

An Historical Analysis of Stock Market Bubbles: Could Bitcoin Be Next Dutch Tulip Mania?

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Abstract

Tulip mania was a period during the Dutch Golden Age when contract prices for some of the recently introduced and fashionable tulip from Turkey reached extraordinarily high levels – over 1000% increase in a short period of time and then dramatically collapsed in February 1637. The country's national flower was the cause of the world's first recorded speculative asset bubble in history owing to a trendy new tulip. The term "tulip mania" is now often used metaphorically to refer to any large economic bubble when asset prices deviate from intrinsic value. The bulb reached a price more than ten times the average wage of a skilled worker.

The question at this point is will bitcoin be next tulip mania? Given the historical precedent with other financial bubbles - bitcoin and other cryptocurrency mania are bound to be the next financial bubble. Bitcoin started in 2010 virtually free to over \$60,000 in March 2021. Analyzing the graph and the digital framework bitcoin is in bubble territory. Since last year bitcoin has surged more than 1000% and a market cap is over \$1 trillion - this is a bigger and faster increase than the famous bubbles such as the dot-com bubble of the late '90s or the housing financial bubble before 2007. Some wise economists have warned that the entire cryptocurrencies market might be in "the mother of all bubbles" Looking at its price one can conclude that is behaving irrational and speculative. Using various data, this paper examines the cause of Dutch tulip bubbles and will try to predict the next financial bubble in bitcoin.

Keywords: Dutch Tulip Mania, Bitcoin, financial bubble, housing bubble 20007