

The Chinese Collectibles Bubble

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ABSTRACT

Using hand collected data from a large Chinese collectibles exchange, we examine the collectibles bubble of the mid 2010s through the lens of various bubble theories. Two features of the data allow us to test the predictions of bubble theories in ways typically possible only in the laboratory. First, because the securitized collectibles were widely traded outside of the exchange, the fundamental price was publicly observable. Second, three events occurred in the time period covered by our dataset that serve as plausible exogenous natural experiments: 1) the publication of market price of the securitized collectible by the exchange, 2) a change in the listing rules that decreased the barriers to arbitrage, and 3) an unexpected order by the government mandating the closure of all collectibles exchanges in China. Our results are broadly consistent with resale-option theory, the importance of limits to arbitrage in maintaining price bubbles, and provide support for the external validity of several of the key findings of laboratory based bubble experiments.

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