

# Bubbles and Crashes in a Heterogeneous-Agent Financial Market Model

Anirudh Jayanti <sup>\*</sup>      Cristopher Moore <sup>†</sup>

## Abstract

We construct a heterogeneous-agent model of a single-asset financial market in which agents form demand for the asset based on price forecasts. Agents can change their forecasts over time in response to market conditions (in particular, price volatility and previous prices). We simulate this model and observe whether it produces the expected behavior of periods of stability interspersed with bubbles and crashes.

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<sup>\*</sup>Department of Mathematics and Economics, Dartmouth College, Hanover, NH 03755

<sup>†</sup>Resident Faculty, Santa Fe Institute, Santa Fe, NM 87501