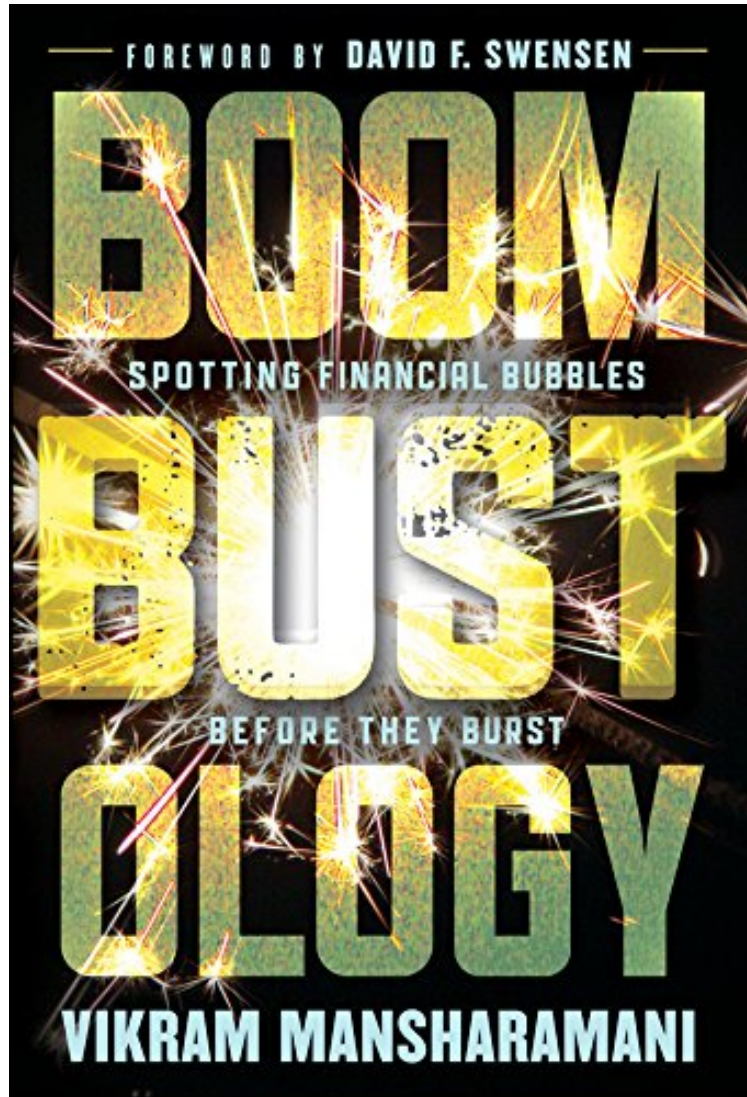


[Download ebook] Boombustology: Spotting Financial Bubbles Before They Burst

## Boombustology: Spotting Financial Bubbles Before They Burst

*Vikram Mansharamani*

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**Vikram Mansharamani : Boombustology: Spotting Financial Bubbles Before They Burst** before purchasing it in order to gage whether or not it would be worth my time, and all praised Boombustology: Spotting Financial Bubbles Before They Burst:

34 of 35 people found the following review helpful. More a review of a few bubbles than any useful metricsBy ScatterbrainAnyone who has studied bubbles has probably already read all of this stuff. The author relies heavily on the work of George Soros, Robert Shiller, Hyman Minsky, Charles Kindleberger, Edward Chancellor, Christopher Wood, Donald Rapp and a number of others. Very little original thought is present in the book but lifts ideas and even whole passages from other books, usually with the callout "eloquently summarized by x".Part I of the book describes

the five "lenses" and is, frankly, a very basic review of economics with some basic psychology (herd behavior) and biology thrown in. Part II provides a brief history of 5 different bubbles and applies the filters to them. Much of this section is lifted directly from other books. Some of the analysis is interesting, but quickly becomes repetitive and often it feels like the author is filling in a section merely because it is in the outline. Part III is divided into two parts. The first part is essentially an outline for the review of the previously discussed bubbles. I was scratching my head wondering why on earth the same material would be covered again. It has the suspicious smell of padding as often inserted by college students. If you have made it this far, you have read through countless repetitions hoping for some original thought. And the payoff is a chapter dedicated to the theory that China is currently in a bubble. The author makes his case and applies his five lenses to the evidence to reach the conclusion that, yes, China currently is in an unsustainable boom. I agree that China is in a bubble but the author offers no solace. He admits he cannot predict when it will happen or what the magnitude will be (and offers no clues as to timing). We are left with advice to keep our eyes on the art market and world's tallest buildings. A Starry Night sells for \$200M...time to short China! Not quite. All in all a decent primer for the complete bubble novice (Charles Kindleberger's *Manias, Panics, and Crashes* is a better start though). Experienced bubbleheads can safely pass. 11 of 11 people found the following review helpful. Someone give me a five-armed analyst!

By Erez Davidi  
In this book, Mansharamani explores his "five-lens" methodology to spot financial bubbles before they burst. But why "five lens"? Because Mansharamani analyses the economic conditions through five different lenses in order to spot bubbles. In a rather brief and simplistic manner these are the five lenses:

1. Microeconomics Lens- in the first lens he mainly employs the George Soros's Theory of Reflexivity, which is, simply said, the theory that market participants can influence reality. In other words, a self-fulfilling prophecy. For example, suppose some people think that the U.S. government's debt is out of control and they fear the U.S. government might default. These people might start selling their bonds and, therefore, causing interest rates to rise, making it harder for the U.S. to service its debt and possibly causing the U.S. government to default.
2. Macroeconomics Lens- in this lens, the author employs three different theories in order to identify bubbles. (1) Irving Fisher's (the man who famously said that "stock prices have reached what looks like a permanently high plateau" a few weeks before the famous stock market crash of 1929) debt-deflation theory. (2) Hyman Minsky's Financial Instability Hypothesis. (3) The Austrian Business Cycle Theory.
3. Psychology Lens- here the author mainly uses the work of Daniel Kahneman and Amos Tversky, founders of Behavioral Economics, who won the Nobel price for their groundbreaking work in this field.
4. Politics Lens- the author analyses different policies that might affect asset prices, such as tax deductions, mortgage subsidies and so on.
5. Biology Lens- by biology the author is referring to contrarian investing. In other words, if the trade is crowded or not. As the famous saying goes: If your taxi driver is giving you advice on which stock to invest in, you go home to sell these stocks.

I found the book to be an interesting read and a good overview of the different ideas and theories, which were mentioned above. (The chapter about the coming bust in the Chinese real estate market was especially interesting). Having said that, this book falls short on two points. First, the author doesn't provide any original ideas of his own. I was rather familiar with the ideas and theories stated above; therefore I felt that I hadn't learned much by reading this book. Moreover, even if you're not familiar with the above theories, this book is not thorough enough to provide you with a good understanding of them. Secondly, even though there is a chapter devoted to how to apply the five-lenses methodology, it's still not very clear how to do so unless you're already familiar with the ideas presented in the book beforehand. All in all, this is a good book, which provides a pretty good overview of various interesting theories. Too bad it fails to provide any original insights.

0 of 0 people found the following review helpful. Great read, recommended to all investors

By Ralph  
Author does a great job of producing and applying the financial lenses to predict bubbles and their bust. I now look at every investment and just about anything involving money with a completely different perspective. Thank you for sharing your expertise and knowledge.

A multi-disciplinary framework through which to spot financial bubbles before they burst. Based on a popular undergraduate seminar, entitled *Financial Booms Busts*, taught by the author at Yale University, *Boombustology* presents a multi-disciplinary framework for identifying unsustainable booms and forthcoming busts. The magnitude of our recent financial crisis mandates a firm understanding of this phenomenon before the next crisis occurs. *Boombustology* provides an in-depth look at several major booms and busts and offers a solid framework for thinking about future occurrences. Examines why booms and busts are not random and can therefore be identified. Focuses upon various theoretical and disciplinary lenses useful in the study of booms and busts. Contains a framework for thinking about and identifying forthcoming financial bubbles including several tell-tale indicators of a forthcoming bust. Illustrates the framework in action by evaluating China as a potential bubble in the making.

• If you want to make better decisions in today's turbulent investment environment, understanding the dynamics of booms and busts is the best place to start.

• *Boombustology* can help you achieve this elusive goal. Vikram Mansharamani is a Lecturer at Yale University and a global equity investor.

'New MPs should certainly have this book on their reading list'. (Financial World, April 2011). a valiant attempt to

add new perspective . (Economist.com, April 2011). From the Inside Flap THE WORLD IS in the midst of an accelerating sequence of booms and busts, and despite these developments, no organized multidisciplinary framework exists for thinking about them. With the increased complexity and volatility surrounding financial bubbles, we need a more effective way to spot, and understand, these events. Based on his popular seminar at Yale University, Boombustology presents Vikram Mansharamani's multi-lens framework for valuating the extremely elaborate social phenomenon of financial market booms and busts. Unlike other finance books which discuss making day-to-day investment decisions or the optimal strategy for a particular market; Boombustology will help you identify the "needle-moving" extremes that have the potential to render many traditional investment approaches useless. Divided into three comprehensive parts, this reliable resource: Develops five lenses based upon the findings of various disciplines, from economics and psychology to politics and biology; that can be combined to evaluate financial extremes