12-17-25

# WSJ Print Edition

ECO

**Making Sense of the Bubble Blame Game**



A star was born on this day in 1998, but it cost him—and us.

Henry Blodget, a young analyst at second-tier brokerage firm CIBC Oppenheimer, boosted his target price on hot internet company **Amazon.com** from $150 to $400. He later clarified it was a one-year target, but that detail fell by the wayside, and the fuse had been lit: The stock surged and hit his ambitious mark in weeks.

Blodget was soon hired as the lead internet analyst at storied Merrill Lynch. Amazon was a rare recommendation that actually made long-term investors rich— eventually.

But Blodget became the poster boy for Wall Street's dot-com hype when prices crashed. He paid a $4 million penalty and got banned for life from the securities industry after emails surfaced in which he wrote disparagingly about stocks he had recommended. (Blodget later successfully reinvented himself by founding Business Insider.)

The public wants its pound of flesh after suffering steep losses. Big, tax-deductible fines from banks don't quite cut it. People who got rich from the mania need to suffer, ideally including prison time.

They rarely do. A single trader was convicted in the U.S. following the financial crisis. Like Blodget, he was a minor participant unlucky enough to have left a paper trail, not some archvillain. Politicians and central bankers, meanwhile, claim they didn't have a crystal ball, or that stopping the party early could have led to worse trouble.

Every bubble features fraudulent or overhyped businesses that dupe unsophisticated savers. Lots of well-informed people jump aboard, too, though. Readers of this newspaper and others were aware that some people saw a dangerous mania in 1999 and 2007.

Note

They also saw people they knew making fortunes. As J.P. Morgan said: "Nothing so undermines your financial judgment as the sight of your neighbor getting rich."

So, while the going is still good, most people choose to focus on stories that support a bullish thesis while putting less weight on warnings—a psychological foible called confirmation bias. We want to believe in new-era thinking.

Another obstacle is the nature of bubbles. Even for people convinced we're in one, they're hard to bet against, allowing them to keep inflating.

What if the Magnificent Seven stocks, or other beguiling investments just now making their way into Americans' portfolios, result in painful losses?

There are plenty of parallels with tech mania you can read about, but also enough headlines straight out of sci-fi movies to make us hopeful that this time really is different.

Today's most-confident investors only have personal memories of "this time" anyway—one reason that really big bubbles are generational. Reading about past debacles isn't the same as the gutwrenching feeling of losing lots of money yourself.

When we experience that again, we'll be looking for someone to blame. It probably won't be ourselves.

—*Spencer Jakab*