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RESEARCH BRIEF

Of Economic Bubbles and Economic Miracles: Notes and Reflections from a Non-Expert

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Economy is a subject matter and topical affair that is difficult to predict and not easy to understand. The set of complex variables involve in the analysis and the volatility of the market would seem to suggest that economic soothsayer and prophets face an uphill climb for validation of their forecast. Because more than affirmation of an economic forecast, economic contradictions would likely surface to pose as challenges to such economic analysis and review in the future. Therefore, the future must remain uncertain. Predicting the economy as a whole is fraught with additional dangers and complications, and all leading indicators of economy wide change do not have or eventually lose the capacity to predict the future accurately (Thornton, 2004).

Even economic experts who make forecast and predictions do not guarantee accuracy, coherence, and consistency in their assertions of observations and findings. Tetlocks's (2005, as cited in Mansharamani, 2011) conclusion that those with the ability to incorporate new information, to update their beliefs, and to adapt a changing reality by employing multiple perspectives are better predictors, provides strong support to Boombustulogy approach.

Boombustology approach is the approach of detecting financial bubbles before they burst out. The Boombustology approach provides a framework for which the application of five key disciplines results in a more robust understanding of boom and bust mysteries. The five lenses are microeconomics, macroeconomics, political science, psychology, and biology (Mansharamani, 2011).

Predicting the current state and condition of one's national economy is not devoid of contradictions and oppositions, of doubts and skepticism, especially if there is narrow and limited information of the subject matter debated upon as matter of discourse. The need to narrow the gap between these gaps and contradictions are substantial in shaping judgments and offering decisions as to the nature of an economic phenomenon. This brings us to the questions of economic bubble and economic miracle. The problem of predicting (with the goal of preventing) stock market bubbles and crashes is especially important , not just because bursts result in huge financial losses for some , but because many of these extreme financial cycles can disrupt the financial system and lead to real economic contractions (Mishkin & White, 2003).

The paper would adhere to the following content and structure: first, the paper would attempt to make a passing review on the various concepts, views, and precepts on why economic bubbles occur. Second, the paper would also offer varied perspectives on causes of economic miracle occurrence as culled from various literatures. Third, the paper would develop a proposed interventions and solutions in dealing with an economic bubble. Finally, the paper implies to provide notes and reflections on economic bubbles and economic miracles as it try to determine the economic causes and solutions towards achieving a sustainable economic growth and development from a non-economic expert standpoint.

METHODOLOGY

Literature on economic bubble and economic miracle was sought via electronic database EBSCO searches and journal hand searching in the identification of the papers to be utilized and reviewed for the period of January 1973 to January 2013. The search was limited to books and articles on economic bubble and economic miracle published in English, which identified more than 2,000 papers and utilized 52 papers readily available for review purposes. Integrative review was utilized based on the methodology of Whittemore and Knafl (2005).

An integrative literature review sought to provide a comprehensive understanding of a topic and produce new knowledge through the synthesis of existing information. The review randomly selected countries, which were representative of the various regions and continents of the world to incorporate local perspectives into a global perspective synthesis.

Articles retrieved included diverse methodologies, including both experimental and non-experimental studies. The review targeted articles using a public policy approach and gender- based approach, and then employed the discourse analysis through assignment of meanings and interpretations to the perspectives, issues, challenges, and opportunities presented by such reviewed articles. In addition to journal searches, websites of international organizations were searched manually to obtain research or policy documents.

ECONOMIC BUBBLES REVISITED: WHY DOES IT OCCUR?

This section would seek to synthesize various literatures on economic bubbles and with critical inquiry would offer some insights and views on the various distinctions made by authors on the concepts and definitions on why economic bubbles occur. The passing review on the literature would then pave the way for the redefinition and reformulation on how economic bubbles can be viewed as basis for theory-building.

Kindleberger (1996, p. 13) defined a bubble as "an upward price movement over an extended range that then implodes. This definition focuses solely on the rise and fall of a specific asset price but does not consider other multifarious factors such speculation, irrational behavior, and market conditions. The failure of the definition itself to establish the cause and effect of such rise and fall of prices makes it refutable and circumventable."

Gerding (2013, p. 35) offered a contemporary challenge on this earliest definition when he posited that:

> This early literature (particularly the work of Charles Kindleberger) defined bubbles in terms of an extended rise in the price of a particular asset and a subsequent price crash. This straightforward definition has numerous drawbacks. Although it captures the intuitive shape of a bubble, the definitions fail to single out any causal explanation for the rise and crash of prices. It thus cannot generate any testable hypotheses or predictions.

Tirole (1990) gave a much earlier definition of an economic bubble when he assumed that

Table 1

Matrix of Economic Bubble Authors and Causes

Economic Bubble Theorists	Causes of Economic Bubbles
Jean Tirole (1990)	Trader's greediness and irrationality; prior market inefficiency
Hamilton and Whiteman (1985)	Market participants/ speculators
Charles Kindleberger (1996)	Upward price movement
Anthony Deden (1999)	Excessive amount of money and credit created by central banks
Acharya, Viral and Naqvi, Hassan (2012)	Excess liquidity/bank's aggressive lending behavior
Jason Potts (2004)	Collective and systemic investor's rational behavior
Weidemer, David; Weidemer, Robert; Spitzer, Cindy and Janszen, Eric (2006)	Asset's psychological value exceeds real economic value
Rapp (2009)	Central banks bailout for speculators
Vogel (2010)	Frenzy speculation
Evanoff, D., Kaufman, G., & Malliaris A. (2012)	Irrational behavior and market rigidities
Sheinkman and Wei Xiong (2003)	High trading volume and high price volatility

the occurrence of a bubble is attributable first, to the potential numbers of traders who trade in the asset is infinite; secondly, traders start out with different prior beliefs or they believe other traders are irrational or there must be some inefficiency in the economy prior to the initiation of trade. In this definition, what stands out is its preoccupation on the crucial role of the traders on the economic activities and the trading processes. Tirole (1990) believed that bubbles are mere creation of a trader which could have exhibited behavioral greediness, irrationality, and inefficiency as distinct from Kindleberger's (1996) later assumption that economic bubbles are results of rise and crash of asset prices.

Subsequently, Potts (2004, p. 16) gave an entirely different meaning of a bubble when he asserted that:

> "A bubble happens when investors change their behavior, in a coordinated way, to switch from valuing an asset in terms of its yield (for example, dividends on stock, rental on real estate and so on) to instead valuing it on the expectation of capital growth…. Consequently, a bubble erupts when a herd of investors all begin to move rapidly in one direction. It need not matter why this started, nor where it is headed; what matters from the individual perspective, is that the many cannot be wrong."

In this view, the investor is single out as the main cause of an occurrence of economic bubble when it starts to behave differently and irrationally but in a coordinated manner, which results into frenzy bandwagon and economic hysteria regardless of whether one's action is right or wrong as long as it generates profit and income to them. Potts (2004), however, was quick to point out that the bubble phenomena is not borne out of individual outlook or desire to gain and profit but are driven by collective and systemic mad rush towards valuing an asset in terms of yield rather than valuing an asset in terms of capital growth, which has become endemic and embedded to the system in which individuals might have been unconscious of but inevitably evolved into a conscious effort to do; so they are influenced by the overwhelming majority of investors falling into the ravine of mass economic hysteria. The bubble begins to explode when it reaches the saturation point of investors venturing lopsidedly in one specific asset in which the market can no longer hold and the economy soon breaks apart.

Evanoff, Kaufman and Malliaris (2012) on their part noted that economic bubbles do not exist primarily because of price fundamentals but cited irrational behavior and market constraints as the primordial causes of a bubble when they opined that:

> "In general, according to current economic theory, a bubble exists when the market price of an asset exceeds its price determined by fundamental factors by a significant amount for a prolonged period. The efficient market hypothesis asserts that extraordinary movements in asset prices are a consequence of significant changes in information about fundamentals. Thus, actual and fundamental prices are always the same, and bubbles cannot exist unless they are driven by irrational behavior or market rigidities such as constraints on the short selling of assets." (pp. 1- 4)

The notion of economic bubble is not itself bad, but when an ambitious man or group of selfish men are driven by greed and change the basics and fundamentals of economics, such as price and market assets, this is where the danger of economic bubble lurk because it could entirely shift and transfer the economic activities into the hands of the few who can mercilessly pound on the opportunity to sabotage and alter the economic fundamentals.

However, economic bubble's root cause cannot just be equated with the strong urge to monetary and economic value alone but also in non economic dimension as well as psychological value. The individual and collective behavior and mentality precede the yearning for tangible economic benefits. Since bubbles are characterized as frenzy, with mania and bandwagon cognitive effects, the source of incessant desire to monetary and proprietary gains begins with the mind. When the collective mind is conditioned and wired to perceive that economic value is the paramount goal as a confluence and influence set by collective behavior of trader or investors, then psychological value becomes the mean of achieving the end, which is the economic value irrespective of whether the means such as greed, speculation, avarice, and other unethical business practices becomes the normative behavior. Weidemer et al. (2006, p. 6) had this to say:

> "For our purposes, we say a bubble exists whenever an asset's perceived value or psychological value exceeds its real economic value. By economic value, we mean a value that is based on logical economic parameters, such as population growth, rising company earnings, increased personal income, or some other fundamental economic parameter that is directly tied to the asset's rise in value. On the other hand, if the asset begins to sell a lot more than its economic value and the price rises to two or more times the economic value driven primarily by rising perceived or psychological value, then we say there is a bubble."

Acharya and Naqvi (2012) analyzed and concluded how the banking sector may contribute to the formation of asset bubbles when there is access to abundant liquidity. They also found out that excess liquidity encourages lenders to be overaggressive and to under price risks in hope that proceeds from loan growth will more than offset any later losses stemming from aggressive behavior. Thus, asset bubbles are more likely to be formed as a result of the excess liquidity.

When banks relentlessly lend several types of loans, such as car and mortgage loans, riding on the crest of excess liquidity without anticipating and considering the unpredictability of price and market value and acting on the spur of the moment of exacting lower rates to attract more prospective borrowers. The result is the borrowers are thrust into an uncompromising situation of not fulfilling their financial obligation especially when they diminishes or even loses their capacity to pay due to price and market crash. Again, it can be deduced that the psychological drive of banks to seize the opportunity of abundant liquidity and offer lower loan rates is the main precursor of an economic bubble more than economic benefits they can derive from the excessive lending on much lower rates to borrowers and buyers, which would eventually no longer have the financial capacity to pay them due to financial doldrums.

If Acharya and Naqvi (2012) cited the role of banks in the occurrence of economic bubbles, Deden (1999, as cited in Thornton 2004) singled out the central banks as the main progenitor of economic bubbles when he retorted that:

> "Their cause is not the fault of capitalism as it has been suggested, but an excessive amount of money and credit created by central banks. Yet, this seems to escape the understanding of those who will, in one day, convene congressional hearings to determine what caused the destruction. The culprit, as it always has been, the same organization which professes interest in bringing about price stability and low inflation. The Federal Reserve Bank and its policies of money market intervention, credit creation and loose money." (p. 15)

For Deden (1999), it makes sense that the central banks exercise full responsibility and accountability in fomenting economic bubble more than the regular banks. The central bank, being the chief monetary regulatory agency, could have implemented fiscal and monetary intervention in its bid to provide normalcy and stability to the economy. This is a view that Rapp (2009, p.3) shared 10 years after when he exclaimed that:

> "….bubble mentality is the expectation that the Government and central banks will "bail out" speculators through active intervention with monetary and fiscal policies if and when the bubble pops. There is ample evidence of this in the United States. Recent example of this is the Government and Federal Reserve reactions to the popping bubble from speculating in real estate and stocks during 2002-2007 in which they flooded the banks with low interest funds, printed money to distribute to the public, and provided support to those who speculated and over-borrowed."

Cogley (1999) consequently refuted Rapp's (2009) view when he stated that:

> "First as demonstrated by Hamilton and Whiteman (1985), speculative bubbles are observationally equivalent to changes in fundamentals (information about dividends or discount rates) that are observed by market participants but not by central bank analysts. Unless the central bank has access to all the information relevant for asset pricing, it has now way of knowing the extent to which stock process reflect speculative activity." (p. 51)

This time, they are pointing to speculators who are responsible to the creation of an economic bubble while exonerating the central bank, which does not have access to fundamental information in which speculative traders and investors have an inside track in terms of its use and availability. The alteration of the economic fundamental landscape stems and emanates from the speculators themselves, which is microeconomic in nature and in no way can be attributable to the central bank which does not possess speculative capacities more than the speculators for its focus and locus of regulatory activities lies heavily on macroeconomic sphere. This observation finds support in Vogel (2010, p. 4) when he stressed that:

> "It is important to recognize however, that, as the term are loosely understood, a "bubble" cannot occur without speculation, but there can be a speculation without a bubble…..Bubble are instead characterized by a frenzy speculation that, as will later be demonstrated, is apparently fueled by a ready availability of money and credit that collectively invites, stimulates and enables broad and extreme participation by the public at large."

Finally, Scheinkman and Xiong (2003) observed that asset bubbles are characterized by high trading volume and high price volatility. They develop a behavioral model of asset bubbles, assuming short sale constraints. An asset buyer is willing to pay a price above fundamentals because, in addition to the asset, the buyer obtains an option to sell the asset to other traders who have more optimistic beliefs about its future value.

Based on the foregoing literature review, I can deduce how the causes of economic bubbles evolve depending on the time, circumstances, and context involve. Although some literature is separated by time, there are some views and perspectives which are shared by authors from different generations. For example on one hand, Deden (1999) and Rapp (2009) even though a decade apart, were one in singling out the central bank as the root cause of economic bubbles through its fiscal and monetary intervention which bails out speculators. On the other hand, Hamilton (1985) and Vogel (2010) were consistent in identifying speculators and their frenzy or manic behavior responsible for economic bubbles.

Tirole (1990), Potts (2004), and Evanoff et al. (2012) harp similar tune when they pointed to irrational behavior and greediness of traders or investors as the main source of economic bubble. Weidemer et al. (2006) and Scheinkman and Wei Xiong (2003) ran parallel in their assertion that the asset buyer's behavioral and psychological value affects the creation of an economic bubble when they alter the real economic value and economic fundamentals respectively. Acharya and Naqvi (2012) were the only ones who were distinctly quick to point out solely bank's excessive liquidities as the main culprit of economic bubbles.

ECONOMIC MIRACLES: WHY IT HAPPENS?

Economic miracle is an economic condition where there is drastic and radical transformation of economic indicators and variables to economic progress and prosperity brought about by sound economic policies, effective financial regulation, and best business practices. It is a process of healing an ailing and wounded nation's economy from the verge of collapse to an economic awakening thorough interplay of curative economic, political, social, cultural, and technological growth and advancement.

In this section, I would analyze some economic miracles which occur in the 21st century using Ireland, China, South Korea, Chile, and Southeast Asia economic miracles. The analysis and discussion focuses on the hallmarks and preconditions for real economic miracles. In addition, salient characteristics, elements, indicators, and parameters of an economic miracle would also be examined in order to

Table 2

Matrix of Economic Miracle Authors and Causes

Economic Miracle Authors	Root and Proximate Causes
Henderson (1995)	Deregulation; allowing and enforcing property rights
Duquette (1998)	Civil society organizations, grass root politics and quality of manpower
Montes (1999)	Openness to external economy; structural reform programmes and political change
Walsh (1999)	public spending cuts, industrial promotion, initial high taxation system, European Union assistance and funds, cultural and geographic ties with the United Sates
Stiglitz and Yusuf (2001)	Adherence to fundamentals of microeconomics management, strong-willed state
Young-gwan (2012)	Export oriented economy tempered and balanced with domestic market
Tang, Selvanathan, and Selvanathan (2012)	Heavy foreign direct investment, inexpensive labor costs
Friedman (2012)	Inclusive growth
Bhattacharya (2011)	Institutional and human development
Fosu (2013)	Human capital development

provide insightful analysis and commentaries with regards to the validity and legitimacy of such economic miracle.

The Irish Economic Miracle occurred principally because of the sound and progressive taxation system, reduced government public spending, industrialization, and an educated workforce. Walsh (1999, p. 225) captured this when he uttered that:

> "The successful stabilization of public finances: initially through higher taxation, then through sharp cuts in public expenditure a switch in industrial promotion: this led to more sophisticated targeting of selected overseas industries in the 1990s and the extension of the preferential (ten per cent) rate of corporation tax to 'internationally traded services' (principally financial services) availability of a plentiful supply of educated, English speaking skilled labor: by the 1980s people with second and third level qualifications predominated in the outflow from the Irish school system. They were eager to work in Ireland at low wage rates relative to those on the European mainland."

Aside from these, the Irish economic miracle could also be attributed to the following factors: European Union funds and full membership in European Union as what Walsh (1999, pp. 225-226) noted:

> "EU funds have been proportionally more important in Ireland than in any other member state. Ireland has benefited disproportionately from the Common Agricultural Policy since joining the EU in the 1970s. Substantial

monies also flowed from the Cohesion, Regional and Social Funds, insulating Ireland from the global recession of the early 1990s…. readiness to join the new exchange rate arrangements in Europe was indicated in 1979 by the break in the link with sterling. This evolved into full membership of the euro-zone in 1999. Maastricht convergence conditions were easily met along the way."

The economic bailout assistance program of the European Union enabled Ireland to efficiently enhance economic planning on government spending, which yielded an effective use of economic assistance and aid. The accountability and transparency mechanism on how the EU funds and subsidies are allocated and how wisely they are spent provided an impetus for a remarkable improvement on Ireland's economy. It is quite clear that the Irish Miracle could not have happened without the help of the European Union. But it is not the European Union alone which is largely responsible for Irish economic miracle; the United States as well has a contributory factor to the emergence of Irish economies. In addition to low tax advantages and the ready supply of labor, proximity to the New England region and close cultural ties with America played roles in leading US companies to locate their European operations in Ireland (Walsh, 1999)

Finally, the Irish economic miracle also flourishes as a result of the mutual cooperation and harmonious relationship between the government and the labor force. A centralized structure on determining the wages and salaries proved to be effective in the collective bargaining agreement process between the employers and the employers instead of a decentralized approach for it facilitated dialogue, deliberation, and stakeholdership on a national level.

"The return to centralized wage bargaining in the late 1980s: policy makers emphasized the sequence of 'National Wage Agreements' and their success in persuading trade unionists to agree to moderate pay increases over the medium term in return for a promise of steady reductions in income tax rates. (Walsh, 1999, p. 226).

The South Korean Miracle on the other hand exists primarily on its export-driven economy. It is predicated on the premise that the more export oriented a country is, the more trade income or profit it can derive from such trade activities. However, such over-dependence and over-reliance on export industries have negative repercussions in the long run to the economy, making the need to strike a balance in prioritizing the international market and domestic market a necessity to preserve the gains of South Korean economic miracle. Young-gwan (2012, p. 98) captured this when he enunciated that:

"South Korea today still maintains the export-oriented economy. 97% of total GDP comes from export-related industries. The characteristics of South Korea's economy had been set up during the 1970s and still maintains. This is why the fairly objective views of American reports are so important to understand the South Korea's economy of 1970s as well as for the improvement of economic condition in the future. Some problems had been cured, but some still prevail… First of all, South Korean government failed to develop the sound foundation for domestic market. Too much dependency on exports would cause long term problem. Also, there was a serious dependency on foreign capitals. As some reports predicted, South Korea experienced virtual collapse of economic system in 1997 because of that".

While Young-gwan (2012) emphasized equilibrium between international and domestic market as a precondition to economic miracle, Duquette (1998) identified the vital importance of civil society, grassroots politics, and competent manpower resources as stabilizers to the economic miracle in Chile in spite of unfavorable conditions when he blurted that:

> "As for the rest of us, we would be wise to consider the socio-**economic** interpretation of the Chilean **"miracle"** before blindly accepting it as an example of successful neo-liberalism. The only **miracle** here is that civil society organizations endured under very unfavorable conditions and managed to provide the Chilean polity with a vitality of grass root politics and a quality of manpower which made possible its recent successes on the global market. This achievement justifies the serf-imposed restraint on political actors, while accounting for a fair degree of wage redistribution that need not resort to street politics to materialize. (Duquette, 1998, p. 299)

Indeed, for an economy to thrive and prosper, the interlocking and interrelated relationships and cooperation of the political elites, the market entrepreneurs and capitalists, and more importantly the civil society, specifically the labor sector, must be established with the laborers being the primary socio-economic force and movers towards economic growth and development as proven by the Chilean economic miracle experience. Even though there is a perceive political dysfunctional system and an economic serfdom perpetrated by the market and business elites, the laborers and workers remain steadfast and determined to propel the country's economy to greater heights by being efficient and productive in what they do and becoming vigilant in upholding the worker's rights and freedoms. Economic miracle presuppose an intelligent, enlightened, and educated human capital which possesses an indomitable spirit to make the nation's economy robust and competitive amidst adversity hurled to them by the social, political, technological, and economic environment.

In Southeast Asia, economic liberalization was seen as a crucial component in the economic miracles experienced by countries such as Singapore and Malaysia. Opening the floodgates of the economy to foreign investments and economic liberalization policies like allowing foreign ownership to basic services and utilities such as water, electricity, education, media, and other businesses have made the economy attain a remarkable improvement by leaps and bounds. Montes (1999) observed this when he said that:

> "Openness to the external economy had been touted as a key ingredient in the past **economic** success of the Southeast Asian economies. They have steadily increased their share of world trade and have also increased their share of trade with each other. Because investors brought their access to the world market with them, this openness to foreign investment played a key role in winning international markets. Foreign investors also brought with them technology, information about international market trends, and modern managerial practices." (p. 20)

In relation to such observation, economic miracle is tied up not only to the economic variables and dimensions but are closely linked to the political, legal, and administrative reforms both theory in praxis to address the gaps and holes which democracy presents. There can be no real economic miracle without democratic innovation and reforms not only in terms of policy-making and policy-formulation but more importantly in the realm of policy-implementation and policy-execution. Mere laws and policies are useless if not applied and enforced. Montes (1999) continued his assertion when he stated that:

> "Structural reform programmes and political change can accelerate the introduction of these norms into the legal and administrative rules. But it is only the actual practice of these norms that will identify which of these modern, mostly imported, practices can actually prevent the kinds of abuses that occurred before the crisis, and how they can be adapted to Southeast Asian societies. Family-

> dominated business groups will not disappear overnight, and took a long time to lose their influence in Western capitalist economies. The emergence of genuinely independent judiciaries, effective media oversight, and vibrant opposition parties cannot be achieved through legislation." (p. 20)

This is an assertion which Henderson (1995) seemed to support when he opined that some of the economic policies to be avoided include protectionism, high inflation, and high marginal rates at all income level while some economic policies to be implemented include deregulation and allowing and enforcing property rights.

Stiglitz and Yusuf (2001, pp. 5-6) on their part proposed two strands to clear the way for economic miracle. The first strand is what they termed as adherence to the fundamentals of macroeconomic management and the key ingredients which constitute it when they emphasized that:

> "This called for a stable business environment with relatively low inflation that encouraged investments in long-gestation assets, fixed assets, prudent and sustainable fiscal policies to actively complement other measures aimed at equitably sharing the rewards from higher growth, exchange rate policies to underpin export competitiveness, financial development and the progressive liberalization of the sector as to maximize domestic savings (stimulated, initially, by rapid growth) and promote efficient allocation and integration with the global financial system, efforts to minimize price distortions, actions to support the spread of primary and secondary schooling as well as the creation of hierarchy skills to buttress an outward looking development push."

In the first strand, it appears that the concentration and emphasis fall on the economic fundamentals characterized by low inflation, competitive exchange rate and export policies, liberalization, adept financial system, price stability, and access to quality education both in primary and secondary schooling which are just the preconditions and hallmarks for an economic miracle to occur. The Irish economic miracle practically may have followed this strand when Ireland embarked on massive education of the masses in both primary and secondary levels to boost their human capital and workforce as a strategy to prepare and hone the skills of their young for work.

The second strand prescribed by Stiglitz and Yusuf (2001, pp. 5-6) called for a strong bureaucratic state. In this strand, economic miracle implies a leader with strong political will that commands respect and adulation within the business community when they declare that:

> "A second strand of the strategy stressed the need for a bureaucracy able to conceive and implement the designs of a strong state (meaning an authoritarian, centralized development state) and to make a credible commitment to long-run development. …. Businessmen met with the government administrators to reach an understanding on strategy and, where possible, coordinate, their activities. This did not blunt the incentives to compete against one another. On the contrary, East Asian governments adroitly employed carrots and sticks to prevent a slackening of domestic corruption."

The second strand tackles the political dimension of making economic miracle happen and it begins with leadership. A strong political leadership begets accountability and legitimacy when there is accountability of governments, foreign investments begins to gush forth and when there is legitimacy , popular support to the government project, policies, and programs are evident in the manner people rally behind and demonstrate their confidence to the government.

While the Stiglitz and Yusuf (2001) strands would run contrary to the Montes (1999) ingredients on economic miracle, with the latter suggesting that democratic reforms and innovations are precursor to economic miracle and the former implying a an authoritarian and dictatorial system of government and a centralize planning structure, both agreed that what matters for economic miracle to happen is the implementation, execution, and enforcement of rules, policies, plans, programs, and projects. It is the practice and not the theory which makes the economy evolve from an economic failure to an economic miracle through its consistent and stringent application and implementation of economic programs whether it is short term, medium term, and long term solutions.

Both Montes (1999) and Stiglitz and Yusuf (2001) also shared similar arguments that coordination, cooperation, and participation between and among political elites - meaning the government, the economic elites- the capitalists and entrepreneurs and the civil society, and the citizenry are necessary tripartite mechanism to make economic miracle possible. However, this can be disproved by the Chilean economic miracle whereby the civil society becomes the stand alone sector in the realization of economic miracle irrespective of a political dysfunctional system and business climate unfavorable to the workers and laborers.

In addition, both Stiglitz and Yusuf (2001) and Montes (1999) prescribed a two pronged approach in promoting economic miracle which consists of socio-economic approach and political approach. Montes (1999) suggested key ingredients of economic liberalization and political restructuring and reforms while Stiglitz and Yusuf (2001) advocated important strands of efficient macroeconomic management fundamentals and a politically strong willed state with authoritarian character.

These findings and observations of Montes (1999) and Stiglitz and Yusuf (2001) can be valid if applied in China's context. First, there is no other country which benefitted most from economic liberalization and openness to external economy than China. Second, driven by sound economic macroeconomic fundamentals made possible by a highly-centralized and strong government, China emerged as the second world's largest economy and if the trends continue would likely surpass the United States as the world's largest economy. The findings from the theoretical view and institutional discussions include: Foreign Direct Investment generates both positive and adverse externalities on the economic development of a host country, location-specific advantages led China to become one of the world's highest-value added manufacturing production locations and should promote select types of FDI (Tang et al. 2012).

Consequently, China's rise to economic prominence can be attributed to the massive foreign direct investments it receives as a result of its shift from economic conservatism and isolationism to economic liberalization and globalization. Tang et al. (2012, p. 9) concluded what makes foreign direct investment possible and its implications to the growth of tourism of sector in China:

> "The empirical findings show that; the labor cost is a primary and significant factor attracting FDI to China, FDI has played an important role in China's economic growth and development, FDI has impacted significantly on income inequality in China, FDI has had spill-over effects on Chinese consumption patterns, FDI significantly influences the tourism sector of China and the tourism-growth hypothesis is supported by the Chinese economy."

It appears from the findings that the primordial cause on why China is a haven for foreign direct investments rests on its inexpensive labor compared to other countries. This results to a growing disparity among the Chinese in terms of income and opportunities. But on a positive note, heavy foreign direct investment turnout translates to have a good lasting effect and boosted China's tourism sector which also means more jobs, livelihood, and opportunities to the populace and more income to the government which could necessarily result to better delivery of basic goods and services to its citizens.

But economic miracle is an entirely pervasive and encompassing condition which is not limited to be felt on the macroeconomic level alone but must gush forth and felt on a microeconomic standpoint as well. Friedman (2012, p. 12) advanced the tangible characteristics and meanings of a genuine economic miracle when he stressed that:

> "Greater affluence means, among many other things, better food, bigger houses, more travel and improved medical care. It means that more people can afford a better education. It may also mean as it did in most Western countries in the twentieth century, shorter workweek, which allots more time for family and friends. Moreover, these material benefits of rising income accrue not just to individuals and their families but to communities and even entire countries. Greater affluence can also mean better schools, more parks and museums, and larger concert halls and sport arenas, not to mention more leisure to enjoy these public facilities. Arising average income allows a country to project its national interest abroad, or send a man to the moon."

This is what inclusive growth entails. Economic development and growth are measured not only in terms of gross national product, gross domestic product, foreign direct investments, and other economic indicators which produces figures and statistics, but more importantly how individual, families, and communities are experiencing and enjoying such economic miracle in terms of their economic, social, cultural, physical, and technological underpinnings.

Economic miracle can also be understood and viewed on several aspects: technological, institutional, and human development. In the advent of globalized economy, technology has become a necessary tool for countries to grow, thrive, and prosper. Technology is one of the proximate causes on why economic miracle happens. Technology expedites and facilitates the exchange of goods and services and the free flow of communication worldwide. Wigdor (2013) enumerated four factors which are significant in information and communication technology if economic development has to occur namely: (1) telecommunication infrastructure, (2) public and private investment in ICT goods, (3) high level of human capital and (4) institutional-building.

The first factor underline the importance of telecommunication infrastructure which consists of Internet technology, mobile phones, and other interactive or online devices that makes communication more dynamic and vibrant in a fast, accurate, and efficient mode of interaction for boundary-less economies. The second factor tackles the need to put up investment for information communication technology on the part of the government, business sector, and citizenry in order to sustain such economic and technological gains.

The third factor which implies the importance of building the capacities, capabilities and skills of the human resource and workforce for them to become technologically competent and adept in the effective delivery and use of information and communication technology. This finds support in the view of Fosu (2013, p. 20) when he enunciated that:

> "The ultimate objectives of countries should be the continual improvements in the human development (HD) of their citizens. ….. In general however, achieving HD requires inclusive economic growth, which requires a relatively equitable distribution of capabilities among individuals for effective participation in the in the growth process."

Finally, the last factor talks about institutional remedies and reforms not harboring on merely identification but processing, empowering, and enabling institutions to initiate the much needed change to transform the economy. The government, church, schools, families, and mass media must work together for economic miracle begins with the respective institutions first as main causes for economic growth and development. Bhattacharya (2011 p. 2) reinforced this idea when he noted that:

> "In the past, the main focus of the literature was to discover and evaluate proximate causes (physical capital accumulation, technological progress and so forth). In recent years, however, there has been a welcome shift in the focus. Economists have stressed the importance of root causes (institutions, human capital, religion and culture, openness to trade and geography) in their quest for growth."

ECONOMIC BUBBLES: SOME INTERVENTIONS AND SOLUTIONS

Economic bubble is an unpredictable economic phenomenon that leads economic analyst baffling with answers. Although economic bubble is characterized with uncertainty on when it explodes and implodes, there are some remedies and approaches, which are already known, to deal with it. Such remedies and interventions ranges from bank's financial and managerial capacities to government and bureaucratic reforms.

White (2011) sounded the clarion call that in order to prevent bubble and its impending impact to economy, the banking institutions needs to fast track its financial, managerial, and technical capabilities to a micro-prudential regulation when he proposed that:

Table 3

Matrix of Economic Bubble Authors and Proposed Solutions

Economic Bubble Authors	Proposed Solutions
Cogley (1999)	Stable asset prices around fundamental valuation through policies which are well-timed and of the right magnitude
Potts (2004)	Lowered cost of experimentation in terms of access to finance, market opportunity, and social acceptance of entrepreneurship[
Paul-Choudry (2008)	Let go and surrender approach
Henrie (2010)	Policies that promote incentive for investment and entrepreneurship, stable markets, adjustments, debt reduction, deregulation, and lean but mean bureaucracy
White (2011)	Prudential regulation
Martin and Ventura (2011)	Realistic description of labor markets, introduction of monetary and fiscal policy intervention, and introduction of government objectives and constraints.
Calabria (2011)	Asset supplies should become more elastic
Evanoff et al. (2012)	Macro prudential regulation and tools

> "The primary tools of prudential regulation include capital adequacy, activities limitations, and managerial competency requirements, close monitoring of the financial flows between a bank and its owners, adequate numbers of well-trained and well-paid regulators, a receivership regime for insolvent banks." (p. 614-616)

It can be noted that in the previous discussion on the causes on the occurrence of an economic bubbles, Acharya and Naqvi (2012) cited the bank's excessive liquidity and aggressive lending behavior as one of the primary cause of an economic bubbles. White (2011) seemed to come up with a proposed solution on how to deter that from happening when he focused on banks' financial, managerial, and technical capacity-building measures as a stop gap approach. Financial stability of banks keeps them at bay from being an overly-aggressive lending institutions craving for more borrowers capitalizing on lower interest rates but do not have the capacity to pay in the long run.

Managerially, banks can train and equip their managers not to fall on the trappings of greed and selfishness of raking more money in a short term, but face the insolvency and bankruptcy because it fails to regulate and check the borrowing and lending behavior of its clients and banks respectively.

Technically, a regulatory approach to limit and restrain the banks' aggressive behavior must be in place to avoid excessive liquidities and determine those borrowers who are capable enough to pay under the bank's terms and conditions.

While White (2011) underscored the importance of micro prudential regulation through banks in dealing with economic bubbles, Evanoff et al. (2012 p. 4) saw the value of macroprudential regulation as an effective response to an economic bubble when he remarked that:]

> "Alternative policies need to be more fully developed and critiques. Alternatives could include additional elements in the interest rate targeting rules (e.g. credit-to-GDP ratios). Fourth, policymakers may need to reconsider the importance of financial stability as an explicit goal- and achieving it may require additional policy tools. Macroprudential regulation and its associated tool may be more effective at addressing bubbles than traditional monetary policy instruments, since macroprudential tools can be directly used to target the bubble sector."

If White (2011) was clamoring for banks to step up their regulation and intervention on financial, managerial, technical, and regulatory mechanisms, Evanoff et al. (2012) emphasized the critical role of central banks and other national economic boards and agencies for a timely intervention to avert the disruptive effects of economic bubbles from a macroprudential standpoint. It must be noted that in the previous section with regards to the causes of occurrences of economic bubbles, Deden (1999) and Rapp (2009) were pointing out to central banks as the institutions answerable to the occurrence of economic bubble, alleging that their fiscal and monetary interventionist policies are intended to bail out speculative traders and investors.

Evanoff et al. (2012) thought otherwise, pointing to irrational behavior and market rigidities as the main culprits of economic bubbles and in no way central banks can have a hand on it. He also believed that viewing economic bubble from a macroeconomic standpoint has more far and wide ranging effects than a mere micro prudential and bank regulation for it can capture a fuller, broader, and wider undertaking on which bubble sector are readily identifiable and thus a more appropriate tool in particularizing and contextualizing the remedies at hand on which bubble sector needs to be addressed with.

Paul-Choudry (2008, p. 24) on his part, seemed to wrestle with the issues on economic bubble on a laidback approach when he argued that:

> "Banking experts were still telling me that the boom-and-bust cycle had been abolished at the start of 2007 but it seems only to have been deferred and exacerbated by their attempts to avoid it. Perhaps rather than pretending that we can do something about **bubbles,** we should surrender the illusion of control and concentrate our efforts on trying to make the best of the bust that follows the boom."

Paul-Choudry (2008) insinuated that instead of seeking answers on how to prevent it, experts should instead must yield to it. A liberal understanding of economic bubble enables society to view it as something normal, natural, unavoidable, and inevitable; and consequently help society appreciate the challenges posed by it because, after all, bubbles is a cyclical phenomena of booms and busts. It is very hard therefore to predict, analyze, estimate, and conjecturize economic bubble for every society are faced with economic issues, challenges, and concerns of different nature and generation. Economic bubble is a matter of re-invention and recreation. A view which perhaps concurred by Potts (2004 p. 19) when he reasoned out that:

> "One way of seeing bubbles is in terms of their disruptive effects as the punishment for irrationality, fear and greed. Another way to see them is creative opportunities bought by a confluence of optimism, liquidity and attention. In the first view bubbles create problems. In the second view, they focus on attention and liquidity onto hard problems of investment coordination as a normal process of the market capitalist economic system under the guidance of liberal principles. In the first, bubbles are to be solved; in the second, they are solution to a problem."

While Paul-Choudry (2008) and Potts (2004) shared similar views that economic bubble is (1) something normal, natural, and inevitable and, (2) something that must not be frowned upon as problems but actually as solution to the problems in economic terms, they differ on the dimensions of processes and outcomes involve in looking at it. Paul-Choudry (2008) is more of a passive liberalist in a sense that he considered economic bubble in a wait and see approach and just allows the surrender to the cycle of boom and busting phenomena, which precedes and succeeds economic bubbles. Economic bubble is a passive process of waiting in which experts do not have to rationalize, analyze, predict, and estimate its advantages and disadvantages and the more wiser thing to do is to lose control and surrender to it. The implication would be that we tend to view economic bubbles with renewed sense of optimism and appreciate the economic difficulties that it brings for society to learn from these.

Potts (2004) had an active liberalist notion of economic bubble when he implied that understanding economic bubbles entails a new mode of discovery approach. Economic bubbles do not merely require a passive acceptance but also demands an active acceptance and liberalized understanding of its cost and benefits with more often than not, benefits outweighing the costs. Potts (2004) believed that economic bubbles pave the way for some economic advantages or economic boom characteristics, which leads to the emergence of what he termed as real bubbles theory. Therefore, society should be thankful on the economic benefits it brings more than the economic busts it carries when he uttered that:

> "According to real bubbles theory , the lowered cost of experimentation, both in terms of access to finance and market opportunity and to social acceptance of entrepreneurship, among other factors, works to increase variety of learning , to lower uncertainty, and eventually to accelerate long run growth of the sector under bubble. Bubbles are natural outcome of institutional frameworks that facilitate the open market discovery process." (Potts, 2004, p. 16)

Martin and Ventura (2011) recommended the three extensions of dealing with economic bubbles: (1) to introduce a more realistic description of labor markets, (2) to introduce money and explore the role of monetary policy in counteracting crisis, and (3) to explicitly introduce government objectives constraints. In the first extension, the authors proposed a model for flexible wages and fully inelastic labor supply but ruled out the direct linkage between bubbles and employment. In the second extension, the authors are suggesting fiscal and monetary policy interventions as a basis for coping with economic bubbles while the last extension calls for government intervention and regulation in counteracting economic bubbles.

Consequently, the findings of Martin and Ventura (2011) involved three observations: (1) there are no connections between bubbles and employment, (2) there is little formal distinction between monetary and fiscal policy, (3) there is mismatch between the economic and political borders. The first observation implies that an economic bubble would automatically generate job losses and it does not follow that high rate of unemployment is directly and significantly related to an economic bubble.

The second observation connotes that there is hardly any distinctions anymore between the prudential regulation of the governments when it comes to monetary and fiscal policy. Whether its macro or micro prudential regulation, what matters is that both the central banks, banking sectors, and other lending institutions are closely coordinating, monitoring, and checking the money supply, interest rates, and other financial activities to avert possible financial crisis brought about by an economic bubble. Lastly, the third observation enunciate the crucial role of the state through its political will to curb the negative impact to the nation's economy by making timely government intervention and market interference.

Cogley (1999, p. 51) sounded off the importance of timing and magnitude in policy-making and policy-implementation in pricking the bubble owing to its unpredictability when he noted that:

> "Second, because it is impossible to verify the existence of a bubble, deliberate attempts by policymakers to prick asset bubbles may turn out to be destabilizing. In order to stabilize asset price around fundamental valuations, policies must be well-timed and of the right magnitude, and this is likely to be very difficult if bubbles are unobservable."

Ill-advised and untimely government intervention to deliberately prick the bubble could have adverse and disruptive effects on the nation's economy if the interventions made are solely based on mere prediction and speculation without concrete evidence and manifestation that economic bubble has indeed been existing. The key is not to overanalyze and exaggerate in predicting the existence of economic bubble in order not to confuse and bewilder even the policy-makers and implementers and befuddle the society's interest in general. Patience and prudence are key ingredients in dealing with economic bubbles particularly from a policy-making standpoint. As what Silver (2012, p. 20) pointed out:

> "We make approximations and assumptions about the world that are much cruder that we realize. We abhor uncertainty, even when it is an irreducible part of the problem we are trying to solve. If we want to get at the heart of financial crisis, we should begin by identifying the greatest predictive failure of all, a prediction that committed all mistakes."

Finally, Calabria (2011, p. 558) clarified that policies geared towards the promotion of the elasticity of the house asset supplies tend to temper the asset bubbles. The housing sector is one of the asset bubble sector which was badly hit during the recent financial crisis owing to the inability of the housing loan borrowers to pay, inevitably leading to the closure of some prominent banking institutions.

Calabria (2011, p. 558) stressed that the deregulation and liberalization of asset supplies, such as the housing sector, could ease the creation of an asset bubble by taking away from the government the power to regulate and shift to the private sector the regulatory functions to make the housing sector more flexible and creative in dealing with asset bubble. To the extent that policymakers can help asset supplies become more elastic, the potential for asset bubbles is reduced. Given the role of government in giving to the inelastic nature of housing supply in many markets, this goal should be an immediate area of policy change. Had California been Texas, much of the housing bubble can be avoided.

CONCLUSION

Economic bubbles and economic miracles are both difficult to analyze and predict given the complexities and intricacies involve in their occurrence. But in spite of these, there are variables, indicators, and causes which point to their existence, which can be resolvable by identifying it and from the vantage point of policy-making, find approaches and remedies to deal with it. Various literatures show that economic bubble is a result of multi-faceted factors spanning and ranging from central bank's bail-out and investor's irrational tendencies, experimentation and liberalism to bank's aggressive lending behavior, and trader's speculative activity and other factors which are attributable to its occurrence.

Economic miracle on its part are made possible through liberalization, openness to foreign investments, sound prudential regulation both in micro and macro aspects, human development, and collaboration among the civil society, the political elites, and the market sector to make the economy grow. Since both economic miracle and economic bubble are cyclical phenomena, a cycle of boom and bust so to speak, similar approaches and interventions can be applicable to sustain an economic miracle and address the economic bubbles because the economic fundamental and information necessary for economic growth and development are essentially present in the existence of economic bubble and economic miracle. Remarks that it is "the boom that follows the bust" or "the bust that follows the boom" would hardly matter as long as nation and states are driven by sound economic fundamentals and economic values, which can be heeded from the lessons of an economic bubble and an economic miracle.

Therefore, predicting on whether one's national economic growth is a bubble and miracle would be baseless and unfounded for bubble and miracle are an economic activity and phenomena shaped by a large and sometimes complex confluence of a lot of factors, which can be situated and contextualized to one's economic spectrum and environment and its interrelationship or interdependence with international economy. Making forecast and predictions would render itself useless owing to the accuracy and objectivity of such which more often than not fall prey to illusionary ideas of make believes and daydreaming for the human mind cannot exactly estimate and comprehend the future. The least it can do is to deal with the present and utilize the presenterity in what causes economic bubble and economic miracle; and knowing what actions to do in order to prevent and sustain it respectively. There is nothing unnatural or inevitable about financial bubbles. Borrowing the cue from Baker (2009), economic bubbles are not like hurricanes or earthquakes. In fact, the stock and housing market bubbles of the last decade are largely the culmination of very human policy choices that began in the early 1980's. After all, economic bubble and economic miracle are an eventuality, an actuality brought about by human policy actions and not a mere possibility envisioned by an economic soothsayer.

The weakness of the paper lies on the fact that the writer is not economic expert nor specializes on economic studies. The analysis and discussion on this paper are my qualitative interpretation of various literatures on economic bubbles and economic miracles and does not engage in a quantitative approach of study.

However, the primary strength of the paper is to simplify and break down the causes of economic bubbles and economic miracles in a manner interpreted by a non-expert in economics and readily understandable in layman's term inspired by Tetlocks's conclusion that those with the ability to incorporate new information, to update their beliefs, and to adapt a changing reality by employing multiple perspectives are better predictors provides strong support to Boombustulogy approach (Mansharamani, 2011).

Another strength of the paper rests on the comparative critique of literature on economic bubbles and its attempt to interrelate economic bubbles with economic miracles. Another strength of the paper concern itself on the determination of economic template and blue-print, which could serve as a basis for policy-making and policy- implementation of economic policies, programs, agenda, and projects.

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