Irrational exuberance refers to investor enthusiasm that drives asset prices up to levels that aren't supported by fundamentals. The term is believed to have been coined by Alan Greenspan in a 1996 speech, "The Challenge of Central Banking in a Democratic Society." The speech was given near the beginning of the 1990s dot-com bubble, a textbook example of irrational exuberance. Irrational exuberance / Robert J. Shiller. p. cm. Includes bibliographical references and index. The words irrational exuberance quickly became Greenspan's most famous quote—a catch phrase for everyone who follows the market. Why did the world react so strongly to these words? One view is that they were considered simply as evidence that the Federal Reserve would soon tighten monetary policy, and the world was merely reacting to revised forecasts of the Board's likely actions. "Irrational exuberance" is the phrase used by the then-Federal Reserve Board chairman, Alan Greenspan, in a speech given at the American Enterprise Institute during the dot-com bubble of the 1990s. The phrase was interpreted as a warning that the market might be overvalued. Greenspan's comment was made during a televised speech on December 5, 1996 (emphasis added in excerpt)