

TULIP MANIA

The World's First Financial Bubble

Netherlands, 1637 | Market Mayhem Series EP01

KEY FACTS

Event:	Tulip Mania (Tulpenmanie) - the world's first recorded speculative bubble
Location:	Dutch Republic - Amsterdam, Haarlem, Leiden, Rotterdam
Timeline:	Major acceleration 1634-1636; peak winter 1636-1637; crash February 3, 1637
Origin:	Ottoman Empire to Vienna (1554) via Ogier de Busbecq, then to Netherlands (1570s) via botanist Carolus Clusius
Most famous bulb:	Semper Augustus - white petals with crimson flames. Only 12 bulbs existed in 1624.

PRICE DATA

Semper Augustus:	1,000 guilders (1623) > 2,000 (1625) > 3,000 (1625) > 5,500 guilders (1637)
Viceroy bulb:	~6,700 guilders in Feb 1637
Average income:	~150 guilders/year (general); ~350 guilders (skilled craftsman)
Modern equivalent:	\$330,000 - \$825,000+ for a single Semper Augustus bulb
Price rise rate:	Prices rose ~20x in a single month during peak mania (Dec 1636 - Jan 1637)
Crash speed:	Prices dropped ~99% within days of the February 3 trigger

THE FAMOUS VICEROY TRADE

One Viceroy bulb was exchanged for: 4 tons of wheat, 8 tons of rye, 4 fat oxen, 8 fat swine, 12 fat sheep, 600 litres of wine, 4,000 litres of beer, 2,000 litres of butter, 1,000 lbs of cheese, a bed, a suit of clothes, and a silver drinking cup.

TRADING MECHANISM

Venues:	Taverns ("colleges") across Dutch cities became makeshift exchanges
Futures market:	"Windhandel" (wind trade) - contracts for bulbs still in the ground
Leverage:	Buyers paid just 2.5% deposit, delivery in summer months
Speculation:	Contracts changed hands up to 10 times per day. Most buyers never intended delivery.
Who traded:	Everyone - merchants, artisans, weavers, brewers, chimney sweeps, sailors

THE CRASH

Trigger:	February 3, 1637 - routine bulb auction in Haarlem. A buyer failed to show.
Cascade:	No new buyers found. Confidence shattered overnight. Panic selling across all Dutch cities.
Aftermath:	Courts flooded with lawsuits. Government offered contract voiding for 10% penalty. Bankruptcies mounted.

TIMELINE

1554	First tulip bulbs sent from Ottoman Empire to Vienna
1570s	Carolus Clusius plants tulips at University of Leiden
1623	Semper Augustus: 1,000 guilders (only 12 bulbs exist)
1625	Semper Augustus rises to 2,000-3,000 guilders
1634	Speculative buying begins in earnest
1636	Windhandel (futures market) created in taverns. Trading expands to all social classes.
Nov 1636	Even common bulb varieties begin soaring in price
Dec 1636	Prices rise 20x in a single month. Peak mania.
Feb 3, 1637	CRASH: Haarlem auction fails. No buyers found. Prices collapse 99%.
Feb-Mar 1637	Lawsuits flood courts. Government offers 10% exit clause.
1637+	Dutch Calvinist moralists publish satirical pamphlets condemning speculation.
1841	Charles Mackay publishes "Extraordinary Popular Delusions and the Madness of Crowds"

MIND · METHOD · MONEY LESSONS

MIND (Psychology)

Herd psychology and FOMO drove the mania. When chimney sweeps are quitting their jobs to trade flower bulbs, that is not a signal to buy. When everyone around you is getting rich from something they do not understand, that is a signal to be extremely careful. The pressure to join a mania is almost unbearable, but it is precisely the moment discipline matters most.

METHOD (Analysis)

Not a single tulip trader performed fundamental analysis. Nobody asked: what is this bulb actually worth? It produces a flower that blooms for one week. The entire price was based on the Greater Fool Theory: the belief that someone else will pay more. If you cannot explain what an asset is worth without referencing what someone else might pay, you are gambling, not investing.

MONEY (Risk Management)

The windhandel was leverage at its most dangerous: 2.5% down, contracts flipping 10 times daily, exposure vastly exceeding ability to pay. The same structure that destroyed Dutch flower traders in 1637 blew up Wall Street in 2008 and crypto traders in 2022. Leverage amplifies everything: gains on the way up, devastation on the way down.

MODERN PARALLELS

NFTs (2021): digital images traded for millions with no underlying cash flow. Beanie Babies (1990s): collectibles driven by manufactured scarcity. Crypto meme coins: assets whose only value proposition is that someone else will pay more. The pattern from 1637 repeats with remarkable precision: new asset class appears, early adopters profit, FOMO drives mass adoption, leverage amplifies the mania, reality reasserts itself, collapse follows. 400 years of financial history, and the psychology has not changed.

KEY SOURCES

Charles Mackay, "Extraordinary Popular Delusions and the Madness of Crowds" (1841) | Anne Goldgar, "Tulipmania" (2007) | Peter Garber, "Famous First Bubbles" (2000) | Mike Dash, "Tulipomania" (2000)

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