

Tulip Mania

In the 1630s in the Republic of the United Netherlands people speculated with an unusual object - tulip bulbs.



The Amsterdam Stock Exchange - designed by H.P. Berlage and built between 1896 and 1903

After the surrender of Antwerp in the Spanish-Dutch War in 1585, the unprecedented rise of the Netherlands as a European trading power began. In 1602, the first joint stock company, the United East India Company (VOC), was founded. Innovations in shipbuilding led to a rapid increase in the Dutch merchant fleet, securing dream profits for shareholders from the spice trade. This period saw the establishment of the Amsterdam Wisselbank in 1609 and the opening of the world's first official stock exchange building in Amsterdam in 1613.

The Republic of the United Netherlands cleverly stayed out of the turmoil of the 30 Years War. In return, there was freedom of religion and trade.

The period of the 17th century was called the Golden Age and trade flourished. Not the nobility ruled, but a rich bourgeoisie.

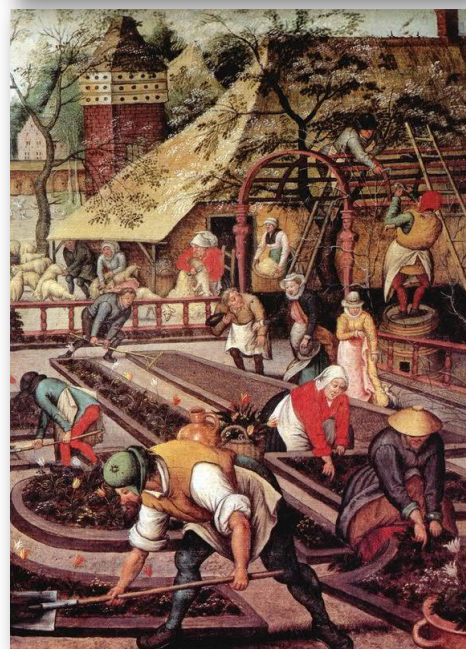
With prosperity came the desire to show it. Paintings by Rembrandt, Rubens and Vermeer, for example, corresponded to the status symbol here, but hundreds of painters also produced a large number of pictures. On average, each Dutchman called 2.5 paintings his own.

In the search for ever more representation, the tulip, which had been introduced to Europe since the middle of the 16th century, took on a special significance. When owning the exotic noble plant, the upper classes were initially not interested in increasing their wealth, but in showing it off. There were only a few of the particularly sought-after bulb varieties (mottled, mosaic). The demand for these tulips increased with the scarce supply and the prices shot upwards.

Over time, these price increases attracted more and more participants to the supposedly lucrative business. Tulip bulbs were not traded on the Amsterdam stock exchange. As a result, unregulated tulip auctions initially took place in the back rooms of pubs. It was there that information about new tulip varieties and price developments was obtained so that tulip bulbs could be purchased and sold at a profit. The prospect of quick money magically attracted more and more citizens, who now became speculators. Greed and inexperience made the prices explode. Even less impressive tulip varieties changed hands up to 10x a day. From 1635 onwards, tulips were traded in "derivatives", early forward contracts in which the buyer paid a predetermined price for physical delivery of the bulb. These contracts, recorded on a strip



A so called „tulip“ stamp was used to mark disinfected mail in Romagna (Italy)



P. Breughel the Younger painted gardening at the tulip bed under the theme "Spring". On the stamp, unfortunately, the tulips are no longer as well visible as in the original.

of paper, were also traded on. Intermediate transactions and air bookings were the order of the day. At that time, people also spoke of wind trade and many a person sold house and yard to get rich on tulip bulbs. According to the law, tulip damage was punishable by imprisonment and there were exchange notes for tulip bulbs.



One of the most sought-after tulips was the "Semper Augustus", which no longer exists, but looked like the tulip depicted on this stamp.

In the winter of 1636/37, the frenzy began. Prices doubled in some cases every 14 days. The particularly desirable tulip bulb of Semper Augustus (the Sublime) was traded at 30,000 guilders. Other varieties also reached astronomical prices. For the value of one rare bulb variety, one could buy a house in Amsterdam. With the sales proceeds of another one one could have financed 2 to 3 ship journeys around the whole world including crew. Even the cheapest "boring" pound goods rose from 60 guilders in the fall of 1636 to 1400 guilders in February 1637.

The abrupt decline in onion prices then also began in February 1637. There are many stories about the end of the speculative bubble. It is generally assumed that the causes can be found in a Haarlem auction, where no one could or wanted to pay the prices demanded. Only discounts made a sale possible. This news went like a shock wave through Holland, including parts of northern France, and prices for tulip bulbs fell rapidly. And now everyone just wanted to sell. More and more people realized that the futures contracts were worthless and tulip

prices plummeted by up to 95%. They were ruined in one fell swoop. During the subsequent processing of the payment obligations, action was taken to the detriment of the growers, who ultimately received only about 3.5% of the negotiated purchase price. This was also done to avert economic damage to the Dutch economy.

Unfortunately, the particularly valuable mosaic tulips (for example, Semper Augustus) can no longer be found today. They are extinct. But in the magnificent hand-drawn tulip books, which were also auction catalogs, you can still admire them today.

And in case history might repeat itself. Exactly 100 years after the bursting of the tulip bubble in 1637, the speculative market of another flower collapsed. In 1737, a hyacinth crash occurred. The hyacinth was also traded in advance at exaggerated prices.

And . . . One hundred years ago, there was hyperinflation.



Just a small impression of the variety of tulips....