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Why euphoria has returned and some things simply don’t change

Devina Mehra | 16 July 2026

Human history is a tale of technologies that succeeded beyond measure but often still managed to bankrupt their investors.

SUMMARY

The AI story shows signs of a bubble inflated by the greed of common investors fuelling this frenzy. SpaceX’s listing is illustrative. And like other bubbles before it, it’ll probably end with a bang rather than deflate slowly.

Let me start with one of my favourite quotes from a book that explains financial bubbles elegantly, John Kenneth Galbraith’s A Short History of Financial Euphoria: “There can be few fields of human endeavour in which history counts for so little as in the world of finance.”

The beauty of each such episode is that whether it is the non-fungible token (NFT) frenzy of 2021, the mortgage madness prior to the global financial crisis of 2008 or the Indian small and medium initial enterprises public offerings (IPO) boom of 2024, the template remains the same.

During a classic bubble inflation, in the euphoric phase, every member of the mob believes they are smart and all the money being made by them is well-deserved. Those sceptical about the bubble are scoffed at as stupid for not making money. Even those who can see the problems jump in, thinking they can get out ahead of the crowd.

Then comes the burst, which always comes with a bang; it never deflates slowly. All those who planned to exit also cannot do it. Following on its heels is a blame game. Some heads have to be sacrificed: whether of corporations, other entities or people. What remain sacrosanct are markets, including actions of the 'common' speculator. They are never blamed, but maybe they should be.

Because every market madness is as much about lay people being greedy, thinking that they have found a way to quickly multiply their money. It is a willing suspension of disbelief.

This is different from real mis-selling, which also unfortunately happens in financial markets.

We smile when we read of historical bubbles like the Tulip Mania or South Sea bubble, imagining that we would never do idiotic stuff like that. The height of the latter bubble was supposed to be money raised by a company for "carrying on an undertaking of great advantage, but nobody to know what it is." Who would fall for something like that, right?

Now let me read you something from the recent SpaceX IPO prospectus, as cited on *CNBC.com.* SpaceX sees a total addressable market of $28.5 trillion, and said in its prospectus that identifying and creating trillion-dollar market opportunities will be one element of its "repeatable business model." In simple language, SpaceX's business is to keep identifying trillion dollar opportunities that are currently unknown. Same difference.

Not only has SpaceX raised more than $85 billion through its IPO on this promise (in addition to its massive pre-IPO raises), it has done so without giving new investors almost any shareholder rights, something I detailed in my article 'Space X IPO: Does Musk have a divine right to rule the business?' Not only that, Nasdaq, FTSE and several other index providers have diluted their norms to include this new listing in major indices, prompting massive purchases by passive funds, which now dominate global investing. All classic signs of chasing excess.

One category of bubbles are, of course, those that have no real basis, and are more or less are outright scams; NFTs are a recent example.

But the huge losses are usually in technology-led bubbles. The counter-intuitive part is that the biggest damage is done not by technologies that fail, as this damage is on a relatively small scale. The real trail of carnage is in industries and technologies that succeed.

Human history, at least post the Industrial Revolution, is a tale of technologies that succeeded beyond measure but often still managed to bankrupt their investors. From railroads to automobiles, from aviation to the internet, there are technologies that fundamentally changed how almost every human being on earth lives but still proved to be graveyards for investors.

This is due to a combination of over-investment and crazy valuations. The investments never manage to make economic rates of return and then the whole story unravels.

Talking of what is happening currently, artificial intelligence (AI) mega scalers are investing around $800 billion to $1 trillion in a single year, about six times their capital expenditure in a normal year. In addition, most of this is in fast depreciating assets bought at inflated prices because it is a seller's market today for most semiconductor and hardware manufacturers. Add to it the fact that much of this spending is being funded through debt, and you have a build-up to a perfect storm.

An additional level of risk arises from US margin debt—what investors borrow from their brokerages to buy securities. It rose 54% to a record $1.4 trillion by the end of May 2026. Leverage amplifies both profits and losses—it reveals the greed of the 'common investor' in action.

Much of the money is going into what are themselves leveraged technology and semiconductor exchange traded funds. The kind where the recent 10% single-day fall in Korean stocks caused a 30% drop in fund value. If an investor is leveraged on top of this, 90% of the value can vanish in a single day. Even the slightest prick can spiral out of control with leverage being built at multiple levels. It's clearly time for caution.

As an aside, for those buying Gift City products for global investments from any and everybody, remember it is when the tide goes down that you know who is swimming nude.

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