

# Tulip Mania

#### "It was the first real estate bubble in history"

It arose in the Netherlands in the 17th century.

At that time the tulip was the greatest exponent of richness, thanks to the inexplicable variations that arose in some of its bulbs, resulting in multicolored and unrepeatable bulbs.

During the first three decades the tulip was the star of the gardens and its price was increasing.

In 1630 the market jumped from the upper classes to the middle and lower classes.

In 1636, the purchase and sale of future bulbs from the next collection came into operation.



The more extravagant the flower was, the more coveted it was and, therefore, the higher its price on the market



Then, 40 bulbs were sold for 100,000 guilders, but in just a couple of months the value of the tulip dropped by almost completely.



## Consequences

In that year the bubble finally burst and the price of tulips began to plummet.

Everyone wanted to get rid of tulip bulbs, causing numerous bankruptcies and panic throughout the country.

The large number of contracts that could not be met and the lack of collateral in this strange financial market drove the Dutch economy into bankruptcy.

## The Mississippi Company

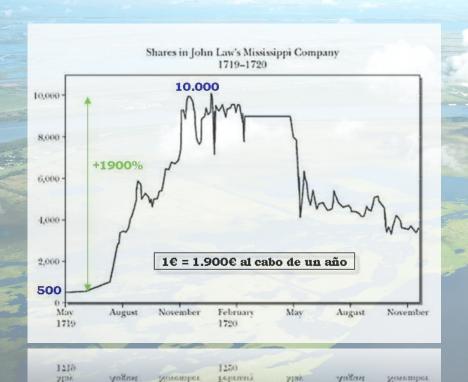
**John Law** was a great economist who, after seeing how coins were exchanged for credit certificates that proposed a different commercial system, wanted to improve it.

#### In 1717 he created Mississippi Company.

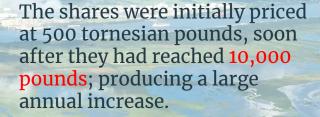
Law proposed replacing the metallic currency with a paper currency based on government debt that had been converted into shares in a company.

Having this empire built, Law could not contain his ambition for money; so he promoted the Company very well.





500



By 1720 the Mississippi Company had merged commercially with the General Bank of France; printing a larger quantity of bills and coins than the backing granted.



## **Consequences**

During several stages, Law was in charge of devaluing the currency to 50% less than its nominal value. Faced with this debacle, Law fled France and his detractors seized power of the Company by seizing its shares.

By September 1721, the bonds were worth the same as at the beginning of their sale.



This is how we can say that, thanks to the financial bubble of the Mississippi Company, the use of paper money is implemented in daily life; in the same way, we begin to know the different variants of inflation.

# South Sea Company



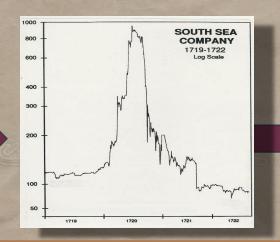


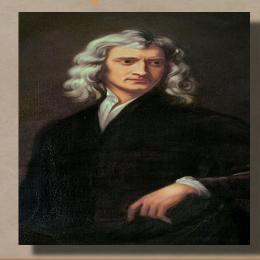


- In the 18th century - year 1710 (ROBERT HARLEY AND JOHN BLUNT) founded the South Sea Company - England had a public debt and management problem because of the War of Succession. To deal with the difficulties, the Chancellor of the Exchequer created the South Sea Company. -The purpose was the placement and management of British debt, so creditors were to exchange their public debt securities for shares in the South Sea Company.

# South Sea Company







The South Sea Company ended in 1850. The Hollow Sword Blade Company that had been the main cashier of the company stopped paying, had to disburse money faster than it was coming in.

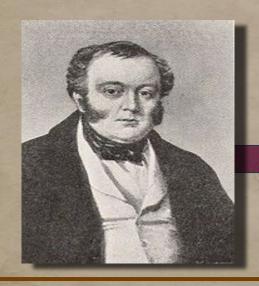
The stock plummeted and many of the directors and officers of the company were arrested.

The fallout led to the dissolution of the Parliament, which was replaced by a commission.

One of the worst affected was Isaac Newton.

# The Railway Mania









In the 1840s, George Hudson created the "railroad mania" bubble in the United Kingdom of Great Britain and Ireland.

As the price of railway shares rose, suppliers invested more money, which increased the price even more, until the share price collapsed.

At the end of 1845 the Bank of England raised interest rates and began to invest in bonds, taking the money out of the railroads, the price stabilized and overnight left companies without funds.

# THE 1929 BLACK THURSDAY

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THE GREAT DEPRESSION







It was an economic bubble in Japan from 1986 to 1991 in which real estate and stock market prices were greatly inflated.

Japan's economy was the envy of the world in the 1980s. It grew at an average annual rate (as measured by GDP) of 3.89% in the 1980s, compared to 3.07% in the United States. But Japan's economy ran into troubles in the 1990s.

The Bank of Japan raised interest rates to try and stem the speculation.

It is largely due to speculation during a boom cycle.

Property and public company valuations (more than tripled)

HISTORICAL CONTEXT

JAPAN IN AND THREE **DECADES** 





Early research found that the rapid increase in Japanese asset prices was largely due to the delayed action by the BOJ to address the issue. At the end of August 1987, the BOJ signaled the possibility of tightening monetary policy but decided to delay the decision in view of economic uncertainty related to Black Monday of 1987 in the United States

### CONSEQUENCES

#### ASSET PRICE:

The average land price dropped

15.5% from its peak.

FINANCIAL AND

**BANKING SECTOR** 



#### CORRUPTION

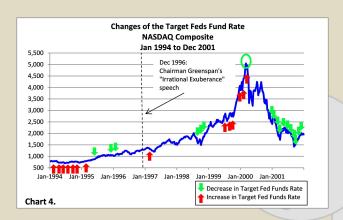
It was revealed that corruption, which included bribery, insider trading, stock manipulation schemes and fraud, was pervasive in every aspect of Japanese society.

HOUSEHOLD IMPACT

CORPORATE IMPACT



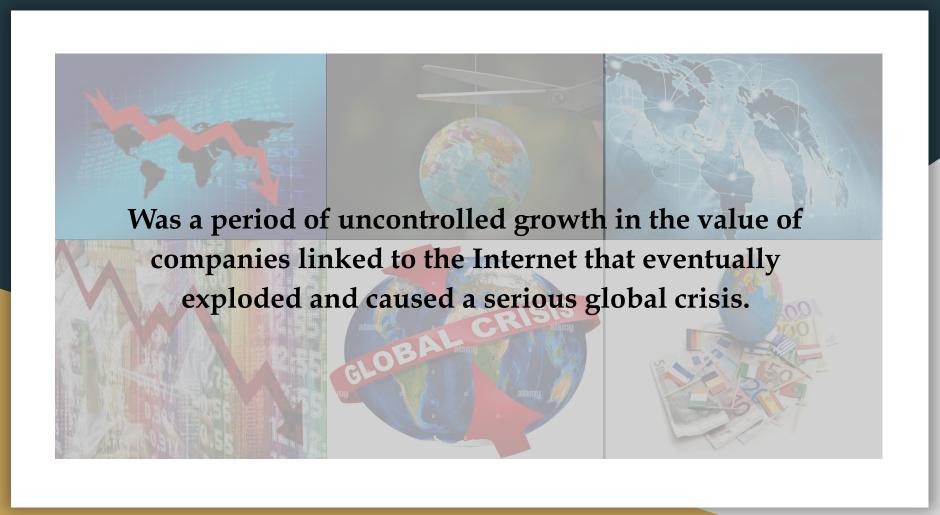
It happened in the late 1990s. Things started to change in 2000 and the bubble burst between 2001 and 2002, with stocks entering a bear market.







The pioneer was the computer company Symbolics, in Massachusetts (USA).



The cause of the dotcom bubble can be attributed to the following factors:

- 1. Overvaluation of dotcom companies
- 2. Abundance of venture capital

3. Media frenzy



The useful life of a dotcom company was measured by its depletion rate, in other words, the rate at which it used up existing capital.

Many dotcom companies ran out of capital and were liquidated.



# The housing boom

# The U.S. housing bubble of the 2000s affected more than half of the states in the country.



Housing prices peaked in early 2006, began to decline in 2006 and 2007, and reached new lows in 2011.





They can occur in local or global real estate markets. In their later stages, they are often characterized by rapid increases in real estate valuations to unsustainable levels relative to income.

#### Causes of housing boom:

-Housing tax policy
-Deregulation
-Mandated loans
- Historically low interest rates









It is widely believed that the increased degree of economic activity produced by the expansion of the housing bubble in 2001-2003 was partly responsible for avoiding a full-scale recession in the U.S. economy following the dotcom bust and offshoring to China.

## The Cryptocurrency

What is crypto? / How it happended?

-All started in: 31 OCT 2008 // Nakamato

-Published "BCN White paper" - its function and blockchain network

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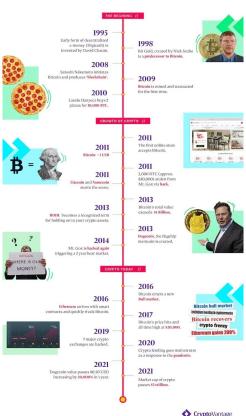
-The whole project formally started on 18 AUG 2008

A digital currency -decentralized (doesn't rely on central banks)- to verify worldwide transactions.

Stored in digital wallets.

bitcoin Company Constitution of the Constituti





#### **Historical context:**

#### **Beginnings**

<1980s- "cyber currencies" idea appears>

<2008/9 introduction to BCN>

The crypto market begins to form

(Era of Crypto:)
Scams dominate
headlines

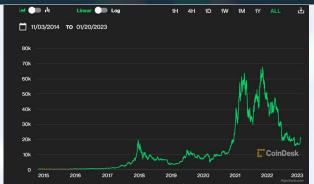
**BCN: WWP** 

Bust & Recovery(& viceversa)

#### Behind the Scenes - Background

- -First mentioned: 1989 by American cryptographer David Chaum. He invented the digital cash.
- -It wasn't until 1990s that began to exist cryptographic protocols and software.

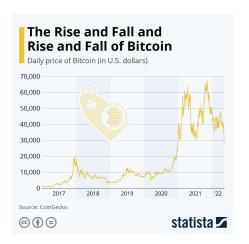






- -Reason of why exploded: current volatility in the global economy
- -Helped trigger a fall in the value of Bitcoin, its competitors and a host of crypto businesses.

#### What were the repercussions/consequences?



- Short term: wiped millions of investor portfolios however there still are some inevitable damages:



<sup>o</sup>fall in BCN's prices: pressure on exchanges

<sup>o</sup>converting to dollars/pounds

-Most importantly: may have more regulations as we go more into "the BCN mania"

Crypto are the largest cryptocurrencies by the total dollar value of the coins in existence = Market capitalization

BITCOIN(BCN)





TETHER(USDT)



#### Proper Names of TOP 5 CRYPTOS



BINANCE COIN (BNB)









