



Centre for
Economics,
Policy and History

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**QUEEN'S
UNIVERSITY
BELFAST**

Boom and Bust: A Global History of Financial Bubbles

John Turner

Queen's University Belfast

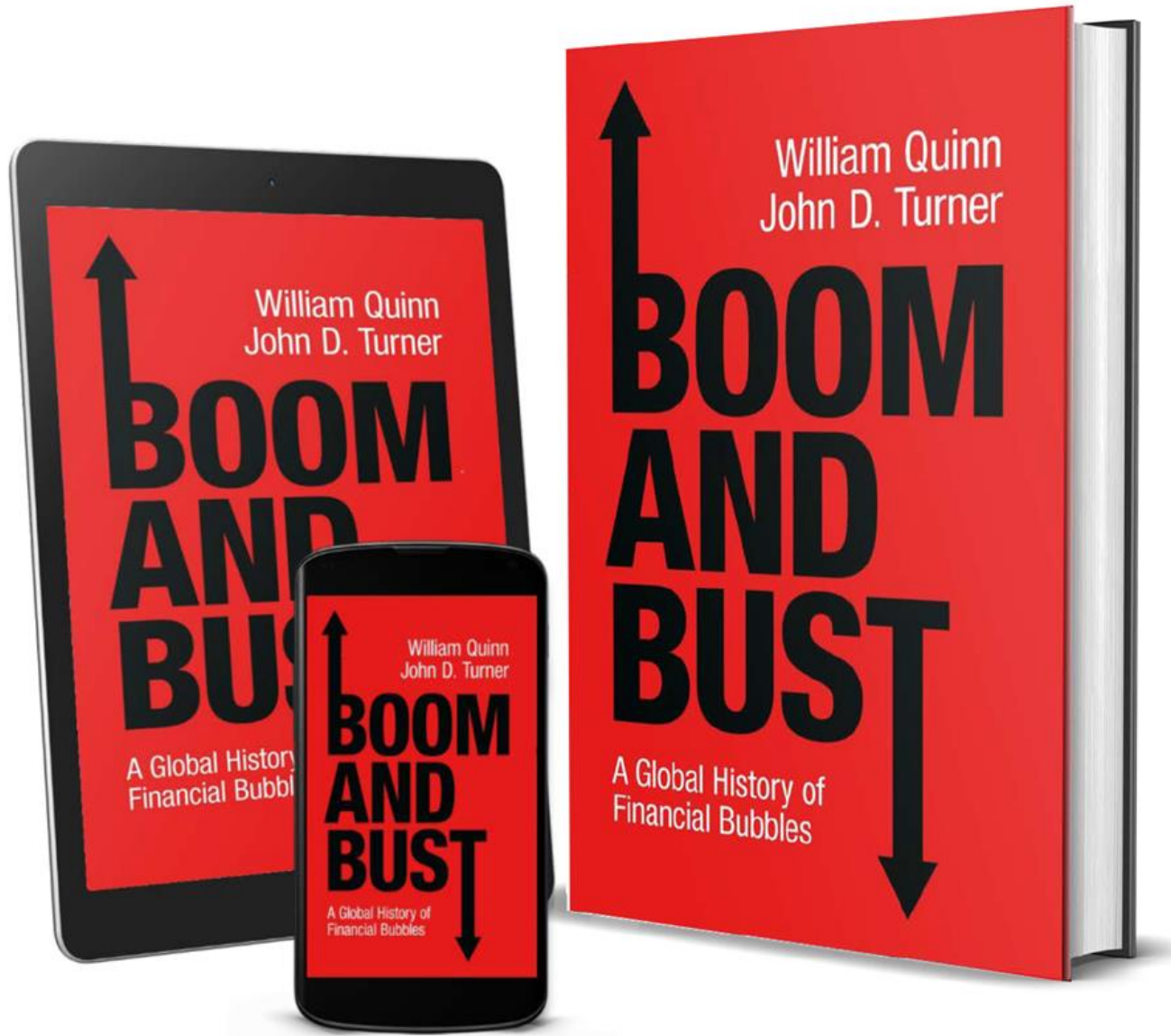
Ninety One Global Investment Conference

← BOOM AND BUST →

S&P Cryptocurrency Broad Digital Market Index



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← **BOOM AND BUST** →

Outline

- What is a financial bubble?
- What causes bubbles?
- Two examples of bubbles
- Bubbles in South Africa?
- Consequences of bubbles
- Pandemic bubble

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Bubble etymology

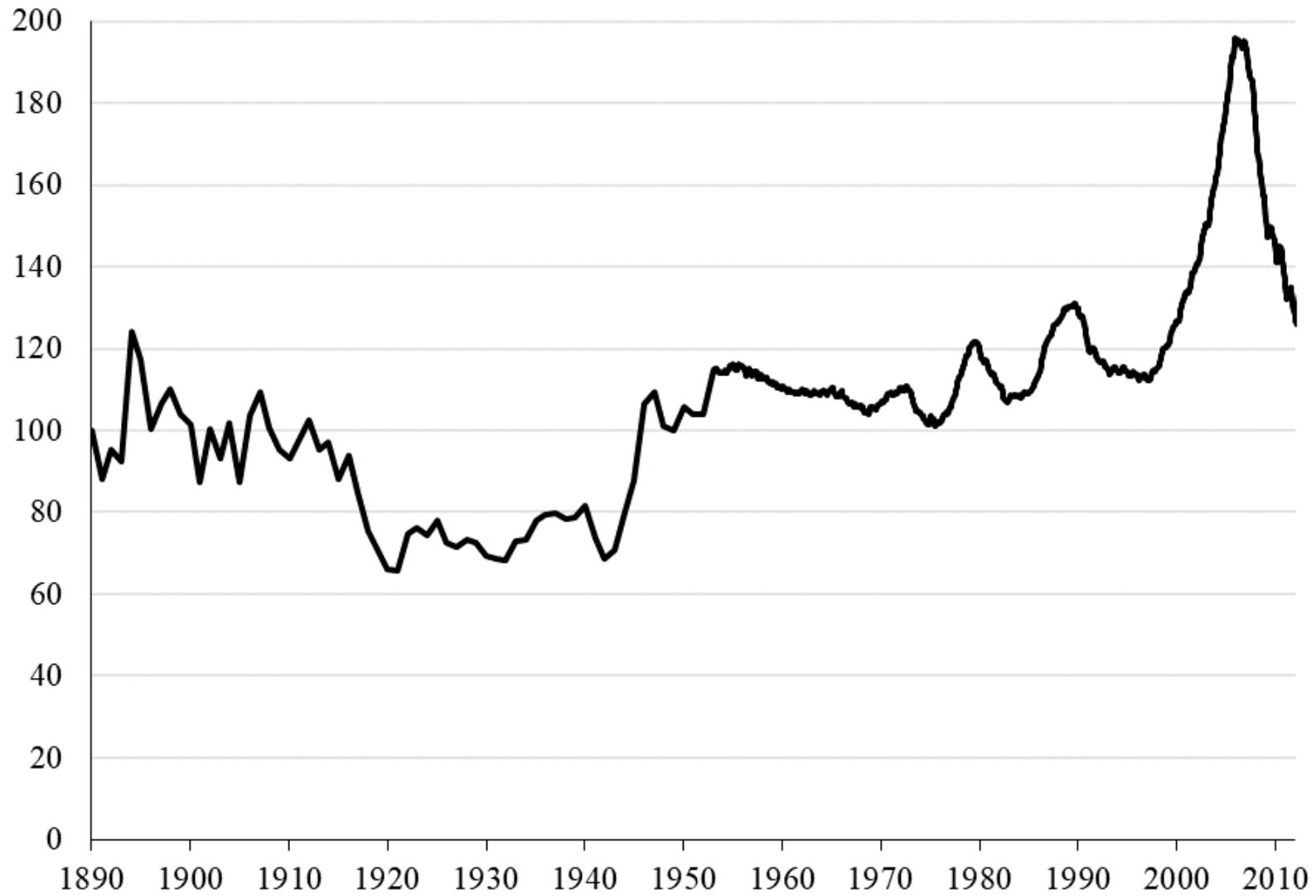
- Adjective
 - Shakespeare – *As You Like It* – ‘fragile, empty, worthless’ just like a soap bubble
- Verb
 - ‘to deceive’
- Daniel Defoe and Jonathan Swift in 1719
 - New companies being incorporated were worthless and deceptive
- Bubble metaphor stuck – became less pejorative

What is a Financial Bubble?

A very contentious question!

- Eugene Fama
 - ‘the word “bubble” drives me nuts’ – it is devoid of meaning
- Peter Garber
 - Disconnect from fundamental value
- Charles Kindleberger
 - ‘upward price movement over an extended range that then implodes’

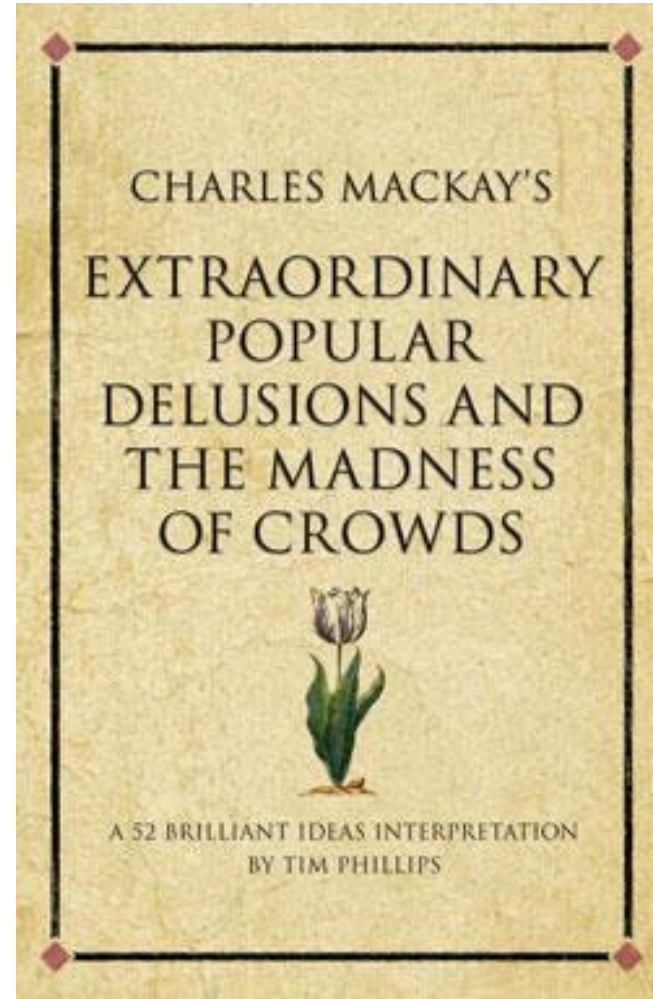
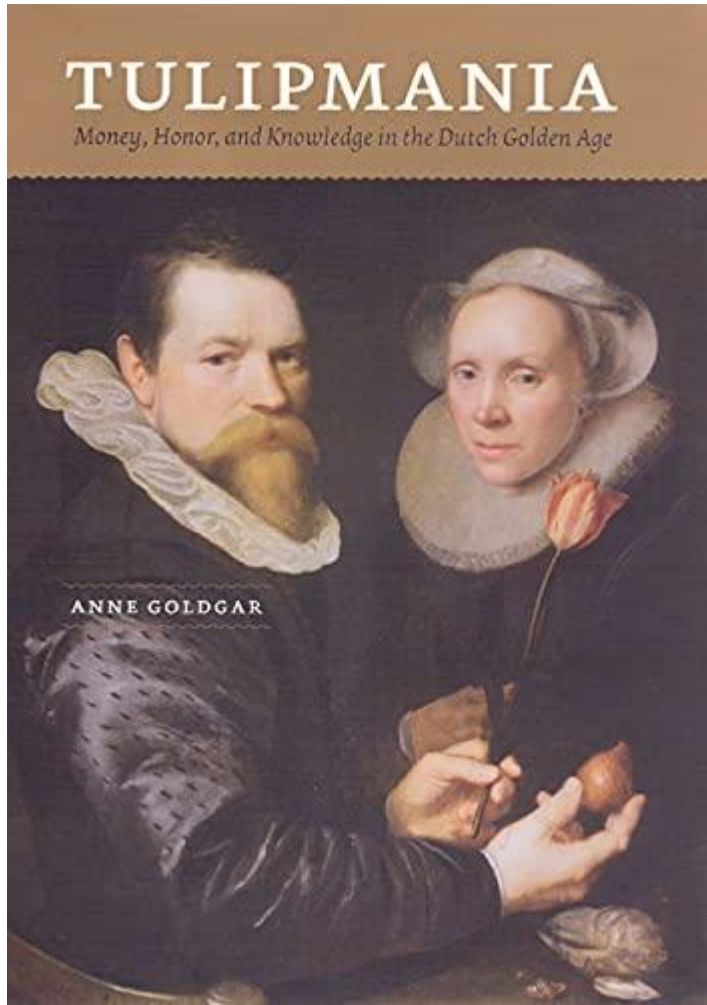
Index of Real House Prices for the United States, 1890-2012



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Bubbles in *Boom and Bust*

- 1720 Mississippi and South Sea bubbles
- 1825 The first emerging market bubble
- 1845 Railway mania
- 1888 Australian land boom
- 1896 British bicycle mania
- 1929 Roaring twenties and Wall St Crash
- 1990 Japanese Bubble
- 2000 Dot-com bubble
- 2007 China's stock bubble I
- 2008 The subprime bubble
- 2015 China's stock bubble II

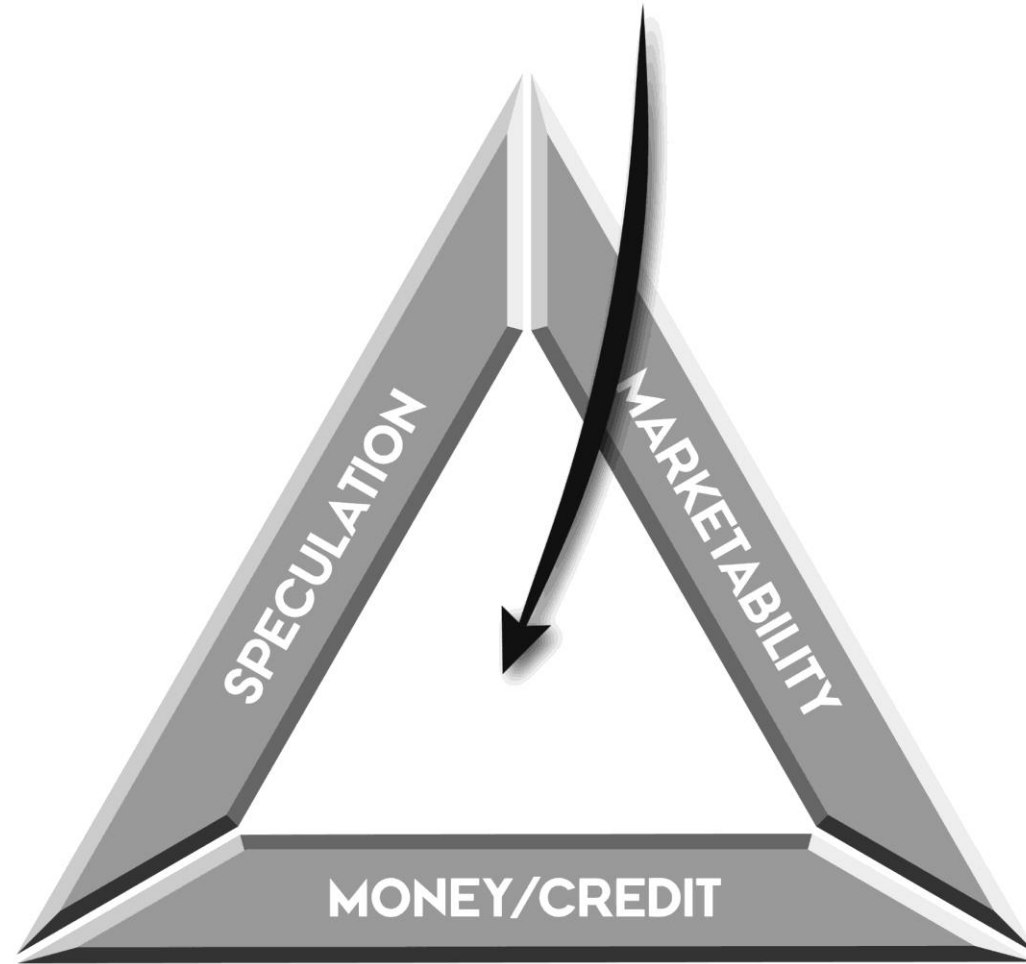


“propaganda cited as fact”

Outline

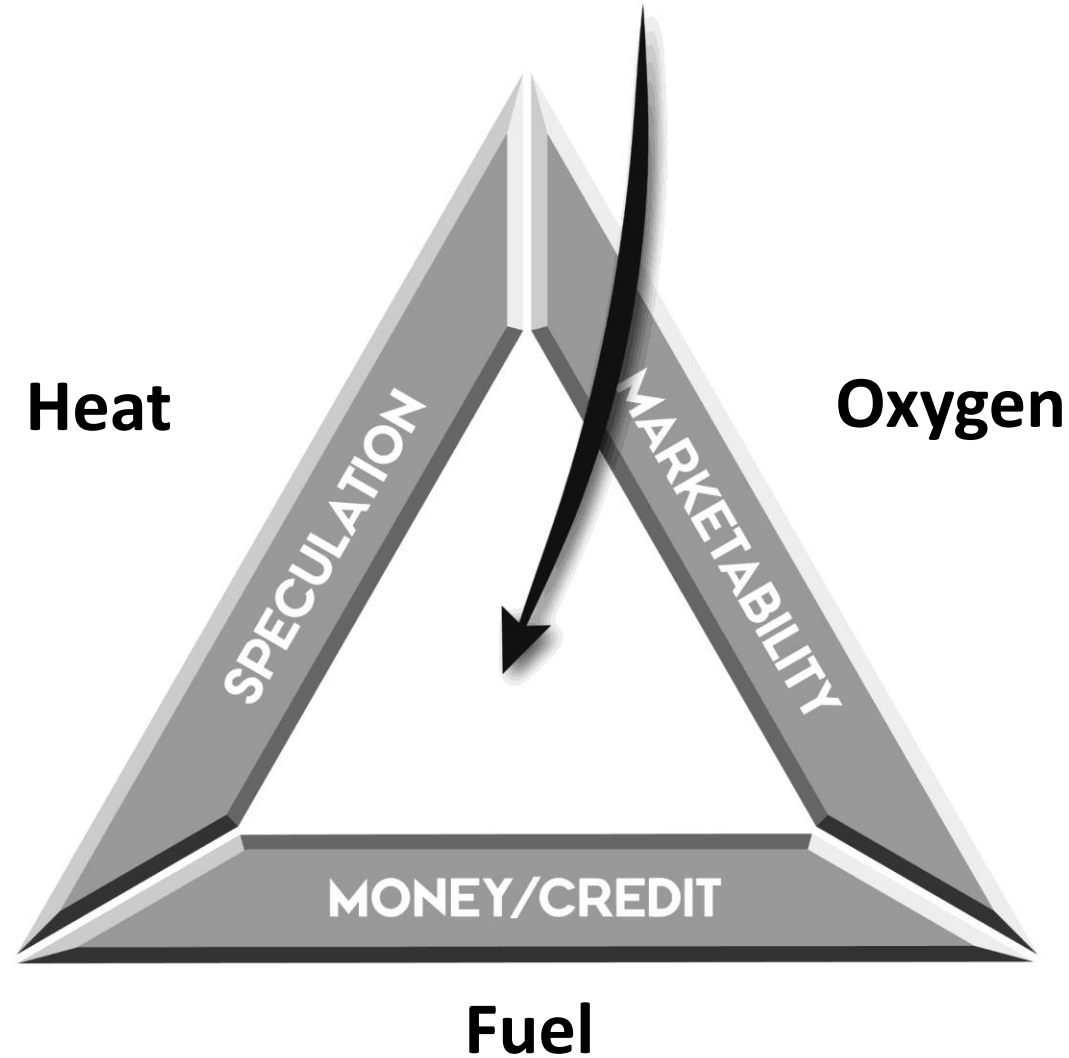
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POLITICS AND/OR TECHNOLOGY



← BOOM AND BUST →

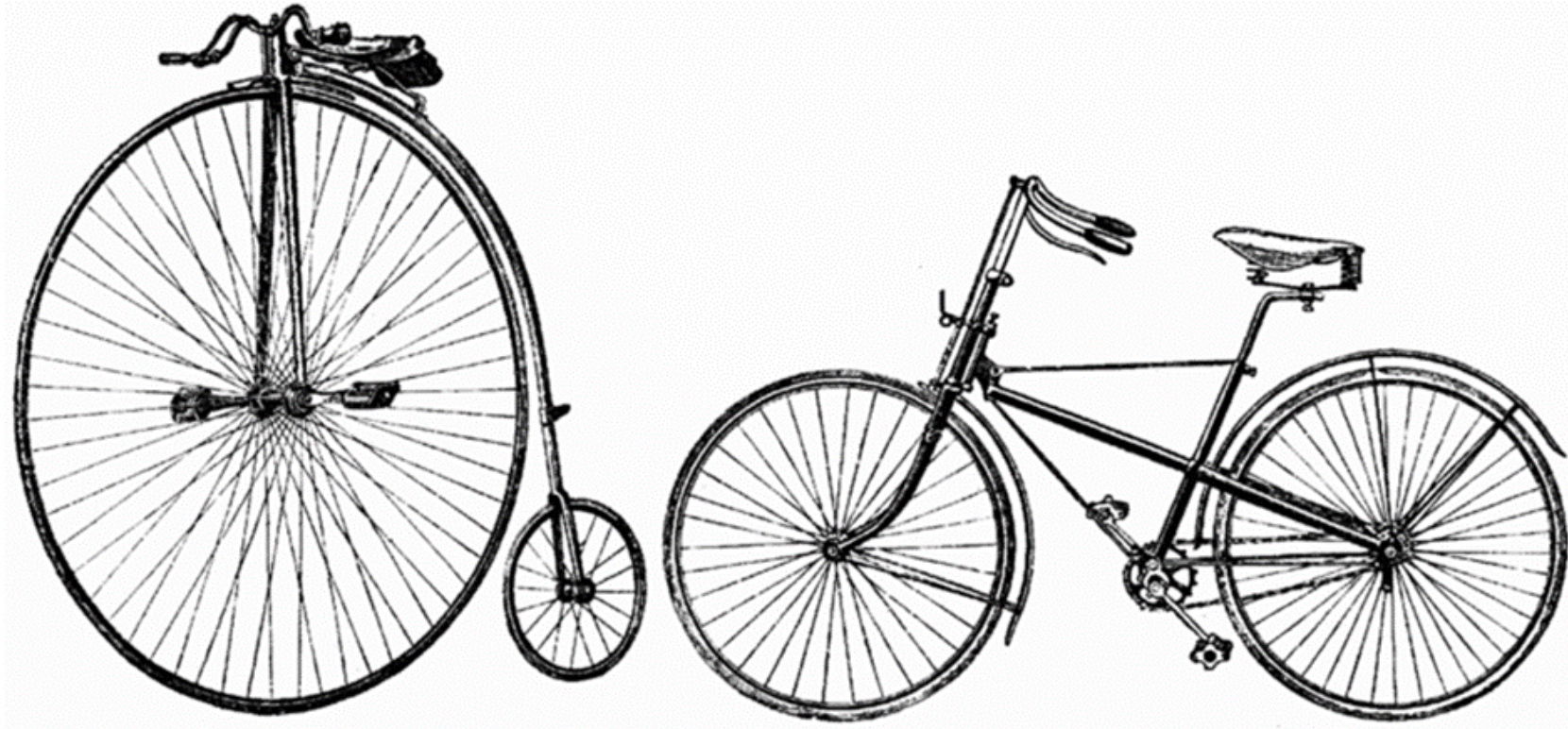
POLITICS AND/OR TECHNOLOGY



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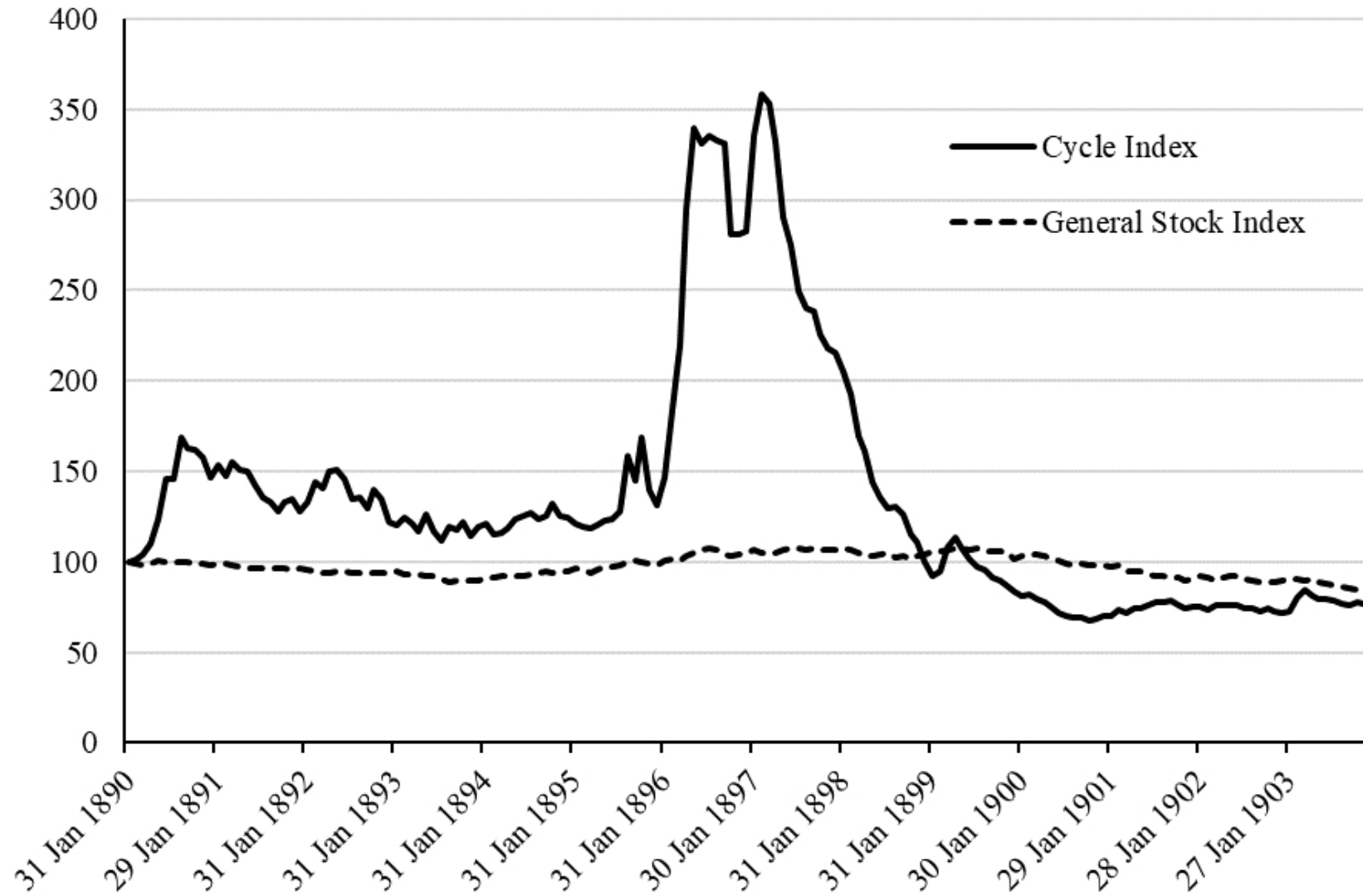
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CYCLE INCORPORATIONS, JANUARY 1895- JUNE 1897

		No. of Companies Established	Average Nominal Capital (£'000s)	Total Nominal Capital (£'000s)
1895	Q1	17	21.03	357.5
	Q2	12	15.21	182.5
	Q3	15	108.27	1,624.0
	Q4	26	56.77	1,476.1
1896	Q1	34	48.27	1,641.1
	Q2	94	147.31	13,847.2
	Q3	96	55.38	5,316.6
	Q4	139	46.44	6,454.6
1897	Q1	156	47.24	7,370.0
	Q2	82	58.09	4,763.6
Total		671	64.13	43,033.2

Source: *Birch's Manual of Cycle Companies 1897.*

Monthly Blue Chip and Cycle Share Indexes, 1890-1903

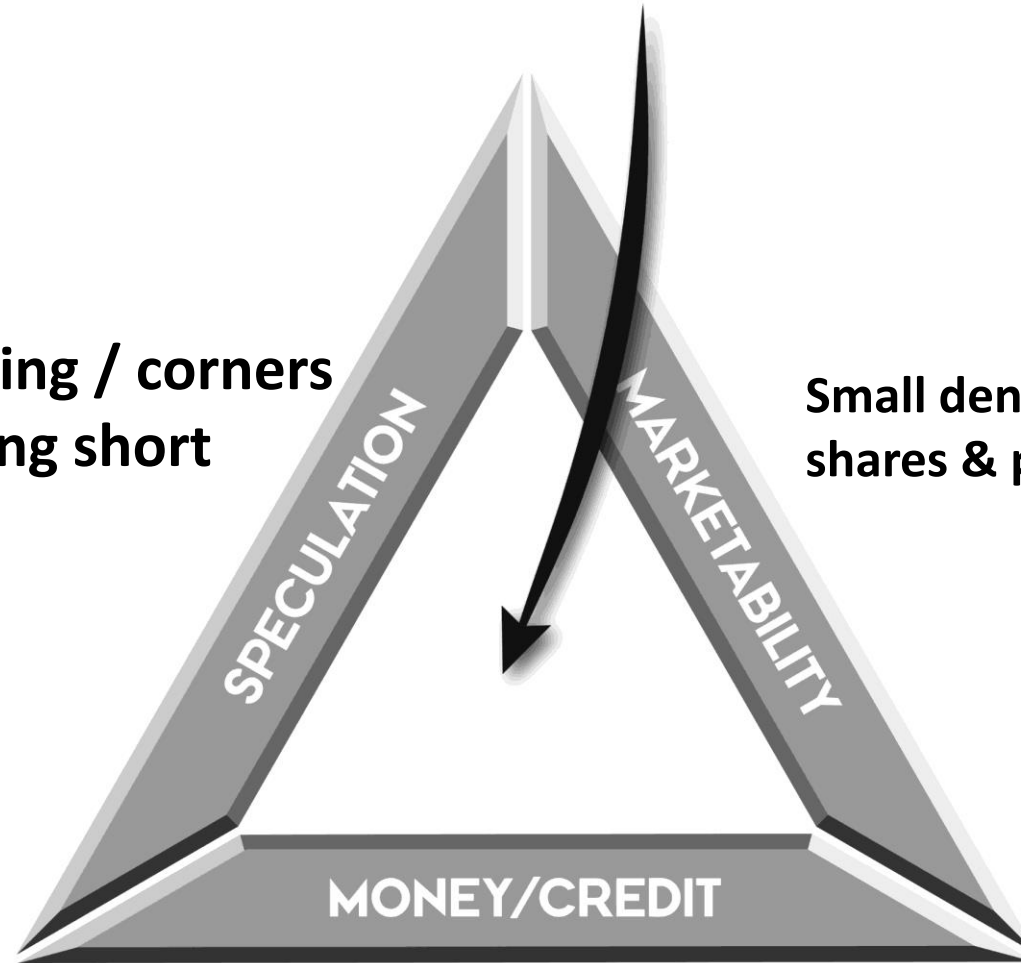


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POLITICS AND/OR TECHNOLOGY

**Stag investing / corners
limited going short**

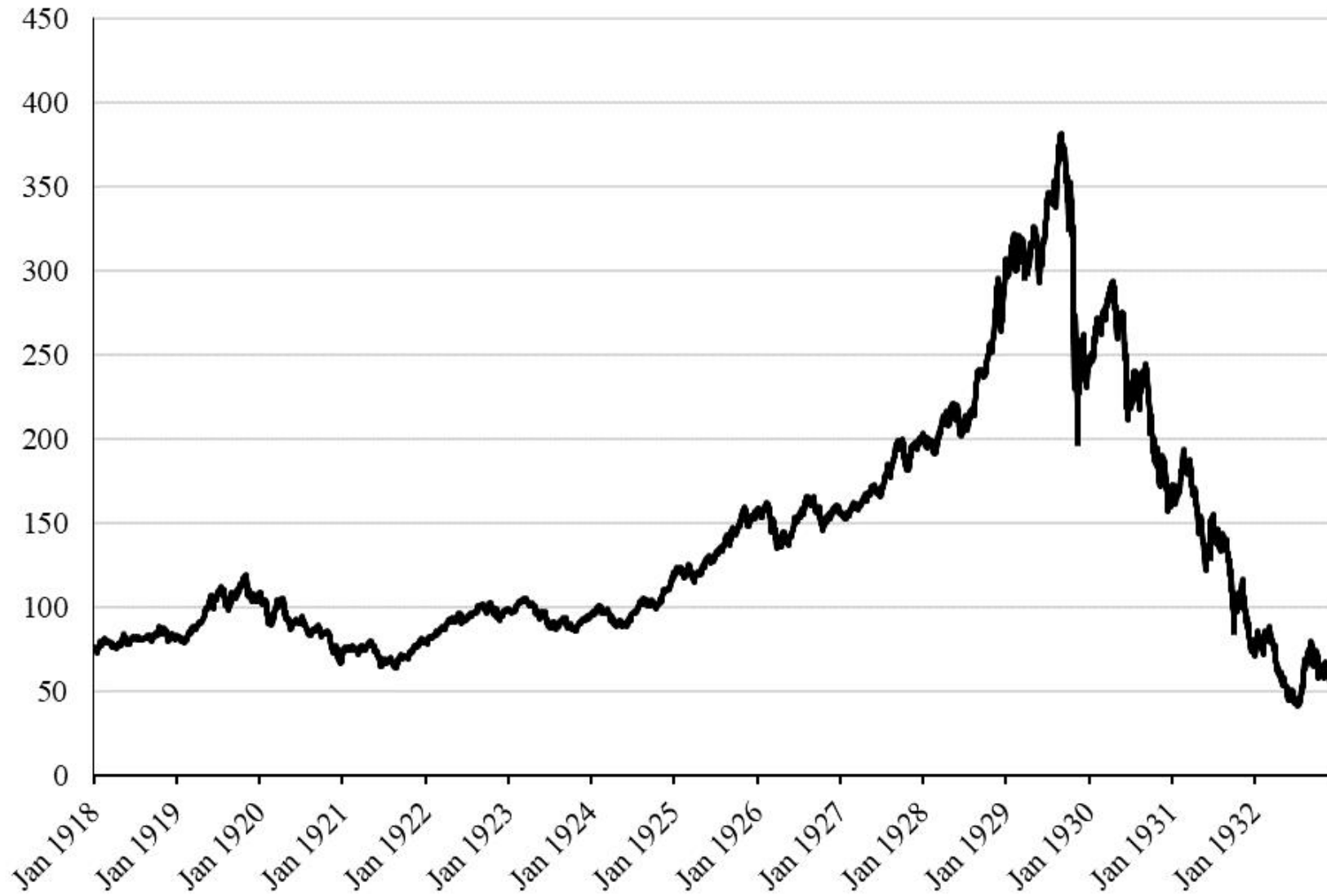
**Small denomination
shares & private → public**



Record low interest rates

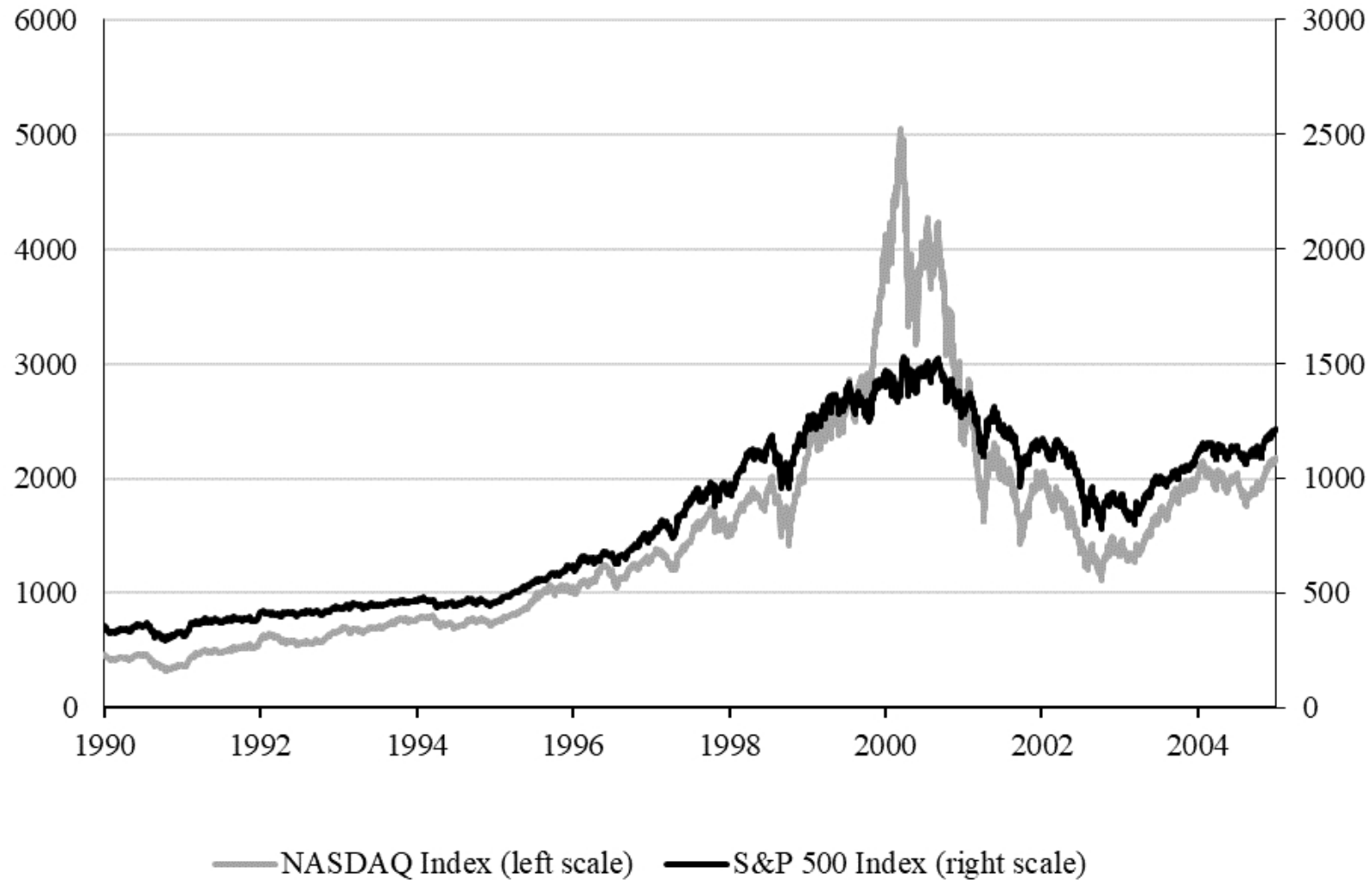
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Dow Jones Industrial Average, 1918-1932



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S&P 500 and NASDAQ Indexes, 1990-2004

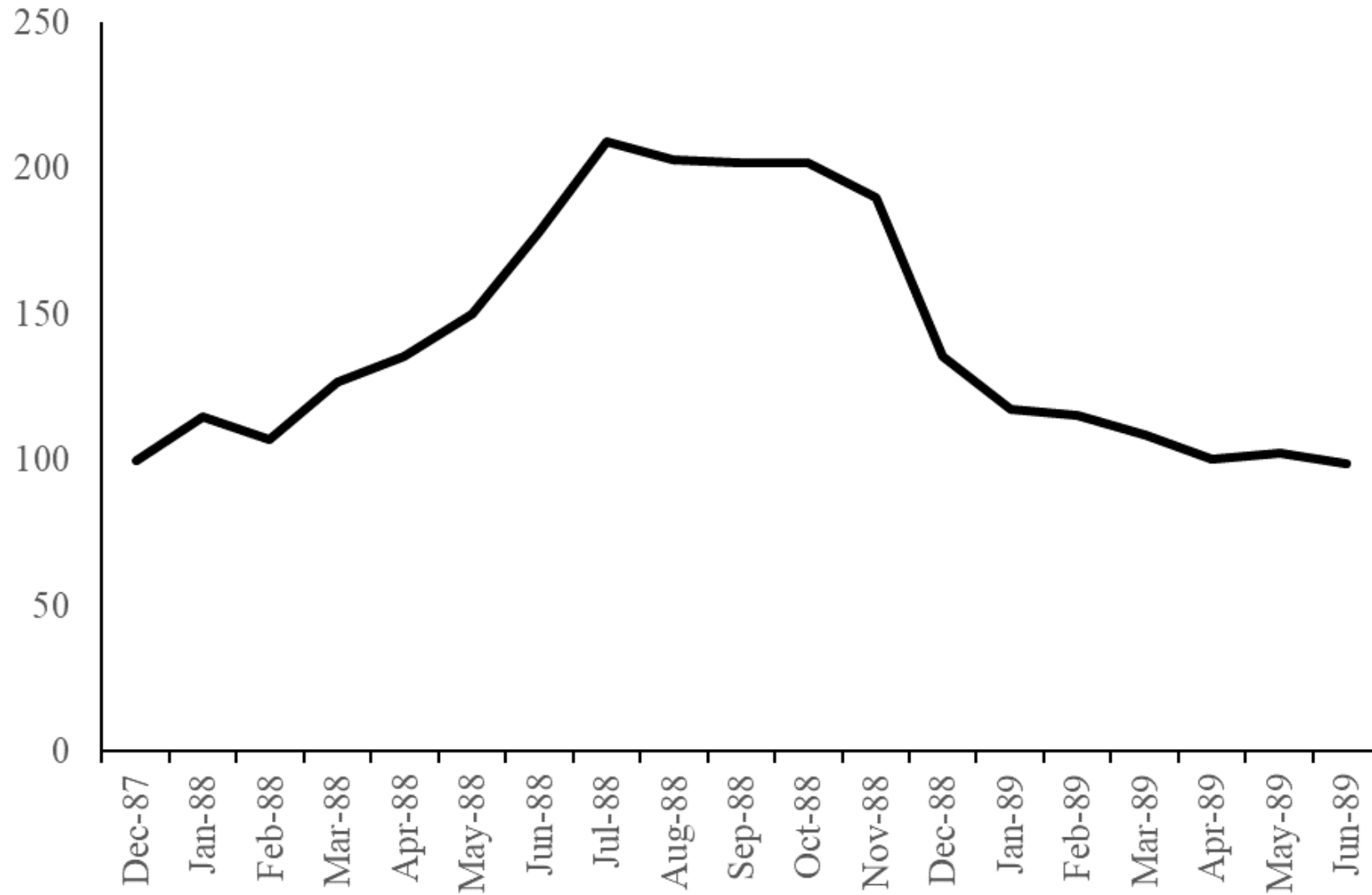


Australian land boom



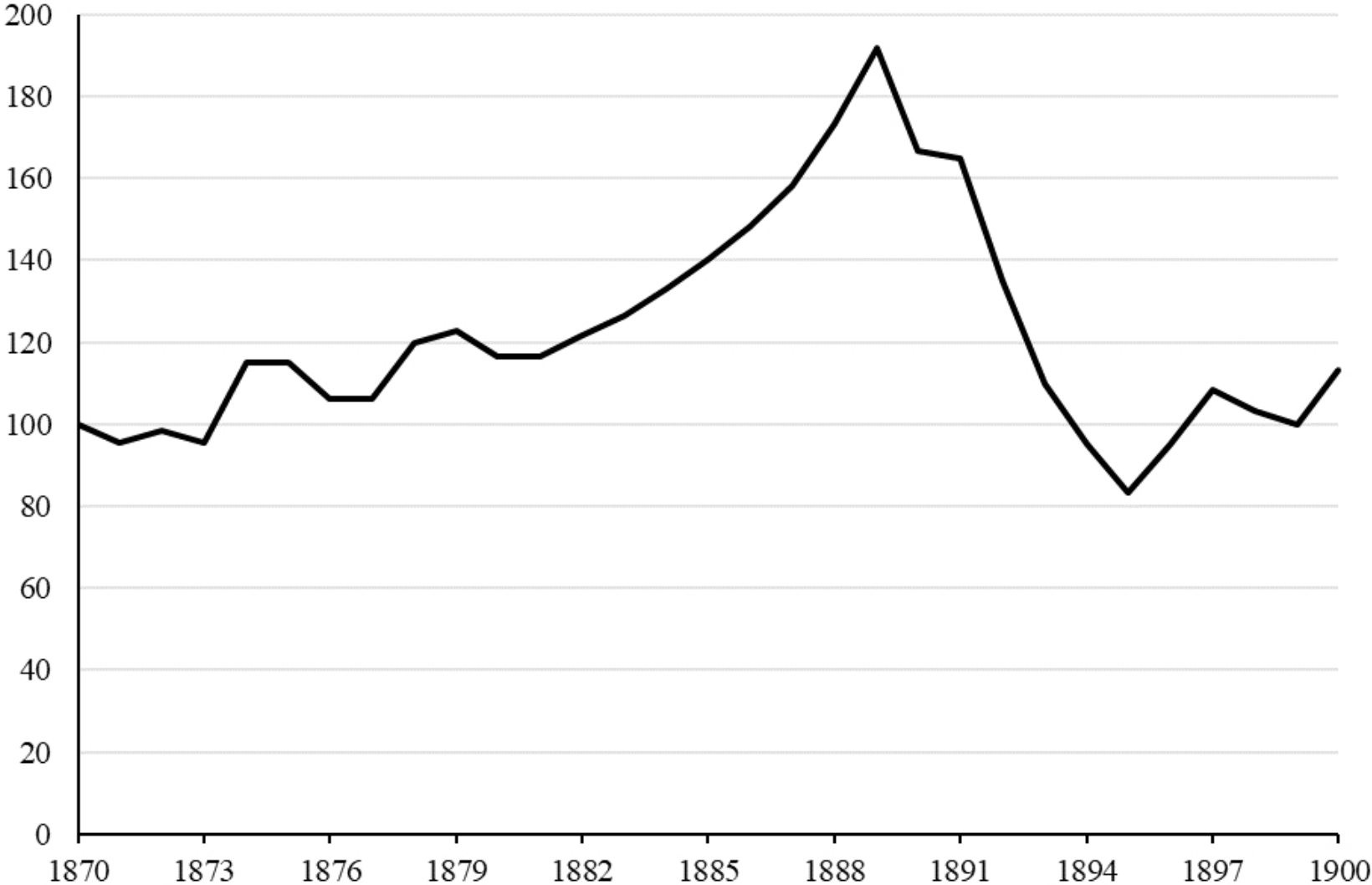
- 1880s – annual return on suburban land as an asset class – 39.8%
- Average suburban land prices in Melbourne
 - 1882 - £39
 - 1885 - £166
 - 1888 - £303
 - 1890 - £154
- Between Jan. and Oct. 1888, land prices in CBD went from £400 per ft² to £1,100 per ft²

Index of Land Boom Companies



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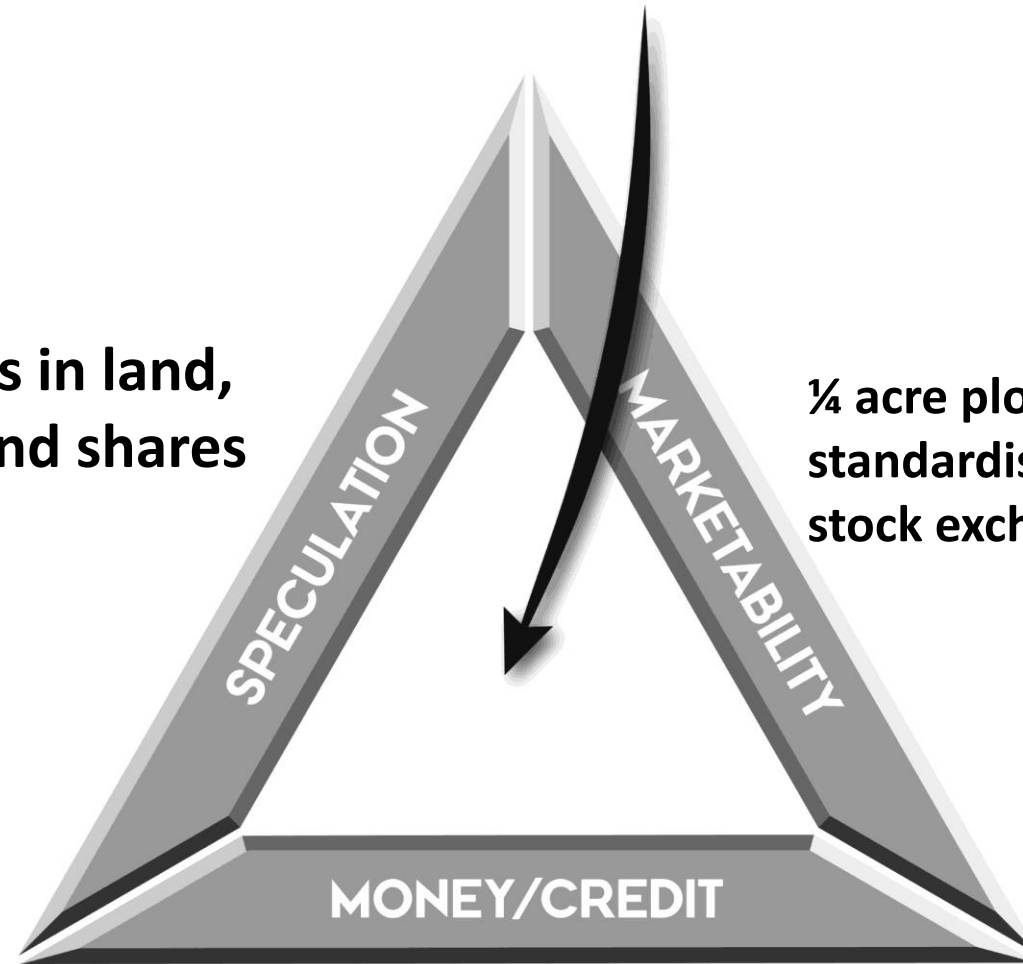
Melbourne House Price Index



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Speculators in land,
property and shares



¼ acre plot,
standardisation, multiple
stock exchanges appear

Low interest rates and easy credit

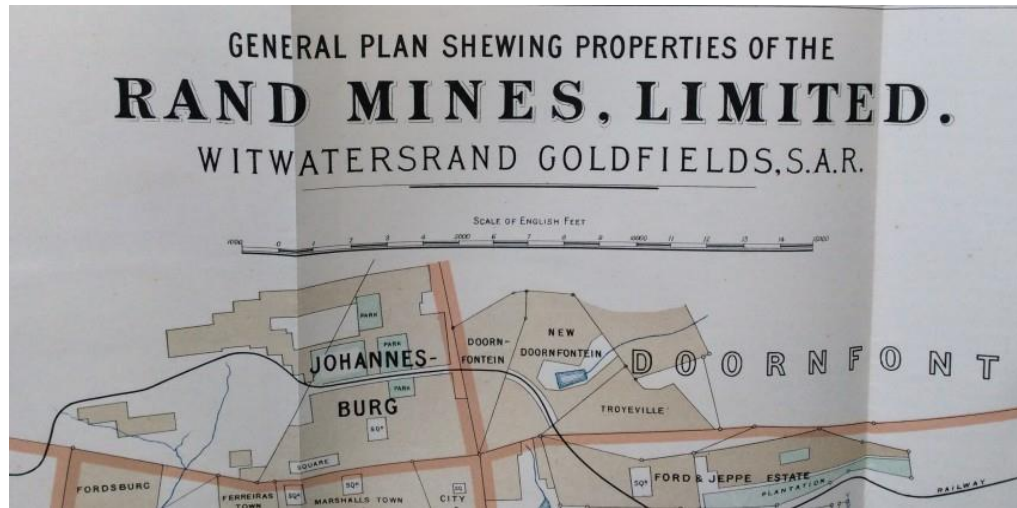
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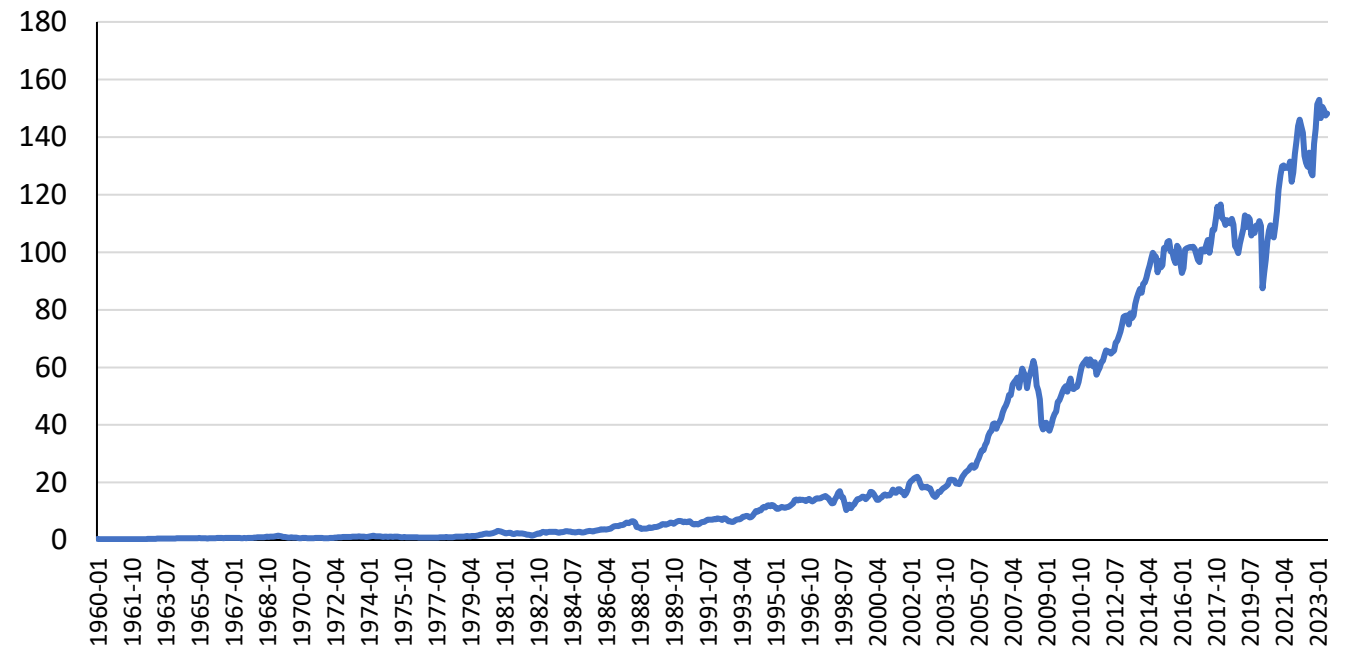
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Bubble hunting in Africa

- 1895 – shares in Rand Mines Company rose by 360% and then collapsed back to original level



OECD's Share Price Index for South Africa, 1960-2023



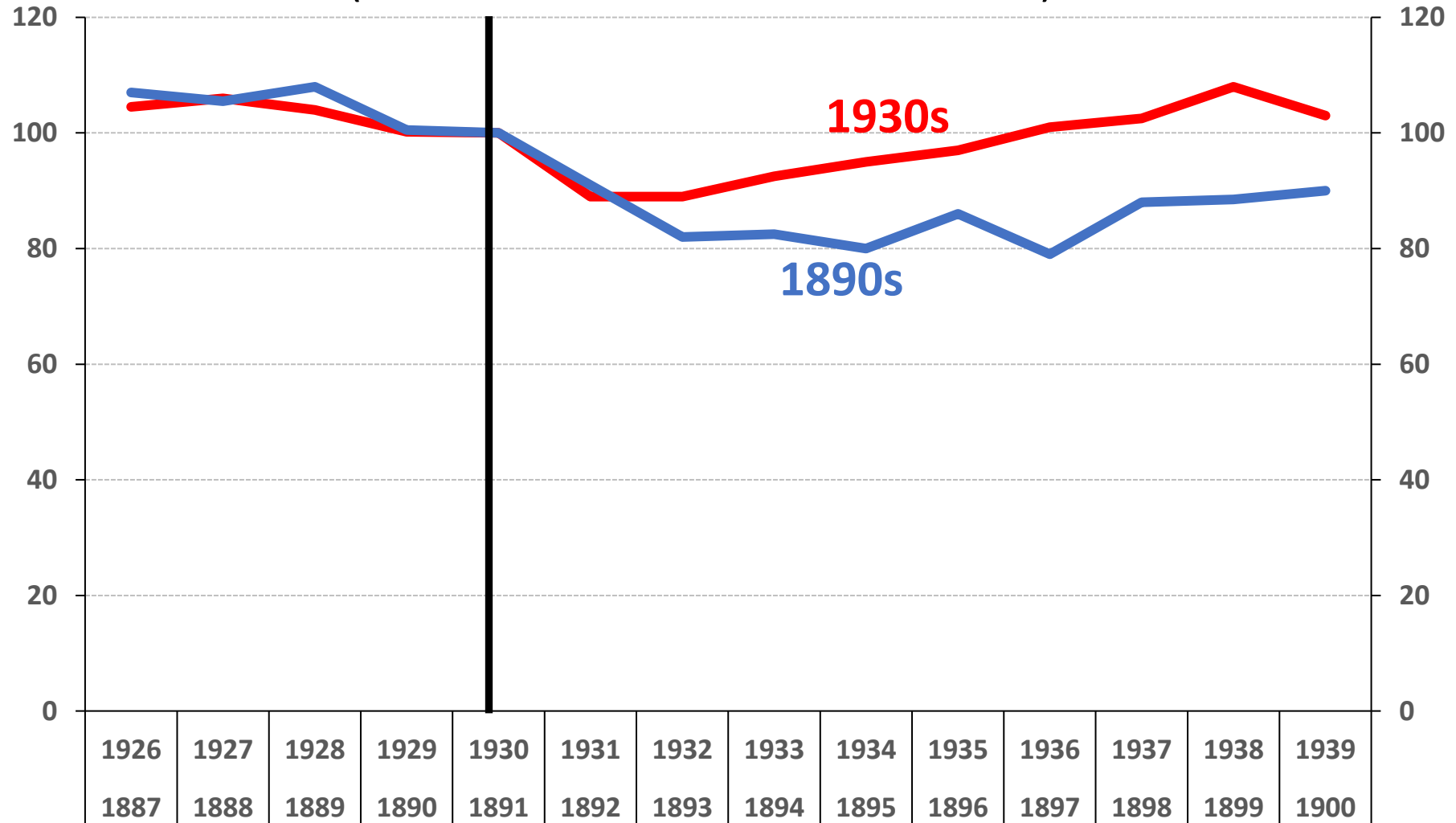
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What are the Consequences of Bubbles?

- Bicycle Mania
 - Wasn't followed by a financial crisis
 - Useful bubble (some fires are good for the ecosystem)
 - Women's liberation
 - Development of planes and automobiles
- Australian land boom
 - 1893 banking crisis

Real GDP per Capita (Index = 100 - 1891/1930)



Political spark

China (2007)	First emerging market bubble South Sea bubble Railway Mania China (2015)	Mississippi bubble Australian land boom Subprime bubble Japanese bubble
Bicycle Mania Dotcom bubble	Wall Street bubble	

Technological spark

Low capital-market leverage

High capital-market leverage

Bank leverage

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Bubbly Assets – peak in Nov 2021 to Dec 2022



↓ 74%



↓ 74%



↓ 76%



↓ 100%



↓ 60%

TESLA



↓ 80%



↓ 70%

S&P Kensho Electric Vehicles Index

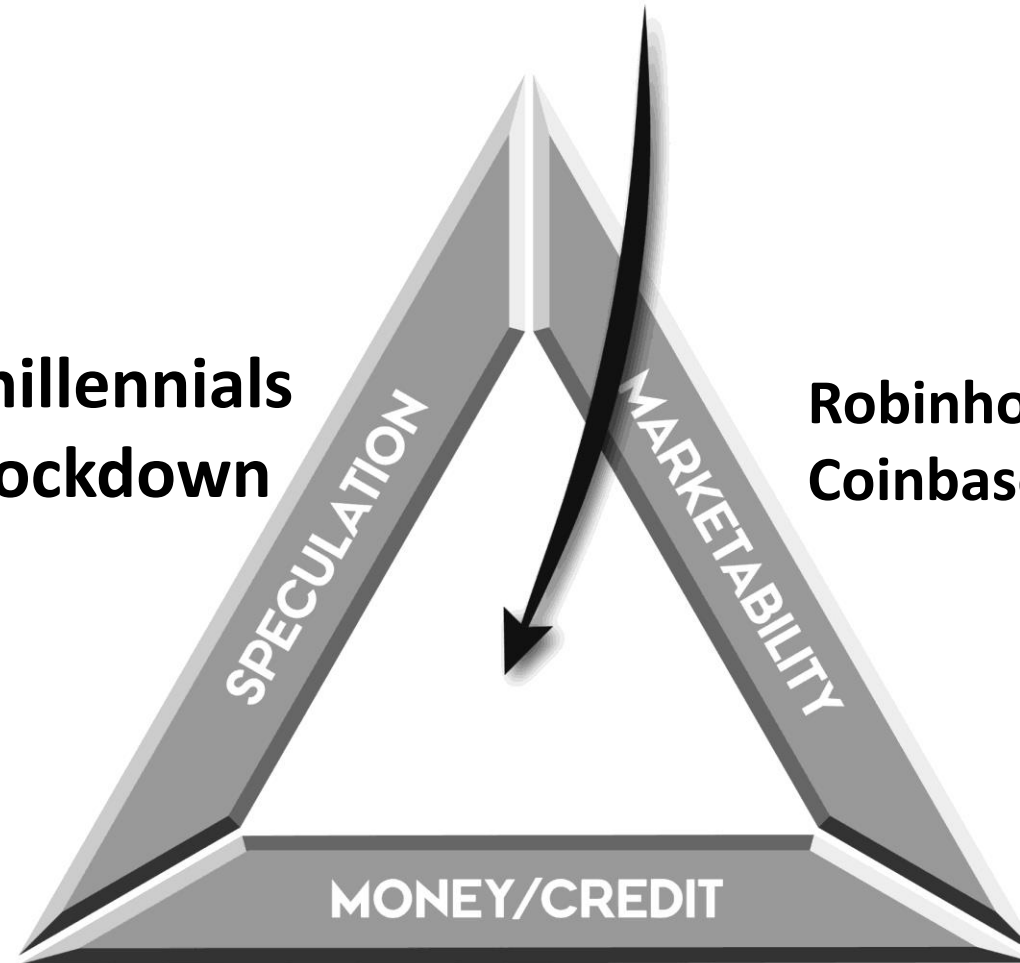


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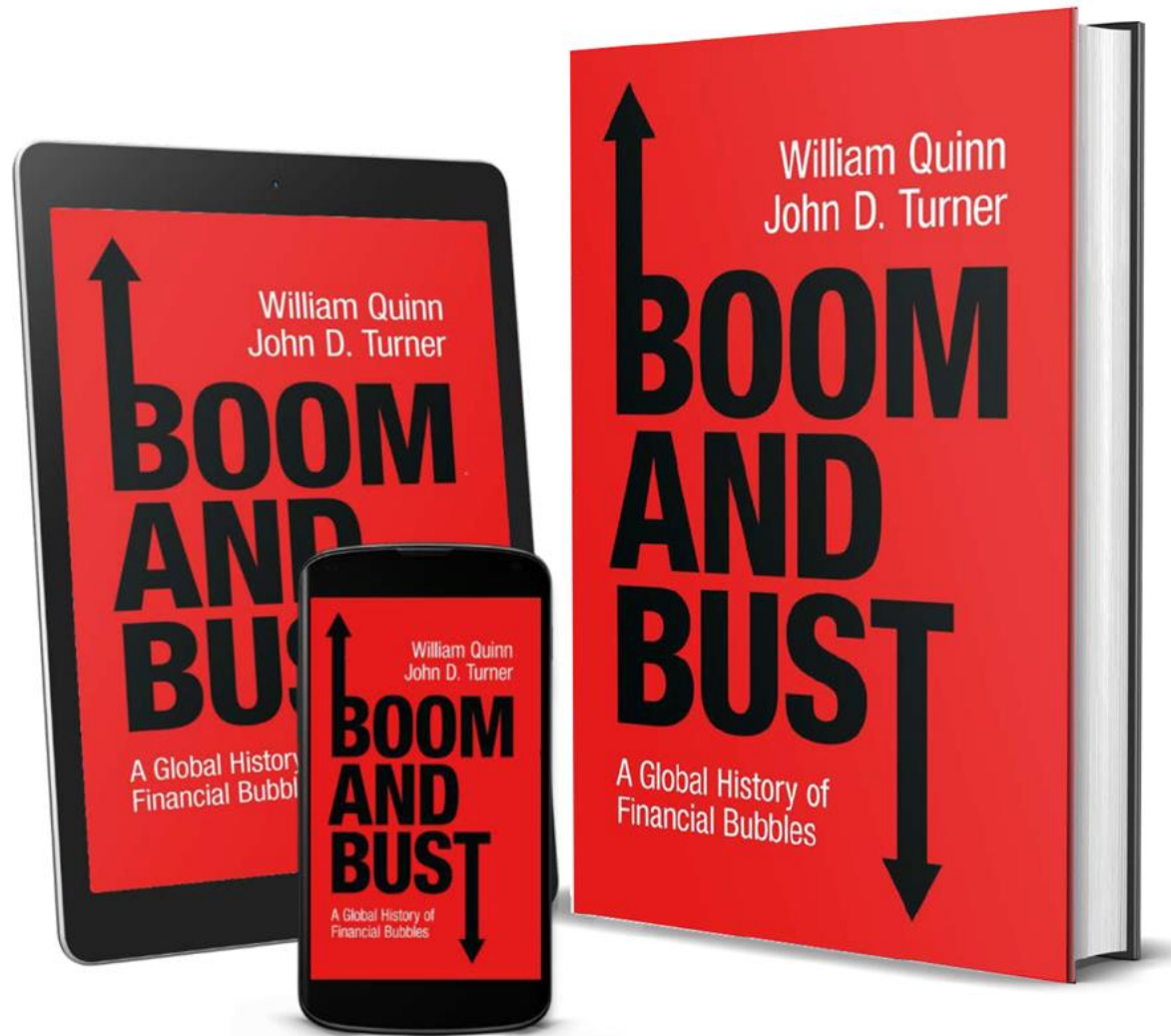
**Bored millennials
during lockdown**

**Robinhood,
Coinbase, FTX etc**



Very low interest rates / margin trading for retail investors

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