

## Bubble 3.0, Chapter 2, The Worst Kind Of Bubble

Greetings, EVA and “Bubble 3.0” readers!

Thank you for your continuing interest in this project. Based on the flood of new impressions that have been generated, it does seem like the subject matter is of interest to a broad audience. That has certainly been my hope but I’m gratified to see momentum building behind this effort to shine a deservedly harsh light on America’s central bank.

With this chapter, we are returning to our normal sequence after pulling forward Chapter 10, “The Insanity Bubble”, due to increasingly chaotic market conditions. Based on the extreme stress suddenly erupting in bond markets around the world late last week, there is a reasonable chance the turbulence is set to increase.

Chapter 2 explores the linkage between the collapse of the late ’90 tech mania, Bubble 1.0, and the follow-on, almost purposeful, inflation of Bubble 2.0--the great housing boom of 2002 to 2007. As you will read, one of America’s most prominent economists and journalists (a Nobel Prize winner, at that) repeatedly urged the Fed to create another bubble to offset the tech bust deflation risks. He needn’t have been so vehement; one thing the Fed excels at is blowing asset price bubbles.

This one is a bit longer than our normal chapter posts but we obviously feel the content is worth the length.

David Hay

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