

Newton cashed out of the South Sea bubble. Then he went back in

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Maxim: *Envy is a bad investment strategy.* — Charlie Munger, in substance

Someone you know will always be making money faster than you. Munger's advice was to treat that as a fact of life, not a reason to act.

The most expensive question in investing is not "what is this worth?" but "why is everyone else getting rich?"

In the spring of 1720, Isaac Newton was one of the most respected men in England and a careful investor. He owned shares in the South Sea Company, whose price was soaring on promises of trade riches. In April, as the bubble gathered pace, he sold, and by most accounts made an early profit of about £20,000, according to research by the mathematician Andrew Odlyzko summarised in [Physics Today](#).

Then came the hard part. The price kept climbing after he sold. Through the summer, others who had stayed in were growing richer by the week. By June, the records suggest, Newton was buying again. He kept buying as the price began to fall, until essentially his entire fortune was in South Sea stock. When the bubble burst in September, his early gains were gone, along with a good deal more. Odlyzko estimates his net worth fell from just over £30,000 before the bubble to about £20,000 by mid-1721. Years later Newton wrote to a friend that he had "lost very much by the South Sea company".

We do not know for certain why he went back in. Odlyzko is careful to say there is no direct evidence of Newton's motives. But the pattern is a familiar one: a sensible decision to sell, followed by weeks of watching other people's paper fortunes grow, followed by a decision to rejoin at a much higher price. It is the pattern Munger spent a lifetime warning against.

The deadly sin with no fun in it

Munger often said that envy, not greed, drives much of human behaviour, and he credited Warren Buffett with the line that "it's not greed that drives the world, but envy". He also had a sharper version, collected by [Value Research](#): "Envy is a really stupid sin because it's the only one you could never possibly have any fun at."

For investors his advice was practical. "Someone will always be getting richer faster than you," he said. "This is not a tragedy." And about Berkshire's own record of passing on booms: "Missing out on some opportunity never bothers us."

The point is not that comparison is shameful. It is that comparison changes the question you are answering. Instead of asking whether an investment fits your goals and your understanding, you start asking how to close the gap with someone else. That question has no good answer, because there is always someone further ahead.

Envy costs more than missed returns

The damage is measurable. Economists at the Federal Reserve Bank of Philadelphia studied what happened to the neighbours of lottery winners in a Canadian province. In a [2018 working paper](#), Sumit Agarwal, Slava Mikhed and Barry Scholnick found that the larger a neighbour's win, the more the other neighbours borrowed and the more of them went bankrupt in the following years. A C\$100,000 win was linked to an 11% rise in bankruptcies nearby over the next three years. The bankrupt neighbours had spent more on visible things such as houses and cars, not on furniture nobody would see.

Nobody in that study was trying to be foolish. They were trying to keep up. Investing gives the same instinct more ways to hurt. A colleague's small-cap winner, a cousin's crypto gains, a relative's new flat bought on the back of a hot sector fund: each can make a sound, boring plan feel like a mistake.

India's newest investors are especially exposed, because so much of what they hear comes from peers. Sebi's [Investor Survey 2025](#), as summarised by [Outlook Money](#) in January 2026, found that nearly 59% of investors rely on friends, family or colleagues for information about market products, and 56% turn to financial influencers. Some 62% said they had acted on an influencer's recommendation. When the main source of ideas is other people's stories, the stories most likely to travel are other people's gains.

Measuring yourself against the right thing

The practical cure is to replace a moving, social benchmark with a fixed, personal one. Your portfolio has one job: to fund your goals on your timeline, at a level of risk you can live with. If it is on track for that, it is succeeding, whatever your neighbour's portfolio did this year.

That also gives you a simple test for any idea that arrives through envy. Would you buy this if nobody you knew had made money on it? If the honest answer is no, the case for buying is the other person's return, not the investment itself. Newton's case for going back into South Sea stock in the summer of 1720 was strongest at exactly the moment the price was highest.

If you do one thing: Before acting on any idea you heard because someone else made money, write down one reason to buy that does not mention their gains. If you cannot, wait a month. Most opportunities that are genuinely good will still be good; most that are driven by envy will look very different.

Newton was not a fool, and neither are the people who follow their friends into a hot stock or fund. They are human, and envy is one of the oldest human instincts. Munger's gift was to name it and refuse to obey it. Someone will always be getting richer faster than you. The only race that matters in investing is the one between you and your own goals, and nobody else is running in it.

Sources

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