



OFFICE OF
THE COMMISSIONER

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

MEMORANDUM

December 5, 1988

TO: Chairman Ruder
Commissioner Cox
Commissioner Fleischman
Commissioner Schapiro

FROM: Commissioner Grundfest JAG

SUBJECT: Japanese Behavior During the October 1987 Crash

The attached study provides an interesting perspective on Japanese behavior during the October 1987 crash. The authors' previous study of U.S. attitudes concluded that "important factors in the crash were investors' impressions of the psychology of other investors." That study did not lay blame for the crash on futures, margins, arbitrage, portfolio insurance, or other frequently criticized practices. Instead, that study blamed the crash on a pervasive view that the market was too high and that fed into a sharp loss of confidence once there was a mass-recognition of this overvaluation.

Much of the same pattern appears to have prevailed in Japan. The authors conclude that "there is also a world market culture: patterns of behavior, outlook and conversations, that transcend national boundaries."

Attachment