Can you spot the next bubble?

The bubble checklist: nine lines from Lessons 1-9, one point per line, reading a score, three settled cases (dot-com, crypto, a steady decade), what no checklist can say (when), lines against slogans, line 10.

1 The checklist

Lessons 1-9

1 Bought to resell · tulips	2 A promise stretched · money	3 A run is possible · 1929
4 Money printed to pay · Germany	5 A supply shock · 1970s	6 Debt outlives the price · Japan
7 Leverage · 2008	8 A debt you cannot print · euro	9 Two shocks at once · 2020

- **Bubble** = a price paid for the chance to **resell**, not for what the thing does · **boom** = prices climb fast · **crash** = sudden, deep fall
- **Score** = `1` point per line the facts of a case show → `0` to `9` · tick only what the account says, never what might happen

2 Reading a score

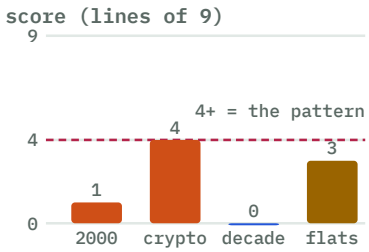
the rule

- `0-2` → a rise, or a bubble whose fall stays with its holders
- `3` → watch closely
- `4+` → **the pattern**: a fall that spreads (banks, savers, governments)
- Score = how far a fall can **spread** ≠ how **big** it is ≠ **when**
- **Line** = checkable in the facts (“buying to resell”, “all could withdraw at once”, “owes more than it owns”) · **slogan** = a feeling (“prices only go up”, “this time is different”, “everyone is getting rich”)

3 Three settled cases

scored in the lesson

- **Dot-com** (new internet firms, after “.com”) · Nasdaq Composite (index of thousands of share prices, many tech firms) `5,048.62` (10 Mar 2000) → `1,114.11` (9 Oct 2002): **≈ –78%**, 22% left · only resale, no bank run (savers all withdrawing at once), no printing → **1**
- **Crypto** · Bitcoin ≈ `$69,000` (10 Nov 2021) → ≈ `$15,500` (Nov 2022), > three quarters lost · collapse of FTX (an exchange = platform to buy and sell coins) · resale (1), deposits lent on (2), customers could not withdraw (3), borrowed bets (7) → **4**
- **A steady decade** · S&P 500 (index of 500 large US companies), 677 (low, 9 Mar 2009) → 3,231 (end 2019): prices ≈ ×5, **profits up too**, no line → **0** ⇒ a rise alone ≠ a bubble



4 The limit

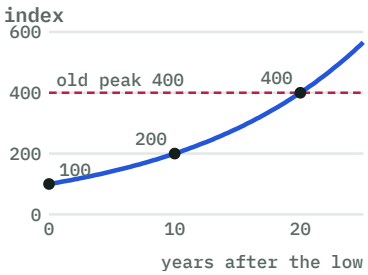
Personal Finance, Lesson 7

- A checklist shows the **pattern**, never the **date** · high scores have kept rising for years
- **Random walk** = a path whose next step cannot be predicted from the earlier ones → prices
- “I see a bubble” is never a plan · **line 10 · The test: score it, and never date it**

5 Practice

Coralia, new numbers

- Harbor flats: resale (1) + banks lend 90% (7, **leverage** = buying mostly with borrowed money) + loans in pesos (8) → **3**: watch closely
- The long way back: `400 → 100` = **–75%** · back to 400 = `300 ÷ 100` = **+300%** · 7% a year → **rule of 70**: `70 ÷ 7 = 10` years per doubling → `100 → 200 → 400` = **20 years**
- Debt in pesos: flat `$200,000`, `$20,000` down, loan 180,000 pesos · –10% → `$180,000` (own money gone) · 1 peso = $1.25 → `$225,000` owed → **$45,000 underwater** (owing more than the flat is worth)
- Chain: prices –15% → buyers underwater → banks lose on loans → savers run ⇒ lines `7 → 6 → 3`
- Low score ≠ small loss: `$10,000 × 0.22 ≈ $2,200` at the 2002 low



6 The course

the ten rules in full (box 1 = short labels)

- **Bubble checklist, as each lesson wrote it** · **1 Bought to resell** · **2 Money is a promise** · **3 A run fills itself** · **4 Printing to pay** · **5 A supply shock cuts both ways** · **6 Debt outlives the bubble** · **7 Leverage turns a dip into a wipe-out** · **8 A debt in a money you cannot print** · **9 Two shocks at once hide each other** · **10 Score it, and never date it**

Watch out: score ≠ date · low score ≠ small loss · a rise ≠ a bubble · tick facts, not feelings · **This is a lesson about the past, not advice about your money.**