Financial bubbles

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After analysing the different models of financial bubbles (rational bubbles and behavioural finance), we will present the original features of the Keynesian model such as developed in the *General Theory*. Its difference from the other approaches lies in the fact that it rejects the idea of an objective assessment of financial assets. We will show that the subprime crisis lends credibility to many of these arguments. However, in that a bubble is defined as a situation where the observed price diverges lastingly from the fundamental value, should we conclude that there is no such thing that a Keynesian bubble? We will present our answer this question.