
CHAPTER 2

The Fallacy of Supply and Demand

*Why the Price of Pearls—and Everything Else—
Is Up in the Air*

At the onset of World War II, an Italian diamond dealer, James Assael, fled Europe for Cuba. There, he found a new livelihood: the American army needed waterproof watches, and Assael, through his contacts in Switzerland, was able to fill the demand.

When the war ended, Assael's deal with the U.S. government dried up, and he was left with thousands of Swiss watches. The Japanese needed watches, of course. But they didn't have any money. They did have pearls, though—many thousands of them. Before long, Assael had taught his son how to barter Swiss watches for Japanese pearls. The business blossomed, and shortly thereafter, the son, Salvador Assael, became known as the "pearl king."

The pearl king had moored his yacht at Saint-Tropez one day in 1973, when a dashing young Frenchman, Jean-Claude