

Tulipmania: Money, Honor, and Knowledge in the Dutch Golden Age. *By Anne Goldgar.* Chicago: University of Chicago Press, 2007. xx + 425 pp. Illustrations, figures, notes, index. Cloth, \$30.00. ISBN: 978-0-226-30125.

Reviewed by Deirdre McCloskey

We have all heard of the maddest episode of early capitalism, indicative, apparently, of its continuing madness—the tulipmania of 1636 to 1637. Some mad Dutchman bought for the price of a good house, of all things, a single tulip bulb. This usual story, repeated for 370 years on the basis of one censorious pamphlet after the crash, depends on Mackay’s *Extraordinary Delusions and the Madness of Crowds*—published first, astonishingly, in 1843. Mackay’s book, Anne Goldgar notes in her engaging and definitive study of the actual history of the tulip trade in the period, “is still in print and doing well” (p. 5). But the truth, she discovers, is that “most of what we have heard about [tulipmania] is not true” (p. 7).

Contrary to the anticapitalist moral drawn by some of the pamphleteers and reiterated through the years down to the twentieth century, Goldgar argues that interest in tulips was an admirable instance of scientific curiosity among ordinary citizens. She points out that the mania was brief and of little economic consequence, proving her case with one seriously documented story after another. She has gone right back to the sources, and she never takes the word of the pamphleteers or the later historians using them, or indeed the word of many economic historians. Her strictures about N. W. Posthumus’s transcriptions of prices—for example “hondertvijfentseventich” read as 125—is daunting to someone without her archival energy.

Goldgar puts the brief mania lasting from the summer of 1636 to early February 1637 into its historical perspective, beginning with the introduction of the tulip from Turkey in the late sixteenth century, through its decades of gift exchange in the Dutch Republic among *liefhebbers* (connoisseurs), the economics of collecting and self-fashioning, and the disturbance to honorable dealing that the crash created. The best chapter in the book, well worth the price, is the long chapter four (all her chapters are long), “Grieving Money.” The title is a play on the Dutch term

rouwkoop for what is called in American real-estate transactions “earnest money,” that is, money you have to pay even if you can’t go through with the deal. After the peak of prices in early February 1637, and especially when the formerly expensive tulips started blooming in May 1637, many people were paying *rouwkoop* on tulip transactions, or beginning arbitration, or, in extreme cases, going to court. Until then, however, the trade was viewed by contemporaries—and by Goldgar—“as not a crazy *windhandel*” (Dutch sailors buying bags of wind from the Lapps, for example), “but simply a trade of a new product, one of many new products that had been flooding the country for the previous forty and more years” (p. 224). She agrees with the economist Peter Garber, who argued in 1994 that tulip prices behaved pretty much as new luxury products always have. True, tulips were sold growing in the garden, before the crop of bulbs was lifted, as speculation (or hedging, depending on which side of the market you were on). But so were Baltic grain, North Sea herring, and East Indian spices—or for that matter grain bought in the field by Cistercian monks during the Middle Ages. “[T]his kind of trading in commodities for future delivery was no new thing in Dutch society” (p. 217). Tulips were a gamble, true, but Goldgar plausibly argues that the enterprising Dutch of the early Golden Age were accustomed to risk, and could shed much of it by diversifying. It is falsely claimed, she shows, that ordinary people were spending on tulips the equivalent of the price of a house. And anyway, the famous house-value accusation, much repeated, is based on little evidence, and that drawn from accounts recorded at the very brief peak of the craze. “The numbers involved in the tulipmania never reached the all-encompassing picture painted by many authors. . . . What transfixed pamphleteers in 1637, and has continued to fascinate writers on tulipmania ever since, were the prices reportedly paid at an auction in Alkmar on February 5, 1637” (p. 215). After surveying the entire course of the trade in Holland, she could identify thirty-seven people who spent more than 400 florins on bulbs over their careers, mostly international merchants well able to afford the risk. True, the sum was over a year’s wages for a workingman. But after all in 1602 Isaac le Maire had invested 85,000 florins in the Dutch East India Company.

Though it is churlish of me to fault her immense scholarly range, I do wish Goldgar had consulted more deeply with economists and calculators. She nowhere provides a price series of tulips. Though she has the sources for a “few tulips [i.e. varieties] for which it has been possible to construct proper price series,” she doesn’t print a series (p. 213). (She declares that “there is no single ‘market’ price, since tulips were not sold at a central place.” Well, neither are sheep or

candles, but we have price series on them.) And there is an economic reason for why the end of bubbles cannot be explained (she is worried that in 1637 it cannot). If the end could be explained by us later, then it is all the more likely that the timing of the bust could be figured out by people on the scene. But if so, the people on the scene could extract themselves from the bubble just in time. However, if they could do so, there would not have been a bubble at all. Enter the clever economists.

What business historians can learn from first-rate history such as Goldgar's, though, is more impressive. "Tulipmania," she writes, "was in many ways an event dependent on talk" (p. 169). Yes, indeed. "Social existence in towns like Haarlem, Enkhuizen, and even Amsterdam [centers of the tulipmania] depended very much on a set of economic interactions and networks that had by their very nature to militate against the individualistic" (p. 13). So it does today, contrary to the belief on the left and the right that capitalism is alienating. On the contrary, business depends on language and trust. In the Netherlands, an entirely new trust in the promises of strangers, something unheard of in noncommercial Europe before, made business cycles ordinary. And thence made the modern world.

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