Irrational exuberance means wishful thinking on the part of investors that blinds us to the truth of our situation (definition based on the book of Yale professor Robert Shiller) or can be simply understood as the overvalue/undervalue of the market because of irrational thoughts. The word irrational and exuberance themselves are not new, but they are first combined and used by Mr. Alan Greenspan- former Federal Reserve Board Chairman in his comments on December 5th, 1996. Irrational exuberance is the emotion sends investment prices above their true values. Greenspan quote. Shiller book summary. Dangers. Examples. Irrational Exuberance, Its Quotes, Dangers, and Examples. Menu. Search. Irrational exuberance refers to a situation where economic agents develop confidence in the economy and financial markets that is misplaced. Consumers, bankers and firms become overly confident and expect asset prices to keep rising and growth to remain strong. Irrational exuberance is a factor behind financial crisis. In periods of irrational exuberance we tend to see: rapid asset price inflation, with prices increasing faster than incomes. Increased willingness to take on risk by lenders and borrowers.