

This thesis' intent is to analyze stock market bubbles – to bring forward their causes, characteristics and possible aftermath. Hereinafter is this work aimed at presentation of possible monetary policy reactions, its influence on bubble development and impact. I will also present arguments in relation to central bank interventions.

The principal point of this thesis is an application of theoretical framework onto actual examples. Therefore have I selected 17th century Tulipmania, Black Monday (October 1987) and Japanese Bubble in the '80s? Closing part is focusing on Black Monday and Japanese Bubble comparison, which are considered to be typical benign and malign crash examples, and on evaluation of relevant monetary policy reactions.