

# Financial market analysis can go mad (in the search for irrational behaviour during the South Sea Bubble)<sup>†</sup>

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First published: 18 October 2007

<https://doi.org/10.1111/j.1468-0289.2007.00379.x>

Citations: 25

## Abstract

An investigation into the legal and political history of South Sea Company subscription finance shows that the subscription contracts had default options built into them, as was typically the case in eighteenth-century subscription financing. Company records and contemporary pamphlet literature show that people understood the subscription finance mechanics that were stated in law. A fair presentation of South Sea share value data also supports this view. We thus conclude that the analyses published in this journal by Dale, Johnson, and Tang were irretrievably flawed and present a substantially incorrect history of the markets for South Sea shares.

## Supporting Information

**Supplementary Appendix III.** Data sources – a comparative analysis of Freke, Castaing and South Sea directors' dealings through brokers

Filename	Description
EHR_379_sm_Supplementary_Appendix_III.pdf 177.7 KB	Supporting info item

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