

The First Crash: Lessons from the South Sea Bubble

Richard Dale

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Richard Dale : The First Crash: Lessons from the South Sea Bubble before purchasing it in order to gauge whether or not it would be worth my time, and all praised The First Crash: Lessons from the South Sea Bubble:

13 of 14 people found the following review helpful. A scholarly, technical account of the South Sea Bubble By Customer "The First Crash" by Richard Dale deals with the lessons from the South Sea Bubble of 1720. According to the dust jacket Dale is Emeritus Professor of International Banking at Southampton University, England. As one might expect, the book contains much technical jargon relating to capital market theory and accounting. Dale certainly knows his subject and is up to speed with the literature - the bibliography of this 198-page book has 148 entries. The book might appeal to students or specialists such as bankers, accountants and investment advisors, but it is hard going for

the rest of us. You almost need a financial dictionary by your side and a calculator to follow the intricacies of most of Dale's technical explanations. There is a short Glossary in the book, but it is totally inadequate. To be fair, it is possible to skip over most of the financial detail and still get a feel for the atmosphere and activities that led to the inflation and deflation of the bubble. Prior to reading the book I was unaware of the sophistication of financial techniques available in the 18th century. Many of the investment tools in common use today (eg options, discounted cash flow calculations, futures contracts) were available in essentially similar form then. They were also abused in much the same way (and by people of similar character) as they were in all subsequent bubbles. Human nature never changes, and the possibility of large gain attracts the greedy, the credulous and the scoundrel. Chapter 9 contains a technical and rather pedantic discussion of the lessons from the bubble that will be of interest to specialists, but probably not to most general readers. If you have the skills and want to pore over the financial technicalities of the South Sea Bubble you will enjoy the book and you will benefit from Dale's impressive knowledge. If you just want to know what happened and why it happened, there are more suitable and accessible accounts than this book.

2 of 3 people found the following review helpful. good book about John law [founder of central banking] but math analysis is suspect annoying

By NiQ
mathematical error P53: present value of 100 pounds for 14 yrs does not equal 1400[

For nearly three centuries the spectacular rise and fall of the South Sea Company has gripped the public imagination as the most graphic warning to investors of the dangers of unbridled speculation. Yet history repeats itself and the same elemental forces that drove up the price of South Sea shares to dizzying heights in 1720 have in recent years produced the global crash of 1987, the Japanese stock market bubble of the 1980s/90s, and the international dot.com boom of the 1990s. The First Crash throws light on the current debate about investor rationality by re-examining the story of the South Sea Bubble from the standpoint of investors and commentators during and preceding the fateful Bubble year. In absorbing prose, Richard Dale describes the trading techniques of London's Exchange Alley (which included 'modern' transactions such as derivatives) and uses new data, as well as the hitherto neglected writings of a brilliant contemporary financial analyst, to show how investors lost their bearings during the Bubble period in much the same way as during the dot.com boom. The events of 1720, as presented here, offer insights into the nature of financial markets that, being independent of place and time, deserve to be considered by today's investors everywhere. This book is therefore aimed at all those with an interest in the behavior of stock markets.

"Richard Dale . . . picks a scholarly but readable path through the events that led to the collapse of shares in the infamous South Sea Company in 1720. Only the purblind could fail to draw some important parallels between the events of that year and the bubbles of the more recent past, not least the dot.com mania of five years ago."--Jonathan Davis, *The Independent*

From the Inside Flap "In this gripping tale of the South Sea scam, Richard Dale describes personal and corporate greed, creative accounting, and financial malpractice. He writes about events from three centuries ago, but his analysis is relevant to today's investors, traders, and policymakers."--Elroy Dimson, London Business School, author of *Triumph of the Optimists*

"This book represents an important piece of new scholarship focused almost exclusively on the South Sea Bubble. The author's tireless research yields a wonderful historical document that brings the reader into the center of financial markets in the early 1700s, and then reveals much about the South Sea Bubble that has previously gone undetected. Dale's work brings so much new evidence, and interweaves it with the old so skillfully, that *The First Crash* will certainly become a must read for scholars and is likely to be relied upon heavily in university classes as well. The author is to be congratulated."--Kevin Hassett, American Enterprise Institute, author of *Bubbleology*

"This extremely useful contribution to the field serves to remind nonhistorians, and particularly most financial economists, that almost all of what is thought of as modern financial analysis today was available 300 years ago."--Forrest Capie, City University Business School, London, author of *Depression and Protectionism*

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