The phrase irrational exuberance was coined by Alan Greenspan, chairman of the Federal Reserve, in a December 5, 1996, speech to the American Enterprise Institute. In the speech, Greenspan asked, “How do we know when irrational exuberance has unduly escalated asset values which then become the subject of unexpected and prolonged contractions as they have in Japan over the past decade? And how do we factor that assessment into monetary policy?” How it works (Example) 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.