with the book is that it is written like a research paper or dissertation with a lot of quotes that disrupts the flow of the book. The first two chapters of the book (more than 50%) devote over 100 pages to examining how bubbles arise. Yet, there is nothing new that hasn't been written by others. The suggestions given in the last chapter are not insightful and will help little in protecting yourself once a bubble bursts. Again, the book is well researched and accurate in regards to the dynamics of a bubble and thus the three star rating. I would recommend this book for researchers, academics and MBA-types pursuing a career in Venture Capital. To others, I recommend reading the Introduction, which summarizes the first two chapters, and the last chapter to get the gist of what the book was written to provide.

Despite the hype, the technology bubble of the 1990s was not driven by the Internet. It was driven by innate human forces that transcend the Internet, the 1990s the 20th century, and the United States. Since the 1960s, there has rarely been a year with out a bubble somewhere. Today we see bubbles in China, nano-technology, real estate, and many more are on the way. Through an in-depth analysis and interviews with over 100 of the world's most influential venture capitalists, Fortune 500 CEOs and Wall Street's multi-billion dollar portfolio managers, Frenzy reveals the unexpected driving forces of bubbles. Frenzy provides critical insights and lessons for today's business professionals, investors and policy makers to manage the bubbles of the future.

From Publishers Weekly  
Irrational exuberance is the predictable outcome of human nature and competitive pressures, contends this engaging post-mortem on the Internet bubble. Haacke, an economic policy advisor in the Clinton Administration, treats the bull market of the 1990s as an exercise in group psychology. Investors, who understood little of the Internet's novel capabilities, had their perceptions clouded by media hype and optimistic analysts and fell prey to such cognitive lapses as the "representative heuristic" (memorable events model the norm), the "simulation heuristic" (what can be imagined can be achieved) and the "information cascade" (other bullish investors must know what they are doing). Investment professionals are paid to be more level-headed, but as technology stocks skyrocketed and clients demanded gargantuan returns, venture capitalists, investment bankers and fund managers felt pressured to abandon common sense in pursuit of wildly over-valued dotcoms. Haacke presents a lively and insightful account of the Internet bubble; complete with rueful commentary from chastened venture capitalists; set against colorful retrospectives of previous financial manias, from the 19th-century railway boom to the personal computer craze of the 1980s. Along the way, he throws in a few words of wisdom like "embrace the skeptics" and "be wary of information manipulation." This advice is sure to be ignored when the next bubble begins to swell, but in the meantime readers will find the book an amusing guide to the madness of crowds.  
Copyright © 2000; Reed Business Information, a division of Reed Elsevier Inc. All rights reserved. "Haacke offers valuable lessons that individual investors, venture capitalists and business managers should learn before the next cycle of speculative market activity." --David W. Dorman, ATT Chairman and CEO  
"Frenzy is fascinating and insightful. With remarkable clarity, Carl Haacke cracks the code of how bubbles work and provides important warnings for the future that may be closer than you think." --William R. Hambrecht, Chairman, Founder, and CEO, WR Hambrecht + Co  
"A 'must read' for anyone who might be tempted to think: 'Next time it will be different.' Carl Haacke has analyzed the Internet Bubble with great precision and the lessons he teaches us are essential to understand for the future. I recommend this book

highly." --Tom Perkins, Founder of Kleiner Perkins Caufield and Byers"Very colorful and authoritative. This book clearly proves that at the end of the day the traditional metrics for measuring the value of companies, their ability to generate real profits and net-free cash flow, is the key to building long-term, successful investments."-Alan Patricof, Co-Founder, Apax Partners"Frenzy hit the nail on the head. Bubbles should surprise no one. They're almost forecastable. The dot.com era is no more ridiculous than the pc era of the 1980s or the nifty fifty era of the 1970s or the microprocessor era of the 1960s or the tulip era of the 1600s. Frenzy should help its readers recognize the next cycle of irrational optimism and avoid making the same mistakes that lead investors to go down like the Titanic."--Don Valentine, Founder, Sequoia Capital