**UNIVERSITY OF WAIKATO**

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**Exuberance in British Share Prices**

**during the Railway Mania of the 1840s:**

**Evidence from the Phillips, Shi and Yu Test**

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**Abstract**

In this study, we empirically investigate evidence of explosive behaviour in the British share prices of canals, railways and waterworks in the nineteenth century using the right-tailed unit root test of Phillips, Shi and Yu (2015, PSY). Of particular interest to the Railway Mania in the 1840s, our results provide evidence of exuberance in share prices of railways during the most remarkable events in history. In addition, we find signs of exuberance in canals and waterworks share prices. Our findings will be of great interest to both economic historians and scholars who are interested in the rage of speculation in historical share prices during the Railway Mania.

**Keywords**

explosive behaviour

exuberance

generalized sup ADF test

railway mania

**JEL Classifications**

C12; N2

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