

Book Review for 05/04/03 by Steve Jarrell

Title: "Tulipomania: The Story of the World's Most Coveted Flower and the Extraordinary Passions It Aroused"

Author: Mike Dash

Publisher: Three Rivers Press

Length: 273 pages

Reading time: 4-5 hours

Reading rating: 8 (1 = very difficult; 10 = very easy)

Overall rating: 3 (1 = average; 4 = outstanding)

An investment bubble over tulip bulbs sounds incredible. How could hysterical investors, who sought a quick fortune, think a tulip bulb was worth 5,200 guilders in 1637, the peak of the boom and start of the bust? That price is about 170% of the average yearly earnings of well-off merchants in the 1630s, 350% of middle-ranked merchants, 2080% of carpenters' earnings, and 325% of Rembrandt's fee for "The Night Watch" a few years later in 1642.

If the carpenter and artist comparisons seem irrelevant, they were not. Before it was over, workers struggling to avoid poverty sold the tools of their trade with the gleam of gold in their eyes and joined the fracas. The artist Jan van Goyen traded his paintings as well as his money. He never recovered financially. We enjoy many of his works today because he struggled to feed his family on the downside of the market, or so the author, Dash, speculates.

The frenzy is reminiscent of attitudes during the recent stock market boom. Fed by expectations of ever-growing returns, stock prices skyrocketed.

But demand and expectations are only one side of the market. A limited supply, as in the tulip craze case, an uncertain supply, along with uncertain ownership, uncertain existence, uncertain trade rules, and uncertain enforcement of the rules all set traders up for ruin on the downside of the bubble.

Speaking of scarcity, the author details the history of tulips. They began as wild flowers in Asia many centuries ago. Then they arrived in Holland, via the Ottoman Empire, probably in the 1500s. At first, the colorful flowers, with extremely slow reproductive properties, attracted patient, devoted growers. Wealthy buyers also sought some receptacle for the excess funds they accumulated during the Dutch Golden Age.

Botanical properties produced a scarcity of tulips, especially for any particular pattern or color. These properties include slow growth (six or seven years from seed to flower-producing bulb), unpredictable color and pattern from seed, few offsets from bulbs each year, and a short, 2-3 year life of the mother bulb. Finally, a tulip virus "broke" many solid-colored flowers into variegated and striated patterns. These patterns were

unpredictable before the flower bloomed each spring but predictable once the bulb was "broken" by the virus.

As the bubble grew, even common, solid-colored varieties attracted buyers who paid outlandish prices -prices many times the value of the bulbs - to growers and connoisseurs. Eventually the high bulb prices and high profits attracted "the greed, inexperience, and shortsightedness of the florists"... "all that was required to turn tulip trading into tulip mania."

Check out this book for more details about the history of the tulip, the connoisseurs who appreciated it and cultivated it for its beauty and properties, the "maniacs" who risked everything, the taverns they used as tulip exchanges, and finally some comparisons with other bubbles.

Botanists will probably keep up with all the varieties' specific names better than I did. There are too many incidental details in the text rather than footnotes, but overall it's not difficult to follow the flow of this financial tale. Still hoping for golden manna myself, it's nice to be safe on this side of the tulip bubble, smelling like a rose so to speak.

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