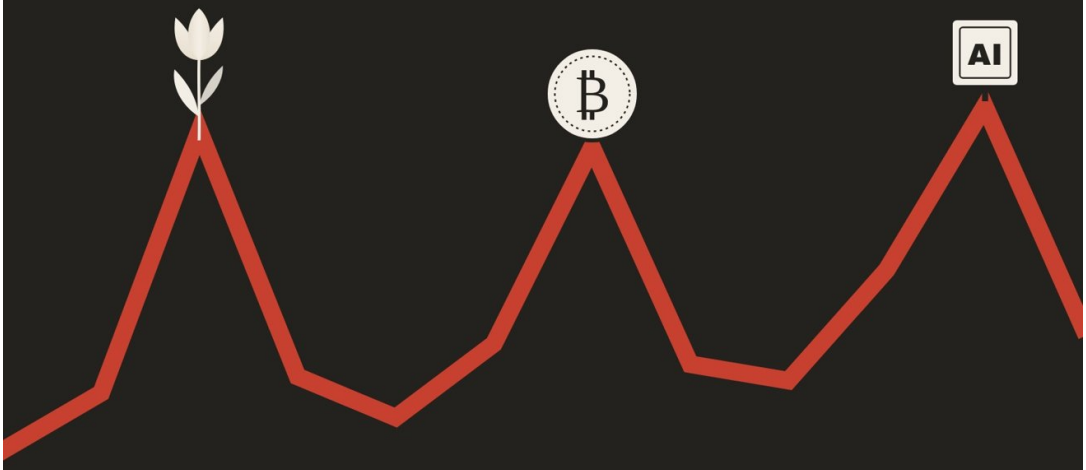
CHARLES MACKAY

THE MADNESS OF CROWDS



Why We Keep Falling for Bubbles
FROM BITCOIN TO AI

WITH NOTES AND ESSAYS BY
JULIAN DELPHIKI

Thinking School

The Madness of Crowds

Why We Keep Falling for Bubbles: Charles Mackay, from Bitcoin to AI

Charles Mackay · Edited, with notes and essays, by Julian Delphiki

The Madness of Crowds: Why We Keep Falling for Bubbles. Charles Mackay. Edited, with notes and essays, by Julian Delphiki.

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This book is not financial advice.

Contents

Prologue: A Three-Thousand-Florin Onion 1

Background: The Journalist Who Wrote About Manias (and Joined One) 7

Part One. Mackay 11

I. The Tulipomania 13

II. The Mississippi Scheme (selection) 25

III. The South-Sea Bubble (selection) 57

Part Two. Essays 69

Essay 1. Bitcoin and the Same Old FOMO 71

Essay 2. An AI Bubble? 83

Essay 3. The Housing Crisis 93

Essay 4. NFTs and Memecoins: The Digital Tulip 105

Essay 5. Finfluencers, the Town Criers of 1720 115

Essay 6. Mackay Exaggerated Too: What Historians Correct About the Tulips 125

Essay 7. Bubble or Fraud? 135

Essay 8. The Prophets of the Pop 145

Essay 9. Boring Investing as a Defence 155

Counterpoints 165

Epilogue: What You Can Do on a Tuesday 173

The Nine Questions 177

Further Reading 179

A Timeline of the Manias 181

Glossary 185

Sources and References 189

A Note on This Edition 199

About the Author 201

Also by Julian Delphiki 203

Prologue: A Three-Thousand-Florin Onion

A sailor eats an onion with a red herring, sitting on a coil of rope on a Dutch quay. The onion was a tulip. The tulip was worth three thousand florins. The sailor spends several months in prison. The bulb's owner ends up in the history of economics.

It is the best anecdote in this book. It is probably false.

That's fine. We have been telling it the same way for almost two centuries, and we will keep telling it, because what it says is true even if what it reports isn't. It says there are moments when an object is worth three thousand florins only because someone believes it will be worth four thousand tomorrow, and that at such moments the only sane man in town is a sailor who is hungry.

Charles Mackay published the story in 1841, in a book about the collective follies humanity had collected over the centuries: alchemists, prophets of the end of the world, crusades, haunted houses, fashions in beards, and three manias about money. The money manias are what survived. Hardly anyone reads the rest. The chapters on the Dutch tulips, John Law's bank in Paris and the South Sea Company in London

are quoted in every crash, in every central-bank speech that wants to sound well read, and in every social-media thread announcing that this time is the same.

This book prints them again, annotates them and then argues with them. And it leaves the reader something Mackay didn't: nine questions, one per essay, for recognising the next mania before buying. They are at the end of the book, on a single page.

November 2026

I am writing this the week after the Nasdaq fell 5.5% in a single day, on 5 November, its worst session in nineteen months. Nvidia, the company whose chips the artificial-intelligence boom is built on, fell 9% the same day. In five weeks it had shed about $1.7 trillion of market value.

Bitcoin is around $75,000. A year ago it touched $126,000. At the end of June, two in three of the wallets that bought Donald Trump's memecoin were showing a loss on it. In Spain, housing is the country's number-one worry in the official polls, and prices have passed their 2007 peak, the year everybody knew that bricks never go down.

Remember when bricks never went down?

I am not saying all this is a bubble. Some of it will be, some of it won't, and half the people shouting "bubble" today have been shouting it since 2015. I am saying this is exactly the kind of moment when people reach for Mackay, and that it is worth reading him whole, exaggerations included, before using him as a weapon.

Mackay lives on a particular shelf of my library. For years I have kept the lines I underline, and the file now holds more than eight thousand

of them, from over seven hundred titles. One of the heaviest shelves is the one on uncertainty: Taleb, Kahneman, Tetlock, Nate Silver, Housel. Each of them writes, in his own way, the chapter Mackay left half-finished: why clever people go wrong in groups, and why almost nobody learns from the last time.

I read this book with that shelf beside me, and with a less comfortable memory: twenty years working in digital commerce, watching one wave after another go by. Mackay puts a name to something I have seen many times from the inside. That is why this edition treats him not as a museum piece but as a report nobody has finished reading. ## Why Mackay and not someone else

There are better books on bubbles. Charles Kindleberger wrote a classic, *Manias, Panics, and Crashes*, with models and data. Economic historians have spent forty years correcting Mackay from notarial archives and price series. Any of them knows more about tulips than he did.

None of them writes like him. Mackay was a journalist, not an economist, and he wrote to be read. His chapters have scenes: the lady who has her carriage overturned so that John Law will help her up; the doctor who takes a patient's pulse muttering "it falls, it falls!" because he is thinking of his shares; the adventurer who opens an office in London for "an undertaking of great advantage, but nobody to know what it is" and leaves that same night with the deposits of a thousand subscribers.

Those scenes are why the book is still alive. They are also why it must be read with a pencil.

What is in this book

Part One is Mackay. The tulip chapter is complete. The Mississippi and South Sea chapters, more than 30,000 words between them in the original, are given in selection: I have kept the scenes, the numbers and the arguments, and summarised the cuts in square brackets so you can see every one. I have put them in date order (1637, 1719, 1720), which is not Mackay's order. The notes explain what a reader in 1852 knew and a reader today does not, put the old money into something understandable, and point out where the author is wrong.

Part Two is nine essays. Each takes an idea from Mackay and sets it against something happening now: bitcoin, artificial intelligence, housing, NFTs and memecoins, finfluencers, the tulip legend itself, the line between bubble and fraud, the prophets of the crash, and, last, the most boring defence I know against all of the above.

The quickest of the nine questions takes two minutes and one multiplication: if the price reached where you're told it will, what would the whole thing be worth?

Then come the counterpoints, because there are good arguments against Mackay and against me, and a short epilogue that will not tell you what to do with your money.

For years I stood on the other side of the counter. Between 2012 and 2014 my job was bringing buyers to daily-deals and flash-sales companies, at the height of the coupon fever. The business rested on exactly what Mackay describes: a countdown, a number of people who have already bought, the feeling that if you don't go in now you'll be left out. Nobody needed to be deceived. It was enough to show that others were buying.

Even then I knew the product wasn't as good as it looked. The merchant

paid for the discount, and tried to win it back from the same customer: price uplifts, extras, cross-selling. The customer came away treated worse than expected and didn't return. A business that lives on customers who don't return can't last.

That fever passed, as they all do, and took much of the sector with it. What I kept from those years is in no marketing manual: fear of missing out isn't created, it's managed. It is already there. The seller only has to give it a clock.

My own purchase by contagion was more modest: a drone. ## A warning

Mackay has a line, from the preface to the book, that gets quoted a lot: men think in herds, go mad in herds, and recover their senses slowly, one by one.

It is a superb line with one problem. It is always quoted by someone who believes he is outside the herd.

Besides, the herd no longer needs a square. A century ago Edward Bernays, one of the fathers of public relations, observed that a crowd is not just a group of people gathered in one place but a state of mind: whoever identifies with a group carries its effects with them, even alone at home. Bernays was writing before there was a radio in every home. Today he describes rather precisely someone looking at their phone on the sofa.

This book will not get you out of the herd. Nobody gets out. The most you can do is know which herd you are in, where it is heading, and what you did the last time it ran. The sailor with the onion was not cleverer than the merchant. He was hungry and had no idea what the thing was worth.

Sometimes that is enough.

Background: The Journalist Who Wrote About Manias (and Joined One)

The author

Charles Mackay was born in Perth, Scotland, on 27 March 1814 and died on 24 December 1889. He was a poet, journalist, novelist, anthologist and songwriter. In his own day he was known mainly for his verses, some of which were sung in drawing rooms. Today he is known for one book, and within that book almost only for three chapters. His daughter, Mary Mackay, was the hugely successful novelist who wrote as Marie Corelli.

When he published *Memoirs of Extraordinary Popular Delusions* in 1841, in three volumes from Richard Bentley in London, he was twenty-seven and working as a journalist in London, on the *Morning Chronicle*. The book gathered episodes of collective credulity from several centuries, grouped under what later became "National Delusions", "Peculiar Follies" and "Philosophical Delusions": financial manias, crusades, witch hunts, alchemists, fortune-tellers, haunted houses, prophecies of doom and the popular admiration of great thieves.

A second edition appeared in 1852 with a longer title, *Memoirs of Extraordinary Popular Delusions and the Madness of Crowds*. That is the text printed here, and it is where "the madness of crowds" comes from.

What Mackay was not

He was not a historian in the modern sense. He did not go to the archives in Haarlem or Paris. He worked from what was on English library shelves: French court memoirs, Dutch satirical pamphlets, travel books, the British parliamentary history and William Coxe's life of Walpole. Many of his sources were already satire when they were written. He cites them rarely and almost never by page.

Nor was he an economist. His explanation of bubbles is moral: greed, imitation, credulity. He is not interested in interest rates, money supply or contracts. When he tells the story of Law's System, which was at bottom a giant swap of government debt for shares, he looks at the dukes queueing in the street and the hunchback renting out his hump as a desk.

That is his weakness as a historian and his strength as a writer. We read him for the scenes.

What Mackay did next

Here is the best part. In 1845, four years after publishing his book on financial follies, Britain went through the biggest stock-market mania of its century: the railways. Hundreds of lines were authorised, middle-class savings poured into companies that had not yet laid a rail, and in 1846–47 came the fall.

In the 1852 edition Mackay added a footnote to the South Sea chapter:

the 1720 scheme had been, until 1845, the greatest British example of the infatuation of the people for commercial gambling, and the first edition of his book had appeared "some time before" the railway mania broke out.

The note is accurate and leaves out the important part. In 2011 the mathematician and historian Andrew Odlyzko went through what Mackay wrote during the mania in the newspaper he was then editing, the *Glasgow Argus*. His conclusion: Mackay was one of the railway mania's most ardent cheerleaders.

The author of the standard book against bubbles did not recognise one when it was in front of him. Or he recognised it in others and not in himself, which is the commonest way of not recognising one.

I don't say this to mock him. I say it because it is the best proof of his thesis.

The three manias

Tulips (1634–1637). The Dutch Republic was Europe's most advanced economy: the East India Company, the Amsterdam exchange, early futures markets. "Broken" tulips, streaked and flamed, became the fashion among rich collectors. In the winter of 1636–37, trade in contracts on bulbs still in the ground took off in the taverns of several towns. In the first days of February 1637 the buyers vanished. What followed, and how much harm it did, is what historians argue about (Essay 6).

The Mississippi (1716–1720). John Law, a Scottish gambler and monetary theorist, persuaded the regent of France that paper money and credit could rescue a state ruined by Louis XIV's wars. He founded a bank that worked well, then a colonial company that absorbed foreign trade, tax collection and the state's debt. Its shares went from about 500 livres to over

10,000 in January 1720. In May the system broke. France took generations to trust a central bank and paper money again.

The South Seas (1720). London copied Paris a few months behind. The South Sea Company, which barely traded, offered to take over Britain's national debt in exchange for shares, bribed half the government to get it, and watched its price go from about 130 to nearly 1,000 within months. Dozens of "bubble" companies sprang up around it. In June Parliament passed the Bubble Act, which restricted joint-stock companies until 1825. In the autumn everything collapsed. The rescue was steered by Robert Walpole, who came out of the crisis the most powerful man in England.

What happened to the book

Mackay's book has never been out of print. The American financier Bernard Baruch credited its lessons with his decision to sell his stocks before the 1929 crash. Every generation of investors has rediscovered it at the top of its own mania, usually a few months late.

Historians have been far less kind. For them Mackay is the source of half the myths about bubbles: Dutchmen ruined and throwing themselves into canals, an economy brought down by a flower, the sailor and his onion. In Odlyzko's phrase, the book enjoys an extraordinarily high reputation in finance and the press and an extraordinarily low one among historians.

Both can be true at once. This book tries to take both seriously.

Part One. Mackay

I. The Tulipomania

Quis furor, ô cives! Lucan[1]

The tulip,–so named, it is said, from a Turkish word, signifying a turban,–was introduced into western Europe about the middle of the sixteenth century. Conrad Gesner, who claims the merit of having brought it into repute,–little dreaming of the commotion it was shortly afterwards to make in the world,–says that he first saw it in the year 1559, in a garden at Augsburg, belonging to the learned Counsellor Herwart, a man very famous in his day for his collection of rare exotics. The bulbs were sent to this gentleman by a friend at Constantinople, where the flower had long been a favourite. In the course of ten or eleven years after this period, tulips were much sought after by the wealthy, especially in Holland and Germany. Rich people at Amsterdam sent for the bulbs direct to Constantinople, and paid the most extravagant prices for them. The first roots planted in England were brought from Vienna in 1600.

Until the year 1634 the tulip annually increased in reputation, until it was deemed a proof of bad taste in any man of fortune to be without a collection of them. Many learned men, including Pompeius de Angelis and the celebrated Lipsius of Leyden, the author of the treatise "De Con-

[1]"What madness is this, citizens?" Lucan, *Pharsalia* I.8.

stantia," were passionately fond of tulips.[2] The rage for possessing them soon caught the middle classes of society, and merchants and shopkeepers, even of moderate means, began to vie with each other in the rarity of these flowers and the preposterous prices they paid for them. A trader at Harlaem was known to pay one-half of his fortune for a single root, not with the design of selling it again at a profit, but to keep in his own conservatory for the admiration of his acquaintance.

One would suppose that there must have been some great virtue in this flower to have made it so valuable in the eyes of so prudent a people as the Dutch; but it has neither the beauty nor the perfume of the rose–hardly the beauty of the "sweet, sweet-pea;" neither is it as enduring as either. Cowley, it is true, is loud in its praise. He says–

> "The tulip next appeared, all over gay, But wanton, full of pride, and full of play; The world can't shew a dye but here has place; Nay, by new mixtures, she can change her face; Purple and gold are both beneath her care, The richest needlework she loves to wear; Her only study is to please the eye, And to outshine the rest in finery."[3]

This, though not very poetical, is the description of a poet. Beckmann, in his *History of Inventions*, paints it with more fidelity, and in prose more pleasing than Cowley's poetry. He says, "There are few plants which acquire, through accident, weakness, or disease, so many variegations as the tulip. When uncultivated, and in its natural state, it is almost of one

[2]Justus Lipsius (1547–1606), Flemish humanist and professor at Leiden. His *De Constantia* (1584) is, irony aside, a neo-Stoic treatise on keeping calm amid public disasters.

[3]Abraham Cowley (1618–1667). Mackay quotes the 1689 English version by several hands (*The Third Part of the Works of Mr. Abraham Cowley, Being his Six Books of Plants*, Book IV, on flowers).

colour, has large leaves, and an extraordinarily long stem. When it has been weakened by cultivation, it becomes more agreeable in the eyes of the florist. The petals are then paler, smaller, and more diversified in hue; and the leaves acquire a softer green colour. Thus this masterpiece of culture, the more beautiful it turns, grows so much the weaker, so that, with the greatest skill and most careful attention, it can scarcely be transplanted, or even kept alive."[4]

Many persons grow insensibly attached to that which gives them a great deal of trouble, as a mother often loves her sick and ever-ailing child better than her more healthy offspring. Upon the same principle we must account for the unmerited encomia lavished upon these fragile blossoms. In 1634, the rage among the Dutch to possess them was so great that the ordinary industry of the country was neglected, and the population, even to its lowest dregs, embarked in the tulip trade. As the mania increased, prices augmented, until, in the year 1635, many persons were known to invest a fortune of 100,000 florins in the purchase of forty roots.[5] It then became necessary to sell them by their weight in *perits*, a small weight less than a grain.[6]

A tulip of the species called *Admiral Liefken*, weighing 400 *perits*, was

[4]Johann Beckmann (1739–1811), *Beyträge zur Geschichte der Erfindungen*, translated as *A History of Inventions*. What Beckmann describes, without knowing it, is a virus. The flames and streaks that made some tulips valuable ("broken" tulips) are caused by the tulip-breaking virus, a mosaic virus spread by aphids, which also weakens the plant and reduces its offsets. See Essay 4.

[5]The florin, or guilder, was the Dutch currency. Conversion method: the International Institute of Social History (Amsterdam) guilder value series puts the 10,000 guilders paid for a *Semper Augustus* in 1637 at roughly €130,000 in 2024 money (about US$140,000), so about €13 per guilder on a price index. On that basis, 100,000 florins is about €1.3 million. Measured against wages the effect is larger: some bulbs cost more than ten times the yearly income of a skilled craftsman.

[6]The *perit* (Dutch *aas*) was a jeweller's weight of about 0.05 g. Bulbs were sold by weight at planting time; they could gain weight before flowering.

worth 4400 florins; an *Admiral Van der Eyck*, weighing 446 *perits*, was worth 1260 florins; a *Childer* of 106 *perits* was worth 1615 florins; a *Viceroy* of 400 *perits*, 3000 florins, and, most precious of all, a *Semper Augustus*, weighing 200 *perits*, was thought to be very cheap at 5500 florins. The latter was much sought after, and even an inferior bulb might command a price of 2000 florins. It is related that, at one time, early in 1636, there were only two roots of this description to be had in all Holland, and those not of the best. One was in the possession of a dealer in Amsterdam, and the other in Harlaem. So anxious were the speculators to obtain them, that one person offered the fee-simple of twelve acres of building-ground for the Harlaem tulip. That of Amsterdam was bought for 4600 florins, a new carriage, two grey horses, and a complete suit of harness.

Hunting, an industrious author of that day, who wrote a folio volume of one thousand pages upon the tulipomania, has preserved the following list of the various articles, and their value, which were delivered for one single root of the rare species called the *Viceroy*:[7]

	florins
Two lasts of wheat	448
Four lasts of rye	558
Four fat oxen	480
Eight fat swine	240
Twelve fat sheep	120
Two hogsheads of wine	70

[7]"Hunting" is Mackay's slip for Abraham Munting (1626–1683), a Groningen botanist and author of *Waare oeffening der planten* (1672). A *last* was a grain measure: the Amsterdam last held about 3,000 litres, according to Jan de Vries and Jan Luiten van Zanden's price database.