

**Agent Based modeling of Housing Asset Bubble:
A Simple Utility Function Based Investigation**

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The housing asset bubble and mortgage crisis of 2007-08 in the US market poses a challenge to understanding of market and hypotheses related to market efficiency. The contribution of our paper is bifold. First, we present a survey of the existing literature which explains the housing asset bubble. We have emphasized on agent based modeling approaches in this context. The second part of the paper frames an economic model to demonstrate the power of irrational “exuberance hypothesis”, a term coined by Robert J Shiller. Using a felicity function based framework, this shows that the power of irrational expectation in bringing about an artificial and unintended boost in demand for investment of housing asset.

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