

# Accepted Manuscript

The Simplest Rational Greater-Fool Bubble Model

Feng Liu, John R. Conlon

PII: S0022-0531(18)30001-2  
DOI: <https://doi.org/10.1016/j.jet.2018.01.001>  
Reference: YJETH 4726

To appear in: *Journal of Economic Theory*

Received date: 7 December 2016  
Revised date: 28 December 2017  
Accepted date: 3 January 2018

Please cite this article in press as: Liu, F., Conlon, J.R. The Simplest Rational Greater-Fool Bubble Model. *J. Econ. Theory* (2018), <https://doi.org/10.1016/j.jet.2018.01.001>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



# The Simplest Rational Greater-Fool Bubble Model\*

Feng Liu<sup>†a</sup> and John R. Conlon<sup>a</sup>

<sup>a</sup>Department of Economics, University of Mississippi, United States

January 4, 2018

## Abstract

We show that there exist models with rational agents, three periods, and five states of the world, which have a strong bubble in one of these states. However, no finite-horizon rational strong bubble model, with standard Walrasian markets, can have fewer than five states.

*JEL classification:* D53; D82; D84; G12; G14

*Keywords:* Greater-Fool Bubble, Asymmetric Information

---

\*The authors are grateful for insightful suggestions from the associate editor and two anonymous referees. The authors also thank Cheng Cheng, John Gardner, Thomas Garrett, Joshua Hendrickson, Natalia Kolesnikova, Walt Mayer, Jaevin Park, Joey White, and Mark V. Van Boening for helpful comments. Feng Liu also gratefully acknowledges the Graduate School of the University of Mississippi for providing her with a doctoral dissertation fellowship. Remaining errors are ours.

<sup>†</sup>Corresponding author.

*E-mail addresses:* fliu2@go.olemiss.edu (F. Liu), jrconlon@olemiss.edu (J. Conlon)

Download English Version:

<https://daneshyari.com/en/article/7359151>

Download Persian Version:

<https://daneshyari.com/article/7359151>

[Daneshyari.com](https://daneshyari.com)