

TEMPLATE FOR SHORT PAPER

The short paper should discuss your selected/assigned mania and crisis, considering the following issues:

The new idea: What, if anything, was the rational basis at the beginning of the episode for believing that very high returns were possible and sustainable?

Irrationality: What evidence is there for the idea that investors were “irrational”, in the sense of ignoring information that was publicly available and should have made clear that the high returns were unjustified? Could a Garber-like case be made that the whole episode was mainly rational optimism about a risky new investment, followed by new information that led to disappointment?

Credit: Was there a rapid expansion of some form of lending during the episode? Is there evidence that some of it was based on differences of opinion and (thus) “betting”?

Criminality: Was there evidence of fraud or other forms of criminality during the episode?

Real consequences: Is there evidence that the crash *produced*, instead of simply being produced by, negative developments in the non-financial part of the economy?

Policy: Did government policy mistakes play a role in creating the episode? Could the episode have been avoided or mitigated by different government policies? Did good government policy soften the effects of the crisis?

These points do not need to be discussed in great detail. The whole paper could be about 5 pages, though there is no fixed page limit. You should use more than one source, and at least one of them should be something other than Flood and Garber and Kindleberger.

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