Recreating the South Sea Bubble: Lessons from an Experiment in Financial History

Giovanni Giusti, Charles Noussair and Hans-Joachim Voth
March 2014
The South Sea Bubble
Setup

- Trading virtual stock in virtual currency
- 4 Treatments:
  - (Baseline, NoSwap, NoDefault, NoInstall)
- 20 runs with 20 trading periods each.
- Trading ended with a fixed probability.
Results

- All factors contribute to the size of the bubble
- the swap was a necessary condition for the bubble
- the installment had some impact.
- the default option had little impact.
Critique

- All participants had the same information
- Many other factors were involved
  - media hype, fraud, bribery,