Irrational Exuberance

Irrational Exuberance, 1/e 2000, 1/e revised 2001 paperback, 2/e 2005
Robert J. Shiller
Doubleday

2000 EDITION

2000 Edition References (Selective):
Fama, Eugene F. and Kenneth R. French, "The Cross Section of Expected Stock Returns", *Journal of Finance* 47 (1992): 427-66.

2000 Edition Index (Selective):

2000 Edition Excerpts (Selective):

Section: Statistical Evidence of Mispricings (179)
Sanjoy Basu (*Journal of Finance*, 1977) discusses relationship between price-earnings ratio and return.
Fama and French (*Journal of Finance*, 1992) discusses relationship between price-to-book value and return.

Section: Excess Volatility and the Big Picture (183)
"A great many anomalies have been discussed over the years within the efficient markets theory. There are the January effect, the small-firm effect, the day-of-the-week effect, and others[20]. Footnote 20: A nice review of all these anomalies is found in Siegel, *Stocks for the Long Run*, pp 254, 259, 91-104, 264-66.

2001 EDITION (PAPERBACK)

2001 Edition Index (Selective):

2005 EDITION

2005 Edition References (Selective):
Fama, Eugene F. and Kenneth R. French, "The Cross Section of Expected Stock Returns", *Journal of Finance* 47 (1992): 427-66.

2005 Edition Index (Selective):
Anomalies, financial, [none]
Fama, Eugene, 178, 183
French, Kenneth, 183
Price-earnings ratios, xiv, 26, 68, 99, 171, 195, 213
Price-to-book value, 183

2005 Edition Excerpts (Selective):

Chapter 10 Efficient Markets, Random Walks, and Bubbles

Section: Statistical Evidence of Mispricings (183)
Sanjoy Basu (*Journal of Finance*, 1977) discusses relationship between price-earnings ratio and return.
Fama and French (*Journal of Finance*, 1992) discusses relationship between price-to-book value and return.

Section: A Historical Relation between Price-Earnings Ratios [month of January] and Subsequent Long-Term [10-year] Returns (185)

Comment: Mr. Shiller quotes favorably with approval several authors of academic journal articles that contain circular single-equation simultaneities in an econometric asset pricing model of return.

Elsewhere, Mr. Shiller presents an analysis of the log-log relationship between the 10-year change in the stock market price level, proxied by the S&P 500 Stock Index in January for each year (the *y*-axis), and a price-earnings ratio that is publicly known at the beginning of each ten-year interval, proxied by the S&P 500 Stock Index and the 30-year lagged moving average of the earnings of the stocks in the S&P 500 Stock Index (the *x*-axis). In equation form: (Price 10)/(Price 1) = a + b(Price 0)/(30-year moving average Earnings, -30 to -1) + e. If Price 1 and not Price 0 is used in the right-hand-side variable, then there is no circular single-equation simultaneity. But if Price 1 or Price 0 or any

other variable appears at the same time for the same time period on both sides of the model equation, then there is circular single-equation simultaneity.