



THE GREATEST STORY
BY ZOHEB MASHIUR

A REALLY WEIRD STORY ABOUT FLOWERS

I'd be the first person to admit that I have no clue about flowers. At most I can identify a sunflower or a rose – but only if it's red. I'd likely be an unpopular employee in the Dutch horticultural sector, which accounts for 80% of the world's trade in flowers. They do take their flowers seriously there.

Possibly the tulip is the flower the Dutch prize the most. I had to Google what is so special about them (again, totally clueless on my own) and it is the saturation of their colours. Very vivid petals, but I can't justify crashing an entire country's economy for them, which is what the Dutch allegedly did in 1637.

The tulip was introduced to the Netherlands in the 1500s from the Ottoman Empire, and by the 1600s were all the rage. This was the Dutch Golden Age, when the newly independent nation became a world centre for trade, commerce and culture. The tulip's intense colours made it desirable as a status symbol, and the fat wallets of the Dutch traders moved them in strange ways.

Tulip bulbs do not flower before seven or even twelve years of age, and bloom for only a few months of the year. The time periods involved in the tulip trade forced the development of a rudimentary futures market. Tulip traders in the present would enter into a notarised contract to buy and sell tulips when they matured – around a decade

later.

As the financial markets grew sophisticated around the tulip industry, that industry itself tapped into the booming demand by manufacturing increasingly rare strains of tulip using rudimentary genetic engineering. A complex classification system for tulips developed in the market, with the "bizarre" multi-coloured strains proving most sought-after. Tulip-growers actively cultivated flowers afflicted with the mosaic virus that broke the petals into multiple hues. Cultivators sold off the very wildest, rarest specimens with names like "Admiral of Admirals" or Alexander the Great. Pedigree flowers.

The rarity and demand of tulips drove prices sky high. A bulb that cost a guilder in 1634 could have sold for sixty guilders by 1637. Merchants invested their all in tulips in an attempt to get rich quick, and by the winter of 1636-37 tulip contracts were being traded as much as ten

times a day. By this time a generic, unbroken tulip bulb could cost ten years' income for an average craftsman.

The frantic trade couldn't be supported forever, and like all market bubbles eventually it popped. In February of 1637 the first trend of buyers defaulting on their very expensive tulip contracts began to emerge, leading to a spiralling situation where buyers began to opt out en-masse, leaving the hapless sellers up the creek without a paddle. Prices fell a hundredfold, and the Dutch government tried to redeem matters by offering to purchase tulips at 10% of their value. So the mighty tulip market fell, pulling the Dutch economy into recession with it.

The modern discussion on Tulip Mania stems from the 1841 book *Extraordinary Popular Delusions and the Madness of Crowds* by Charles Mackay. He chalked it up to irrational behaviour, and threw in anecdotes that were amusing

but unlikely to have been true. Modern economists believe that plague in Amsterdam made people less risk-averse, since any day could be their last; moreover, in the absence of penalties how irrational is it to gamble on something increasingly valuable and then default if things go south?

To conclude I'd like to add that I still don't understand flowers.

Factsheet: Horticulture. (n.d.).

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Zoheb Mashiur is a prematurely balding man with bad facial hair and so does his best to avoid people. Ruin his efforts by writing to zoheb.mashiur@gmail.com

