In 1967, the popular financial journalist and former portfolio manager George Goodman (alias “Adam Smith”) asked: “Is the market really a crowd?” And without hesitation he suggested a crowd psychology of financial markets: “The market is a crowd, and if you’ve read Gustave Le Bon’s The Crowd (1895) you know a crowd is a composite personality.” In his bestseller The Money Game Goodman refers to crowd psychology as the primary tool for grasping the market—moreover, he does not simply aim at a polemical description of the market, but he also suggests a practical guide for succeeding in the market. “Adam Smith” is no exception, with his suggestion that financial markets may best be described and analyzed with the tools of crowd psychology. Excerpts from Le Bon’s Crowd Psychology are often reprinted in anthologies of investment theory; recently, Robert Menschel, Senior Director of Goldman & Sachs, published a whole reader on the crowd and the market with the title Markets, Mobs and Mayhem, also including reprints of Le Bon and other crowd theorists. Additionally, a whole subdiscipline within economics has emerged that calls itself “behavioral economics” and that also refers to Le Bon as one of its founding fathers. While Le Bon has been expelled from other social sciences, such as sociology or political science, we can observe a resurrection of crowd psychology within investment theory and finance guidebooks.

This is even more amazing since financial markets are often also seen as one of the most rational and efficient features of modern society. In 1931, Richard Whitney, the former director of the New York Stock Exchange, who was later impris-
The Greek language possesses a rich and varied terminology for the concept of crowds. This is hardly surprising, in light of the relentless preoccupation with the political realm that swept the city-states of Greece at the end of the so-called Dark Ages (up to the eighth century B.C.E.). In the turmoil of the Greek Renaissance that followed, with the advent of the polis, innovations in interregional trade and commerce, and the rise of a heavily-armed middle-class infantry, the Greeks developed a complex political vocabulary to conceptualize “the people” as the totality of a city-state’s citizen body, directly in opposition to a tyrannical leader and an elitist oligarchy.

The standard definition of the Greek term “ochlos” is “a crowd, throng.” In this it closely parallels the term “homilos” (“assembled crowd, throng of people”) and “ochlagoge” (“crowd, mob, literally a led crowd”), as opposed to similar terms with broader political implications, such as “laos” (“people, folk”) and “demos” (“country, land, citizenry”). In its standard sense, “ochlos” is often used in relation to armies and soldiers and their camp followers. It is also a fairly unmarked way to refer to a group or crowd.

The term “ochlos” also carries an important political connotation, as “populace, mob.” This is apparent in its usage by the two great political thinkers of classical Athens, Plato and Aristotle. For Plato, “ochlos” can refer to a popular assembly, and for the oligarchic philosopher the term certainly carried a negative implication. In the dialogue “Gorgias,” for example, Socrates states that “the rhetorician’s business is not to instruct a law court or a public meeting (‘ochlos’).” On the other hand, Charles Mackay’s *Extraordinary Popular Delusions and the Madness of Crowds* (first published in 1852), which also deals with speculative “market crowds” prior to the advent of crowd psychology, refers to the phenomenon of crowds in a more positive light. Mackay’s work is often overlooked, but is crucial to understanding the success of crowd behavior and its implications for modern society.

In the second part of this paper, I want to show how the investment philosophy of
matters of right and wrong, but only to make them believe; since, I take it, he could not in a short while instruct such a mass of people ("ochlos") in matters so important" (455a).

For Plato’s pupil Aristotle the term can be similarly marked, but gains a broader import as a political force. In “The Politics,” for example, he refers to oligarchs playing the role of demagogues and cerrying to the mob in their bid for power (1305b). In this, he is directly indebted to the great Athenian lawmaker Solon, who in his elegiac poetry harangues the citizens of Athens for their mindless support of the tyrant Pisistratus, crystallizing the oft-repeated notion of the crowd as a mindless entity swept away by charismatic oratory and unable to see or realize its best interests.

The term “ochlos” possesses great import in Greek political thought, both in its unmarked sense as a crowd and in its marked sense as a mob. This can be surmised both from its usage and from its frequency in the Greek main corpus, where it occurs 641 times, from the tragic and comic poets, through the great philosophers Plato and Aristotle, and on to the New Testament. The term survived into the Middle French “ochlocrate” (“a government by the populace”) and modern Italian “oclocrazia” (“mob rule, rule of the plebs”) from the Hellenistic coinage “ochlokratia” (“mob rule,” literally the strength of the mob). It was soon to enter the English language as ochlocracy (“rule of the populace, mob”), and used intermittently from the late sixteenth century and on to 1991, when “The Observer” quoted the Russian newspaper “Pravda” as claiming that Boris Yeltsin’s run for the presidency was backed by an ochlocracy.

Entry by Sebastian De Vivo

The Contrarians benefited from crowd psychology. It is here that crowd psychology becomes a tool for constructing the ideal speculator. ■

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i Adam Smith (pseud.), The Money Game (New York: Random House, 1967), 23, hereafter abbreviated as MG.


ix Charles Mackay, Extraordinary Popular Delusions, and the Madness of Crowds (1841, rev. 1852; New York: Three Rivers Press, 1980); hereafter abbreviated as EPD.
You arrive early, and walk into a room after having surrendered your backpack, and possibly a kidney. Walk is a euphemism; you stand in line, hopping from one foot to the other impatiently, and then once you are past the metal detector, you break into a low-key sprint; you do not want to get winded early. Travel light, because this is serious. If you are smart, you have worn shoes that slip on and off easily, no bra in case you find a sleeveless or backless number, and nothing that buttons: zippers are optimum. The smart and the brave wear swimsuits, thus avoiding wasting time by periodically re-dressing. While not necessary, it is recommended that you spend the prior week dieting, because this will make you feel worthy and cruel. The latter characteristic will be especially helpful.

There are four versions of Barneys New York, and they all come crowd-equipped: 1. The stores; 2. The outlets, the best of which is in California: Camarillo, about thirty minutes outside of LA, which is about as close to LA as it’s worth getting; 3. The Barneys Warehouse Sales Event, held semi-annually; and 4. Having lunch with Simon Doonan. Here I shall focus on the Warehouse Sale.

There is nothing like entering a large room filled only with racks of designer clothing, between which are hordes of women ripping off their clothes, standing naked or nearly so in the aisles (if you sleep with women, the effect of this can be dizzying, but the race goes to the dedicated: Keep your mind on your work), squirming into or out of a Viktor and Rolfe. How does this snap? Is this Velcro? Is this meant to wrap around the waist or is it a little floaty thing? What was Rei Kawabuko thinking? You don’t have time to snap, button, or even toggle, and forget about hemlines: you get into it, and if it fits, you grab it and move on. This is Malthus, baby. Get outta my way. You may or may not choose to note the swizzle stick with the screaming infant locked into the $800 Bugaboo like a tiny little Hannibal Lector from the Upper East Side. If you are there for tourism, you can waste time wondering whether she or her cell phone has more body fat, but if you’re there for real reasons, you step over the caterwauling kid and grab the Helmut Lang, ignoring the fact that the swizzle stick is now yelling at you that she was going to try that on. The Botox makes her face strangely expressionless as she screams, a fact which you will later find amusing over a martini; at the moment, though, this is simply noisy wallpaper. She’s slow; she’s soft; she’s been doing Pilates for Christ’s sake. Well, a hundred double leg kicks aren’t going to get mommy any closer to this little
felt number, sister, so just play past it. Not having wasted time with children, you
are accordingly empathy-free.

The anger that Simmel identified as lurking beneath the blasé surface of met-
ropolitan encounters is laid bare at the Warehouse Sale. Other people’s bodies
seem constructed solely as impediments to one’s own negotiation of space. There
are hundreds of would-be models, which on the street makes for nice scenery but
right now means that one’s sight is frequently obstructed. You see racks, and skin
wandering around between them. Don’t look at prices right now; you can hunker
down and do triage later. Right now, you live a life without latent content.

If someone has grabbed something away from you, there are questions to be asked
before actually assaulting them.

1. Was it in your hands? If so, you can and should grab it back.

2. If it was not actually in your hands, but on the rack next to the really interesting
corset-like evening jacket that turned out to have some unfortunate rouching in
the back, and you realize you’ve ended up with the aftermath of a Shirley Temple
suicide bombing, etiquette dictates that you wait your turn. “Waiting your turn”
consists of brief intervals of staring at the woman who somehow got the current
object of desire before you did. Rummage onward, but with an eye toward the mo-
moment in which she discovers that she is not now and has never been a size 0.

3. Is it by Olivier Theyskens? If so, all bets are off: go for the throat. Say that it is
not her color. Claim you have already paid for it. Ask her what her child’s name is,
tell her that you recruit for Brearley and are struck by such obvious infant beauty
and intelligence; when she reaches for her BlackBerry so that you may give her
your office phone number, grab the Theyskens and run away.

You will often encounter men assisting their girlfriends, wives, friends, or clients.
These men are the equivalent of shrubbery. Do not be shy about undressing in
front of them. They are holograms, albeit holograms who seem to be enjoying
themselves. Under no conditions make eye contact, unless you see that they are
guarding that amazing Rochas double breasted oyster-grey silk coat with the high
waist and super skinny three-quarter-length sleeves made to overlay the watery
pink silk dress that looks like a cross between the lifestyles of F. Scott Fitzger-
ald and Jan Svenkmajer. In that case, deep and meaningful eye contact is called
for. Otherwise, not. However, if they offer an opinion as to your own vestmental
choices, you are free to do with them what you will, but remember: every moment
spent executing a cutting comment is a moment not spent in the presence of a
Dries van Noten.
While it is in your interest to be ruthless, it is not unusual to encounter strange acts of reciprocal humanity or even politeness: an appreciative murmur once you have verified it isn’t your style, but will probably look good on the person who is holding it; a shared eye roll at the third party who is waving what looks like an Oscar de la Renta suit jacket at a guard and asking if this comes in her size; or the unholy joy of that amazing black chick coming up to as you peel out of the Gucci, and when you sadly hand the thing over to her—impossibly long—she says, Cool thong. Yeah, you say, La Perla. Simple pleasures for simple people.

As incredible as it is, shoplifting still exists. This is a stupid pastime, even for kleptomaniacs. Despite your terrible upbringing, do not partake. Everything you do is watched, recorded, wired; your pulse rate is a known factor, and there is less intimacy in an intravaginal probe. Nonetheless, you will occasionally stumble onto a Winona Ryder wannabe who is busy trying to stuff a cocktail gown into her socks. Feminism means you keep on walking.

The crowd ebbs and flows. There will be what seem like hours spent wriggling into a plastic Prada dress with black sight lines à la Etienne-Jules Marey, an achievement executed between twenty-three other women who are so tightly wedged together that for several seconds running you can’t figure out whose left arm it is that you have inadvertently inserted into the dress sleeve, because it does not seem to be yours. Any smaller, said Robert Benchley about the office he shared with Dorothy Parker, and it would have been adultery. Crowd etiquette entails taking nothing personally: not looking up, removing the stray limb, and using your hips to make a small lacuna in the flesh so you can shimmy out. By now the racks are in disarray, skidded off center, with clothing, iPods, wallets, cell phones—and is that a diaphragm?—on the floor, lost children wailing, beautiful women on their hands and knees, crawling around in an orgy of Helmut Newton outtakes. The Chanel dress with the faux-prim plaid pleats now has a large footprint on it. Many have fallen, but the strongest survive. Pain is just weakness leaving your body. You will suddenly find yourself in small bubbles of empty space. Take this time to store up oxygen, but do not waste time wondering is this is a reflection of the quality of the clothing at hand. The crowd has no reason; it just is.

Yoox.com has done much to dissipate the frenzy attendant upon Barneys Warehouse Sale, so this may be something of a historical exercise. Shopping online however deprives you of the reason Barneys was invented: the negotiation of crowds, punctuated by instant gratification, or in the parlance of the industry, “retail therapy.” Then, too, there is the pleasure of knowing you got it right. Do you know what it feels like to figure out later that that Yohji Yamamoto sleeveless blouse with that strange zipper at the bottom hemline actually transforms into a little purse, so you got two things for the price of one? Dar-ling, you have no idea.