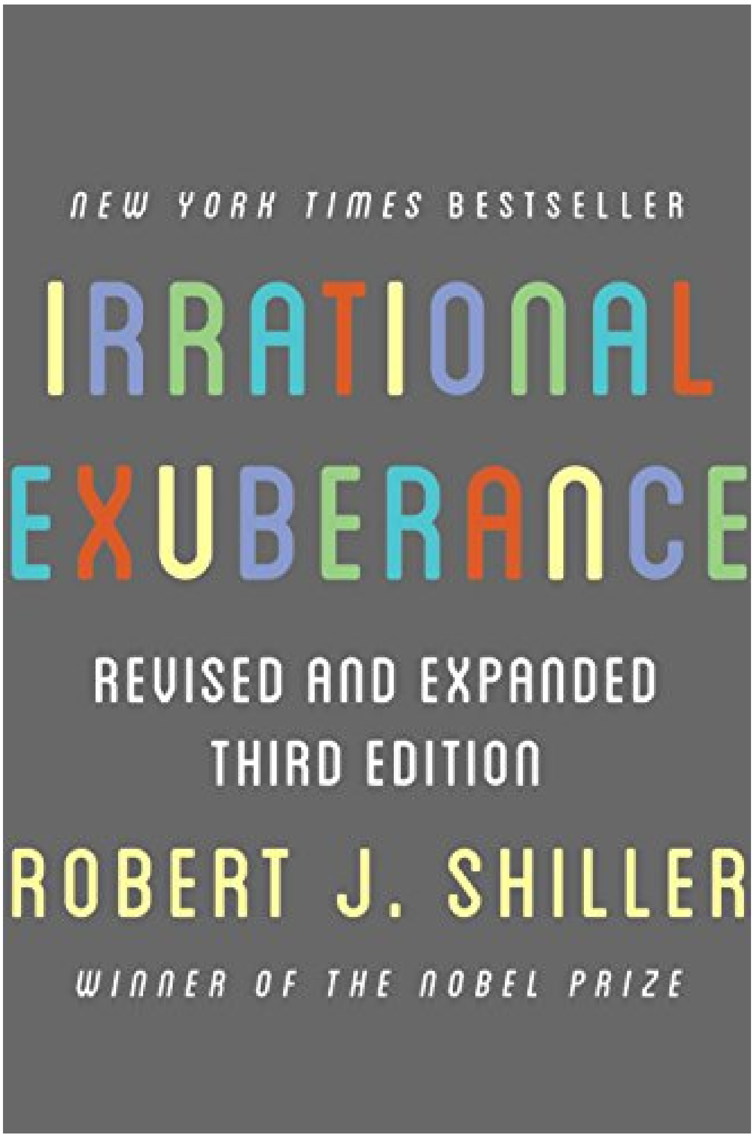
Irrational Exuberance: Revised and Expanded Third Edition

Robert J. Shiller
**Download PDF | ePub | DOC | audiobook | ebooks*



Download Read Online

#34578 in eBooks 2015-01-25 2015-01-25File Name: B00P6ZJ6HC | File size: 45.Mb

Robert J. Shiller : Irrational Exuberance: Revised and Expanded Third Edition before purchasing it in order to gage whether or not it would be worth my time, and all praised Irrational Exuberance: Revised and Expanded Third Edition:

98 of 100 people found the following review helpful. Irrationality Redux?By Great Faulkner's GhostThis first edition of this book, in 2000, was a broad study, drawing on a wide range of published research and historical evidence, of the enormous stock market boom that started around 1982 and picked up incredible speed after 1995. The book argued that the boom represented a speculative bubble, not grounded in sensible economic fundamentals. The second edition,

in 2005, added an analysis of the real estate bubble as similar to the stock market bubble that preceded it, and warned that "Significant further rises in these markets could lead, eventually, to even more significant declines." Alas, both predictions turned out to be true, as we now all know.Will history repeat itself with this third volume? That is hard to say. In this latest edition, Professor Shiller updates his argument, and augments the text to reflect developments since the 2005 second edition. Of particular interest, he adds an important new chapter on the bond market, which many feel is also in bubble territory. The good news is that, while Professor Shiller says that returns in all asset classes are likely to be subpar for some years given today's elevated asset prices, the mood is less somber than in previous editions, and there are no warnings of imminent doom, as in previous editions. In particular, he does not see a classic "bubble" in bonds, due to the lack of "exuberance" -- prices for bonds are being bid up reluctantly by investors, he says, which is not the formula for a bubble. However, he certainly balances that somewhat comforting news with a realistic view of the risks that the current situation presents to investors and savers of all types, stocks, bonds, housing, and savings accounts. His main piece of advice to all Americans concerned about their financial future may be the most sensible piece of financial advice ever written: spend less, save more! Yes, we all know that, but when the winner of the 2013 Nobel prize says that, it really means something.I find Professor Shiller's writing style highly enjoyable, not at all like most economics books. The plain-spoken style is smart, wry, and often witty, and there are almost no mathematical formulas, except in the occasional technical notes in back. The book also talks about a lot of factors that are intrinsically interesting to non-economists. For example, it has chapters devoted cultural factors in investing; the effects of the news media; "new era" economic thinking; psychological factors; psychological anchors for the market and herd behavior.Professor Shiller ends by offering a lot of good, commonsense advice to both policymakers and investors, large and small. I highly recommend this book to anyone who wants to understand what's behind the current anxiety, turmoil, and hopes, for a brighter financial future for all Americans.4 of 4 people found the following review helpful. What Makes the Markets TickBy Randolph EckI never got a chance to read Professor Shiller's first two editions of this book, so considering how far the stock market has shot up over the years (now 2015), I thought this might be an interesting read. Included in this book are the prefaces to the first (2000) and second (2005) editions. In the first three chapters, he covers the historical perspective of the stock market, bond market, and the real estate market. This interesting historical discussion is accompanied by various charts, which help us understand the history more clearly.In part one, he discusses what he calls "structural factors." These include various precipitating factors such as the introduction of the internet in providing ready access to market information, news, and online trading. He actually lists twelve precipitating factors that propelled the millennium boom (1982-2000). He then proceeds to list some precipitating factors the propelled the ownership-society boom (2003-2007). The professor notes how "one may be struck by the sheer multiplicity of factors that appear to have been at work" in the three recent booms in the stock, bond, and real estate markets.In part two, Professor Shiller discusses cultural factors that affect the markets. These include the role of the media in the moves of the stock market, such as their role in propagating speculative bubbles. He also analyzes the news and how it relates to the crashes of 1929 and 1987. You may find this analysis interesting. He then discusses a concept called "New Era Theories," and their effect on the markets. The discussion is broken down into various time periods: the 1901 optimism, the 1920's optimism, new era thinking in the 50's and 60's and the 90's. He concludes this section with a history of new eras and bubbles around the world. Seeing these large stock market moves in other countries, Shiller notes that "speculative bubbles - periods of exaggerated but temporary investor enthusiasm, often associated with `new era' theories - are in fact commonplace." The final chapter of this section is replete with many tables showing stock market price shifts over various time periods around the world.Part three delves into the psychological factors affecting the markets. We learn here about two kinds of psychological anchors: quantitative and moral. A chapter is devoted to theories of herd behavior as well.In part four, he explains the "attempts to rationalize exuberance." Are markets efficient, and are prices random walks? What is the effect of "smart money"? What is mispricing? What is the relationship between price/earnings ratios and long term returns?He concludes by saying that the high stock market levels are not the consensus judgment of various "experts" who have carefully analyzed the data. No, they have been high "because of the combined effect to indifferent thinking by millions of people, very few of whom have felt the need to perform careful research on long-term investment value, and who are motivated substantially by their own emotions, random attentions, and perceptions of conventional wisdom." He follows with some suggestions on what can be done to reduce market volatility and encourage proper risk management among the public, polices about saving and retirement planning, and being realistic about bubbles, among other things. The appendix contains his Nobel Prize lecture on Speculative Asset Prices.I'd say it is definitely worth reading to get a handle on what makes the markets tick.2 of 2 people found the following review helpful. Excellent but Pretty AcademicBy Skubalon12This book accomplishes something refreshing in the world of popular books on economics and finance: it assesses commonly held beliefs about the markets against actual statistics and evenly-weighed arguments in order to uncover the truth about the dynamics often over-simplified by the general investing population. The main purpose of the book is to study the cause of speculative "bubbles" in markets and to look deeply at the thoughts/behavior of investors that have perpetuated such events. Along the way, this book asks questions like "hey, are stocks always a better investment than bonds?" and "does the housing market always appreciate in value over time?" The real value of this book to the lay reader (such as myself) is that it addresses these misconceptions by presenting undeniable evidence that people are much more directed by Keynes' "Animal Spirits" than they'd like to think. I came away realizing that many of the conventionally held beliefs about investing that I learned over my lifetime aren't actually as well-founded as I assumed.With this said, the reason I give it four stars is because the book is somewhat difficult to digest at times; the points made are subtle and may require a second or third read-through in order to gain some real insights that one will remember after finishing up the 237-page main text followed by 32-page appendix which is the author's Nobel prize speech. The casual reader might be bored by the charts and the descriptions of the tools used to discuss the market price dynamics which are the focal point of the text. With this said, the appendix is definitely geared toward the reader with an academic background in research related to financial markets. I debated whether to give the book five stars purely on the scholarship involved and the value of the text for investors, but with a five-point system on it leaves much less room to be accurate in rating (I'd give this 9 out of 10 on a ten-point scale).

In this revised, updated, and expanded edition of his New York Times bestseller, Nobel Prizendash;winning economist Robert Shiller, who warned of both the tech and housing bubbles, cautions that signs of irrational exuberance among investors have only increased since the 2008ndash;9 financial crisis. With high stock and bond prices and the rising cost of housing, the post-subprime boom may well turn out to be another illustration of Shiller's influential argument that psychologically driven volatility is an inherent characteristic of all asset markets. In other words, Irrational Exuberance is as relevant as ever. Previous editions covered the stock and housing marketsmdash;and famously predicted their crashes. This edition expands its coverage to include the bond market, so that the book now addresses all of the major investment markets. It also includes updated data throughout, as well as Shiller's 2013 Nobel Prize lecture, which places the book in broader context. In addition to diagnosing the causes of asset bubbles, Irrational Exuberance recommends urgent policy changes to lessen their likelihood and severitymdash;and suggests ways that individuals can decrease their risk before the next bubble bursts. No one whose future depends on a retirement account, a house, or other investments can afford not to read this book.

Robert J. Shiller, Co-Winner of the 2013 Nobel Prize in EconomicsA New York Times BestsellerWinner of the 2000 Commonfund Prize for the Best Contribution to Endowment Management Research"Robert J. Shiller . . . has done more than any other economist of his generation to document the less rational aspects of financial markets."--Paul Krugman, New York Times"Irrational Exuberance is not just a prophecy of doom. . . . [I]t is a serious attempt to explain how speculative bubbles come about and how they sustain themselves."--John Cassidy, New Yorker"What set off this speculation and what feeds it? Shiller ranges widely his explanations, laying them out in the first 168 pages in easy-to-read, sometimes passionate prose. . . . [T]hose first 168 pages are must reading for anyone with savings invested in stocks."--Louis Uchitelle, New York Times Book "Mr. Shiller's book offers a dose of realism. . . . [I]t presents a message investors would be wise to head: Make sure your portfolio is adequately diversified. Save more and don't count on double-digit gains of the past decades continuing to bail you out during retirement."--Burton G. Malkiel, Wall Street Journal"Informative and well-argued . . . A calm and reasonable antidote to today's euphoria."--Jeff Madrick, New York of Books"Although its message may be unwelcome to many, this important book should be read by anyone interested in economics or the stock markets."--Rene M. Stulz, Science"Dazzling, richly textured, provocative . . By far the most important book about the stock market since Jeremy J. Siegel's Stocks for the Long Run."--William Wolman, Business Week"Shiller has provided an accessible guide to the usually impenetrable literature on financial markets, especially the American stock market."--Foreign Affairs"Shiller contends that investor psychology is so given to herd behavior that it's almost impossible to manipulate or even influence. The market can 'go through significant mispricing lasting years or even decades.'"--Robert J. Samuelson, Washington Post"Irrational Exuberance should be compulsory reading for anybody interested in Wall Street or financially exposed to it; at the moment, that would be roughly everybody in the United States."--Economist"[An] excellent new book. . . . If you want to preserve capital, unload most of your stocks and invest in government bonds."--Steve H. Hanke, Forbes"Likely to be the year's most-talked-about finance book. . . . You can agree or disagree with it. But you owe it to yourself to read it if you are investing in equities or contemplating doing so."--Fred Barbash, International Herald Tribune"Irrational Exuberance is likely to cause a stir. . . . Shiller illustrates how the current market is like a naturally occurring Ponzi scheme in which investors become promoters for the game after receiving initial payments with money taken from subsequent investors."--David Henry, USA Today"Irrational Exuberance is not billed as a personal finance book. But it is. You can agree or disagree with it. But you owe it to yourself to read it if you're investing, or contemplating investing, in inequities."--The Washington Post"A must-read . . . Refreshing, well-reasoned . . . And very readable."--Michael P. Niemira, Barron's"So why have share prices soared so high in the past five years, taking market valuations past all historical records? Professor Shiller's answer, as the title indicates, is not encouraging. His message is: diversify now as much as you can, and batten down the hatches."--Diane Coyle, Independent"Shiller has written a crystal-clear and tough-minded critique."--David Warsh, Boston Globe"The point of Irrational Exuberance is not to help investors dump their houses before the current exuberance fades. It is to deepen our understanding of the events we are watching as one bubble gives birth to another and to encourage readers to think about economic behavior and economic policies that can cushion the nasty side of volatility."--Sharon Reier, The International Herald Tribune"The first edition of this book was widely read because of its timing. This one, too, seems perfectly timed, coming when we're starting to fear we've been fooling ourselves. Again. . . . There's a world of important information for everyone."--Lyn Miller, USA Today"The second edition's new component . . . is Shiller's exploration of how market psychology has responded to the ensuing five years of retrenchment. One chilling conclusion he reaches from his knowledge of past market performance is that the 2005 market may still be correcting and that a return to 2000 levels may be a decade away. He further warns that many investors are still too heavily invested in equities and that proposals to invest Social Security funds in the stock market would subject the retirement system to unacceptable risk. Shiller expands his focus to include the booming real estate market where he sees another speculative bubble building."--Library Journal"There's plenty of new material in this edition. . . . Chief among the new additions is Shiller's deeper focus on recent excesses in the stock market and his skepticism about investing in real estate. . . . . Shiller's ideas have so many devoted followers that I wouldn't be surprised to see many more editions."--Angele McQuade, BetterInvesting"Yale University Professor Robert Shiller pretty much called the stock market drop when this book was first published in 2000. In this fact-packed book, Shiller describes the psychological origins of volatility, among other things. And in the newest edition, Shiller compares the recent housing boom to the stock market bubble of the 1990s."--Registered Rep."[Shiller] fully updates his argument here, adding new material (a chapter on the bond market, his 2013 Nobel lecture) and augmenting the text to reflect developments since the 2005 second edition. He vacuums up all manner of cultural phenomena, from the important (rising income inequality) to the possibly significant (Google Glass) to the trivial (Kim Kardashian), to reinforce his thesis, and he writes expressively, whether explaining arcane economic issues or illustrating how the story behind Mona Lisa's smile helps account for the painting's astonishing market value. A rare example of economic analysis, deeply respected within the discipline, wholly accessible to general readers."--Kirkus"A superb, well-written, well-argued contribution for serious scholars and practitioners, whether they agree with Shiller or not."--Choice"Shiller provides an excellent synthesis of all the evidence contradicting the efficient market hypothesis, especially how a form of irrational exuberance sometimes leads to price bubbles. . . . Without any doubt, Irrational Exuberance must be read by anyone interested in finance. And it really can be read by anyone interested in finance because the genius of this book is to explain complex phenomena easily, avoiding specialist jargon, including mathematics."--David Le Bris, Journal of EconomicsAbout the AuthorRobert J. Shiller, the recipient of the 2013 Nobel Prize in economics, is a bestselling author, a regular contributor to the Economic View column of the New York Times, and a professor of economics at Yale University. For more information, please go to www.irrationalexuberance.com.