



Chapter 1

RECESSION

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Take a moment to look back on economic history in America through the rose-tinted glasses of innovation. You will see the same history, but with a softer tone and a vision of hope. The story is told with a clear focus on innovation. Once you experience the economic tides of innovation, you will understand the ocean of opportunity in a new light.

Terrible times are no match for innovation. A number of great companies have been started during economic downturns. For the purposes of this book, I limited my criteria for what I call a *great company* to those that have continued operations or brand equity through 2009. This eliminates many great innovations, but nevertheless provides a substantial list of companies for the purposes of demonstrating the powers of innovation.

Before we begin our excursion, let's develop a semantic guide to the evolution of the terminology of terrible times. As America has matured, so has the economic language we use to describe bad economic times.

The softening of the language is an effort to calm and restore the confidence of people, which plays a huge part in the ebbs and flows of the economy.

In the 1700s, the preferred description of terrible times was *panic*. It's a word that describes the frenzied scramble to keep the economy afloat. This term stayed in vogue for a while, but lost ground to the dual terms of *depression* and *recession*. These terms have varying degrees of difference, but describe the same kind of economic disaster. That is, until you precede the word *depression* with the adjective *great*. At that point, you have reached the pinnacle of terrible times terminology.

There can and will only be one period in U.S. history described as the Great Depression (1929–1939). This term should describe the worst of the terrible times. It is the standard by which all terrible times terminology will be compared in the future.

Accordingly, we have retreated to the reliable term *recession*, but have introduced even more palatable, situation-specific expressions such as *oil crisis* or *bursting the dot-com bubble*.

Furthermore, if we must admit that there is a recession, we tend to understate the label in a sort of economic optimism. You might hear terms like *downturn* or *slowdown*. We even find terms that refuse to admit the downward trend, such as a *sideways movement*.

For the purpose of this book, I really don't care what you call it. Whatever term gives you more comfort is the one I recommend, but please understand there is not a dime's bit of difference between them as it relates to innovation.

(Note: Unemployment rates weren't calculated by the U.S. Bureau of Labor Statistics prior to 1929. All sections on post-1929 recessions will include that data.)

PANIC OF 1797 (1797–1800)

Sailing back to 1797 allows us to experience the first recession in the United States. America was a new nation back then and this turbulent time wreaked havoc on its young economy. The major culprit was the

Bank of England. The Bank was already reeling from the effects of the French Revolutionary War between England and France. This war had caused deflationary repercussions in England. The bank was tied into American commercial and real estate markets and caused the first major disruptions in America's fledgling economic system.

As the American economy began its first battle with a recession, innovations and start-up companies were flourishing. Of course, this young country needed financial services—specifically, banking and investment assistance—to fund and foster business growth. Two companies would emerge from this recession to create financial forces that would impact the American economy for generations to come.

Great companies that started during this panic include what would eventually become the largest American bank, Chase Manhattan; and the first company to organize an IPO, Alex, Brown & Sons.

DEPRESSION OF 1807 (1807–1814)

In 1807, U.S. President Thomas Jefferson and Congress passed the Embargo Act. This bill barred trade between the United States and other nations. Eventually the bill was proved unenforceable and was repealed in 1808, but not before it had devastated the shipping industry and caused serious stress to the economy. Many people who worked in the shipping industry were unemployed and the businesses associated with the industry were devastated.

Innovation was introduced into industries ranging from publishing to textiles, home appliances, insurance, pottery, and liquor, to name a few.

Great companies that began during the depression of 1807 include John Wiley & Sons, The Hartford, Rogers Orchards, Roper Industries, Bybee Pottery, and Woodford Reserve.

PANIC OF 1819 (1819–1824)

The panic of 1819 is considered the first major financial crisis in American history, and for good reason. After the War of 1812, the U.S. economy saw an enormous and robust expansion. However, as the

panic of 1819 began to have its full impact, the United States began to experience a crisis that would be pervasive and damaging. It spanned the areas of real estate, banks, manufacturing, and agriculture. Unemployment rates reached levels never before seen in this young country.

This panic produced giants in the fields of manufacturing, food processing, publishing, and energy.

Great companies that began during the panic of 1819 include William Underwood Company, Consolidated Edison, Fairbanks Morse, and HarperCollins.

PANIC OF 1837 (1837-1843)

The introduction—or rather, *innovation*—of paper currency initially had a devastating effect on the U.S. economy. Speculation was widespread at this time, but the realization that the banks would be circulating paper instead of gold and silver coins created a panic. Confidence in the banking system collapsed and the result was the failure of many banks across the country.

This panic may have frightened the faint of heart, but for innovators this period produced a banner crop of companies that remain today as icons of innovation.

Great companies that started during the panic of 1837 include Procter & Gamble, Tiffany & Co., Berkshire Hathaway, Dun & Bradstreet, Motts, and Stanley.

PANIC OF 1857 (1857-1858)

The failure of the New York branch of the huge Ohio Life Insurance and Trust Company sent shock waves throughout America and Europe. This resulted in a drastic decrease in European speculation for U.S. railroads, consequently crippling many railroad-related businesses and putting great pressure on U.S. banks, which lost consumer confidence. The jobless rate soared all over the United States and brought

with its regular protests by laid-off workers. This was the first recession that was fueled by a reactive European influence, and the first to demonstrate the interrelated effects that a world economy can cause.

Nonetheless, new inventions and companies sprouted up across America that would become part of Americana forever. *Great companies* that started in the panic of 1857 include Macy's, Bemis Company, Fifth Third Bank, Cooper Chemical Company, and First Hawaiian Bank.

THE LONG DEPRESSION (1873-1879)

The Long Depression, resulting in a nationwide downturn, was caused by two significant economic events. First, on May 9, 1873, the Vienna Stock Exchange in Austria crashed. This had a crushing effect on the largest American Bank, Jay Cooke & Company in Philadelphia, which eventually declared bankruptcy on September 18, 1873. Second was the adoption of the Coinage Act of 1873, which embraced gold as the standard and demonetized silver. Together, these events had a rippling negative effect through the U.S. economy that lasted seven years.

The Long Depression produced an even longer list of innovators that would build companies that would stand the test of time. *Great companies* that started in the Long Depression include Adolph Coors Company, Barnes & Noble, Cincinnati Bell, Kohler Company, Puget Sound Energy, Ralphs, Zions Bancorporation, ADT Security Services, Bank of America, Pacific Press Publishing Association, R.J. Reynolds Tobacco, Chagrin Falls Popcorn Shop, Conoco Inc., Performance Food Group, Prudential Financial, Stacy Adams Shoe Company, Thomas Organ Company, A. Schwab, BVD, Bernzomatic, Diebold, Eli Lilly and Company, Hendrick Manufacturing Company, Jockey International, Ladenburg Thalmann, Spalding, Bee Group Newspapers, Burpee Seeds, E.W. Scripps Company, F.W. Woolworth Company, Geiger, Menen, Mohawk, St. Louis Refrigerator Car Company, Bankers Life and Casualty, Chattem, Chevron Corporation, General Electric, Inglenook Winery, McNeil Laboratories, I. Magnin, Principal Financial Group, and Scott Paper Company.

PANIC OF 1893 (1893-1896)

Railroads were the speculators' choice of investment in the late 1800s. When they went bad, they had a crippling effect on the economy. The Reading Railroad (yes, it was an actual railroad before the PBS show) of the United States failed, which influenced European investors to withdraw their investments, which in turn crushed the economy.

The broad-based effects of this bankruptcy caused the loss of many jobs, and it also affected the stock market as investors began to pull their money out of the markets. In addition, many banks failed. These major activities also caused a run on gold and incited panic throughout the financial markets.

As you now might suspect, this depression did not keep the innovators down; in fact, many would say this crop of companies might be the sweetest of them all.

Great companies that started in the 1890s recession include IBM; The Hershey Company; Maytag; Weber-Stephen Products Co.; Popular, Inc.; Tootsie Roll Industries; Stags' Leap Winery; Stewart Information Services Corporation; Eckrich; G.R. Kinney Company; Gelco; Cowles Publishing Company; Melville Shoe Corporation; Stromberg-Carlson, Tutor Perini Corporation; DePuy; Elliott Company; Harris Corporation; Lennox International; Lincoln Electric; Malheur Bell; J.C. Newman Cigar Company; Post Foods; Schwinn Bicycle Company; Anchor Brewing Company; Church and Dwight; Macmillan Publishers; New York Telephone; Schmitt Music; T. Marzetti Company; and the Wisconsin Energy Corporation.

PANIC OF 1907 (1907-1908)

The first major financial crisis of the nineteenth century was precipitated by the failure of several Wall Street brokerages and the collapse of the Knickerbocker Trust Company. This resulted in a contracted money supply, which led to the failure of many businesses and financial institutions.

The Cleveland administration worked closely with J.P. Morgan to restore order by channeling money from larger institutions to smaller ones. This crisis led the country to eventually pass financial reforms and establish the Federal Reserve System, an innovation in itself.

The woes of Wall Street had little impact on the surging innovation and entrepreneurial spirit in America at the turn of the century, as demonstrated by the many new ideas and companies that were created during this period.

Great companies that started during the panic of 1907 include Bessemer Trust, Block Drug, Blue Bell Creameries, Böwe Bell & Howell, Dairylea Cooperative Inc., Dr. Scholl's, Dutch Boy, Faygo, Integrys Energy, Leupold & Stevens, Moody National Bank, Neiman Marcus, Praxair, The Hoover Company, UPS, Western Publishing, Briggs and Stratton, Bush Brothers & Company, CIT Group inc., Converse, Filene's Basement, Fisher Body, General Motors, Harley Ellis Deveraux, Holler House, Pero Vegetable Company, Speed Queen, Williams Companies, and Yale University Press.

POST-WORLD WAR I RECESSION (1918-1922)

The end of World War I brought with it extremely high employment and inflation. This reflected the decrease in manufacturing production that was no longer necessary during peacetime. Not only did people who had jobs during the war lose them, but troops returning from war struggled to find employment as well. This combination drove unemployment to record highs. With no precedent with which to compare, America was unprepared to deal with this confluence of negative factors in the economy.

This adjustment may have caused the increase in the amount of innovative activity that was demonstrated by the many new ideas and companies that sprouted up during this period.

Great companies that were started in the post-World War I recession include A-Treat Bottling Company, AgStar Financial Services, Brookville Equipment Corporation, Celanese, Cowen Group, Dominick's, Houchens

Industries, Peragallo Pipe Organ Company, Ritz Camera Centers, TIAA-CREF, The Timberland Company, Universal Corporation, West Coast Shoe Company, Woodman's Food Market, Zenith Electronics, Allen Family Foods, Boone Drug, Charles of the Ritz, Columbia Pictures, Columbus Tubing, Community Coffee, ConAgra Foods, Cornwell Tools, Cummins, Fanny Farmer, Ferro Corporation, Foster Grant, Great Western Bank, Griffith Laboratories, Haliburton, Hess Corporation, Hilton Hotels, Holdings of American International Group, Jervis B. Webb Company, KitchenAid, Malt-O-Meal Company, Musso & Frank Grill, Ovson Egg, Peter Paul Candy Manufacturing Company, Pioneer Instrument Company, RCA, Red Ball Corporation, Rosendin Electric, Shaw's Star Market, Tandy Corporation, Toro, United Artist, AMC Theatres, Arizona Public Service, Ben Franklin Stores, CR England, Cameron International Corporation, CoorsTek, Dobson Cellular, Dorrance Publishing, and White Castle.

RECESSION OF 1926 (1926-1927)

Arguably the most forgotten recession in the United States because it came before the Great Depression, the recession of 1926 caused much pain to many people as business activity dropped 12.2 percent and trade/industrial activity went down by 10 percent. The recession was caused primarily by labor strikes in Britain and Germany, as well as the widespread effect of Henry Ford halting production for six months to switch over from the Model T to the Model A (innovation can cause recessions just as much as it can pull economies out of them).

This period was a foreshadowing of devastation to come and provided insight on how the world economy was becoming more interdependent.

Even though this period lasted only 13 months, many new companies were born from innovative ideas and inventions. *Great companies* started during the recession of 1926 include Catawissa Bottling Company; Container Corporation of America; Cooper Tire & Rubber Company; Crane Merchandising Systems; David Sunflower Seeds; Hagggar Clothing;

Howard Miller Clock Company; IGA Supermarkets; Jel Sert; Maid-Rite; McKinsey & Company; Mt. Olive Pickle Company; NBC; Nationwide Mutual Insurance Company; Nocona Athletic Goods Company; Orange Julius; Oregon Steel Mills; Paul K. Guillow, Inc.; Selective Insurance Group; Spring Air Company; Swiss Colony; Trailways of New York; UAL Corporation; Quick Tires; 7-Eleven; American Family Insurance; Arthur J. Gallagher & Co.; Bali; Blue Bird Corporation; Bonne Bell; Browning Arms Company; CBS; Community Supermarkets; The Derrydale Press; Eaton Harbors Corporation; Fairchild Camera and Instrument; Georgia-Pacific; Gerber Products Company; Growmark; Herberger's; Jays Foods; Kinder Morgan; La-Z-Boy; Marriott International; Mutual Savings Life; Northrop; Oberweis Dairy; Resistol; Ted's Hot Dogs; Theisen's; Zaro's Bakery; Ziff Davis; and Zimmer Holdings.

THE GREAT DEPRESSION (1929-1939)

Unemployment rates: 1929, 3.2 percent; 1933, 24.9 percent; 1939, 17.2 percent.

Starting with the stock market crash on October 29, 1929 (Black Tuesday), the Great Depression would become the largest economic disruption in the history of the world.

Beginning in the stock market, moving to the banks and to agriculture, this period wreaked havoc around the world for a period of nearly 10 years. The global downward spiral would devastate individuals and businesses at an alarming rate.

Most agree that it did not end until the beginning of World War II.

It is a testament to the power of innovation that even during the most terrible depression in U.S. history, hundreds of innovators founded companies that would eventually become world-class corporations.

Great companies started in the Great Depression include Acme Boots; Ampco Pittsburgh; Andronico's; Buehler Food Markets, Inc.; Carvel; First Jersey Credit Union; General Foods; Grumman; Home Federal Banks; Macy's, Inc.; Masco; Mooney Airplane Company;

ServiceMaster; United Technologies; Walter Lantz Productions; AMETEK; Benco Dental; Bendicks; CenturyTel; Dewey's Bakery; Dodge & Cox; Fisher-Price; Geophysical Services Inc.; Markel; Nat Sherman; Parr Lumber; Publix; Rodale, Inc.; Starwood Hotels & Resorts Worldwide; Texas Instruments; Allstate; Baxter International; Clifton's Cafeteria; Estes Express Lines; Giant Eagle; John L. Scott; Marsh Supermarkets; Maurices; Mobil; PerkinElmer; Serta; Sleepy's; Southwest Gas Corporation; Tyson Foods; Zondervan; Advance Auto Parts; Bashas'; Beloit Civic Theatre; Bruno's; Deb Shops; Doeren Mayhew; Ethan Allen; Goodman & Company; Greene Plastics Corp.; High's Dairy Store; Kansas City Steak Company; Krystal; Noble Energy; Mrs. Fisher's, Inc.; Olan Mills; Oriental Trading Company; Pioneer Services; Quil Ceda Leather; Revlon; Rocky Brands, Inc.; Smith's Food and Drug; Toddle House; Willis & Gieger Outfitters; Yarnell Ice Cream Co.; Zippo; ATW Assembly & Test Worldwide; E & J Gallo Winery; Federal Deposit Insurance Corporation; Felpausch; Frankoma Pottery; Giant Foods; Global Partners; Global Van Lines; Gorman-Rupp Company; Guadalupe-Blanco River Authority; Haggen Food & Pharmacy; IC Bus; Knight Ridder; Marvel Entertainment; Mayfran International; Navy Federal Credit Union; Peter Pan Bus Lines; Rockwell Collins; Ryder; Trinity Industries; Waldenbooks; Warner Bros. Cartoons; Amana Corporation; Associated Grocers; DC Comics; East Bay Restaurant Supply; Eimac; Ferguson Company; Gulf+Western; Meijer; Mutual Broadcasting System; Muzak Holdings; Old Dutch Foods; Parker Drilling Company; RaceTrac; Service Merchandise; Steak 'n Shake; Towers Perrin; Zabar's; 20th Century Fox; ADC Telecommunications; Allen Press; Avery Dennison; Beckman Coulter; CUNA Mutual Group; D.A. Davidson & Co.; Friendly's; General Nutrition Centers; Holiday House; Invesco; Leo Burnett; Lucky Stores; Morgan Stanley; Orange Belt Stages; Owens Corning; Penguin Books; Pentagon Federal Credit Union; Perkins and Will; Republic Pictures; Schneider National; Van Dyne Crotty; American Media; Arizona Federal Credit Union; Big Boy; Brooklyn Bottling Group; Gertrude Hawk Chocolates; Glen Glenn Sound; Gordmans; New Directions Publishing; Skidmore, Owings and Merrill; Smithfield Foods;

Stater Bros.; Telex Communications; Trailways Transportation System; Fantasy Publishing Company, Inc.; BHDP Architecture; Brown Derby; Citizens Equity First Credit Union; Colonial Life & Accident Insurance Company; Conlin's Furniture; Dart Container; GEHA; Harrah's Entertainment; Hensel Phelps Construction; Key Food; Krispy Kreme; Osco Drug; Pepperidge Farm; Polaroid Corporation; Red Lion Hotels Corporation; Ritz-Carlton; Sheraton Hotels and Resorts; Stuckey's; T. Rowe Price; Ukrop's Super Market; Academy Sports and Outdoors; Hewlett-Packard; Bridgeport Machines, Inc.; Carlson Companies; Choptank Electric Cooperative; Columbia Sportswear; Cumberland Farms; Dillards; Du-par's; Edlebrock; Guys Snack Foods; Jersey Shore Steel; Kaplan, Inc.; Longs Drugs; Mac Tools; Molex; Pinnacle Entertainment; REI; Restonic Mattress; Science Research Associates; Tractor Supply Company; United Dairy Farmers; Vivitar; Allen Organ; Blue Shield of California; Choice Hotels; Cly-DeL Manufacturing; Dollar General; Ferrellgas; Foster Farms; GMAC; Gerber Legendary Blades; Home of Economy; Jack Morton Worldwide; KFC; Marshall Farms; New Albertsons; Roberts Aircraft; Sara Lee Corporation; Schnucks; Vita Craft Corporation; and Wachusett Potato Chip Company.

POST-WORLD WAR II RECESSION (1945)

Unemployment rate: 1.9 percent.

Like its predecessor, World War II created an increased demand in the economy that began to decrease after the conclusion of the war. Certain manufacturers were exclusively dedicated to wartime production, and some could not withstand the unused capacity long enough to evolve to other types of production.

Additionally, the eligible workforce grew substantially as soldiers returned to civilian life and now had to compete for jobs in a contracting economy. This recession was much milder than the previous postwar recession and lasted for a shorter period of time.

Although it lasted only a year, this was sufficient time for a substantial number of innovative companies to rise up.

Great companies that started in the post–World War II recession include Ashley Furniture Industries, Bantam Books, Baskin–Robbins, Cantor Fitzgerald, Circle Line Sightseeing Cruises, Constellation Brands, Do It Best, Factory Motor Parts, Fisher Electronics, Liberty Films, Mattel, Mutual of America, Rich Products, Schreiber Foods, Stewart’s Shops, Sub-Zero Refrigerator, U-Haul, United Hardware, and Walter E. Smithe.

LATE 1940s RECESSION (1948–1949)

Unemployment rate: 1948, 3.8 percent; 1949, 6.6 percent.

After the Great Depression, the United States economy settled into a pattern of routine business cycles affected primarily by three factors: interest rates, money supply, and inflation.

The economic balancing act of the Federal Reserve was key in the post–Great Depression economic structure. As in previous recessions, unemployment rates rose to 6 percent as money became tight and businesses began to fail.

By that point, the innovative engine room had established years of counterintuitive results, and this recession was no different.

Great companies that started in the late 1940s recession include Allegran; American State Bank; Atlas Van Lines; Buckle; Bushnell Corporation; Coco’s Bakery; Dick’s Sporting Goods; Emerson Radio; Gilson Graphics; In-N-Out Burger; Manpower Inc.; Mid-South Management Company Inc.; Oak Manufacturing; Oceana Publications; NVR; Service Electric; Swensen’s; Tom Thumb Food & Pharmacy; Toys “R” Us; True Value; Robert Half; Vermeer Company; Winchell’s Donuts; World Dryer; 20th Century Fox Television; Adams Cable; ADP; Brown’s Chicken & Pasta; Diners Club; Ethicon Inc.; Frontier Oil; Hargray; Hornady; Martinizing Dry Cleaning; Medtronic; Mithun, Inc.; Nabholz Construction; Norms Restaurants; PEMCO; Rowman & Littlefield; Salem Press; Schaper Toys, Skyline Chili; TDIndustries; Taft Broadcasting; United Federal Credit Union; and Winzen Research.

POST-KOREAN WAR RECESSION (1953-1954)

Unemployment rate: 1953, 2.9 percent; 1954, 5 percent.

As we have seen throughout history, post-war periods predictably produce economic recessions. This particular recession was again fueled by the adjustment of wartime manufacturing production, which had brought about a large inflationary period. This came tumbling down after the war, and unemployment rates soared.

The second factor that contributed to this recession was the policy stance of the Federal Reserve. In an attempt to control inflationary pressures, the Fed became more restrictive in its monetary policy, which caused business failures.

By this time, we can see very clearly that recessions are having no negative effect on innovation and entrepreneurship in America; rather, they seem to be encouraging them. The ideas, inventions, and start-ups simply reflect the lifestyles, technological breakthroughs, and consumer needs of the time.

Great companies started in the Post-Korean War recession include Altman Lighting Co., Ann & Hope, Arthur Rutenberg Homes, Banquet Foods, Bill Miller Bar-B-Q, Bob Evans Restaurants, Body Glove, Champion Homes, Chico's Tacos, Claster Television, Colgate-Palmolive, Computer Control, Cruiser Yachts, Denny's, Encore Capital Group, Hamilton, International Speedway Corporation, Koss Corporation, Liberty Lines Transit, Marmon Group, PRO Group, Panavision, Playboy Enterprises, Precision Castparts Corp., Publisher's Clearing House, STP, SafeAmerica Credit Union, Sarasota Coastal Credit Union, Sherwood, Spancrete, Umpqua Holdings Corporation, Walt Disney Studios Motion Pictures, Weston Woods Studios, American Motors, Ameristar Casinos, Ann Taylor, Apache Corp., Bernell Corporation, Bob's Stores, Chateau Ste. Michelle, Commodore International, Handy Hardware, IMS Health, Jerry's Subs & Pizza, Kraco Enterprises, LaRosa's Pizzeria, Lennar Corporation, Mile of Cars, Millipore Corporation, Norris Craft Boats, Putt-Putt Fun Center, Ramada, SCAFCO, Scott's Food & Pharmacy, Shakey's Pizza, and Tasco.

RECESSION OF 1957 (1957-1958)

Unemployment rate: 1957, 4.2 percent; 1958, 6.2 percent.

The recession of 1957 again reflects the power of the Federal Reserve. Due to a tightened money supply, this period experienced many business failures and a high rate of unemployment.

In the modern era, we begin to see the pattern of business cycles and the importance of the role of the Federal Reserve. Whenever the supply of money becomes unbalanced, we see serious economical ebbs and flows. Nonetheless, innovators in this period are not disheartened by the monetary policies as they continue to redefine industries and create more businesses.

Great companies started during the recession of 1957 include Anixter International; Boise Cascade; Bottom Dollar Food; Cavenders; Columbia Helicopters; Curtis Mathes Corporation; Dick Clark Productions; Digital Equipment Corporation; Enterprise Rent-a-Car; Farm Fresh Food & Pharmacy; Food Lion; Hancock Fabrics; Harvey Films; Hyatt; KB Homes; LeSEA; Mirisch Company; Mortgage Guaranty Insurance Corporation; O'Reilly Auto Parts; Powell Industries; Ross Stores; Sizzler; Valentino's; Allied Capital; Beginner Books; Club Car; Cost Plus, Inc.; Datalink Corporation; Filmways; First Alert; First Command Financial Planning, Inc.; GAI Consultants, Inc.; The Gallup Organization; Harriet Carter; Hush Puppies; International Flavors and Fragrances (IFF); The Jim Henson Company; Luxco; Maker's Mark; Monadnock Lifetime Products; Music World Corporation; Pizza Hut; QuikTrip; S&S Cycle; Trader Joe's; VIP Parts, Tires and Service; Village Inn; and Walmex.

RECESSION OF 1960 (1960-1961)

Unemployment rate: 1960, 5.2 percent; 1961, 6 percent.

The recession of 1960 began with the introduction of a new term referring to the average person's perspective on businesses that affect his or her life: *consumer confidence*. The lack of consumer confidence in U.S.

banks and overall government caused a devastating impact on business, resulting in numerous bankruptcies. This caused higher unemployment and increased inflation.

President Kennedy's urging to increase government spending ultimately improved the gross domestic product (GDP, the measure of the number of goods and services produced in America within a year), reducing unemployment and improving consumer confidence.

Innovators had their own kind of confidence and as usual took things into their own hands. This resulted in new technologies and businesses.

Great companies started in the recession of 1960 included Domino's Pizza; Duane Reade; Eastpak; Fry's Food and Drug; Gate Petroleum; Golden West Books; Heatter-Quigley Productions; IBP, Inc.; Institute of Scientific Information; Interpublic Group of Companies; Kimco Realty Corporation; Let's Go Travel Guides; Plaid Pantry; Redken; Rural King Supply; Rutherford & Chekene; Sabre Holdings; Sealand Service; Sealed Air; Semtech; Taco Time; Tower Records; Tyco International; Vitamin World; Wausau Homes, Inc.; Aero Union; Amrep Corporation; Beasley Broadcast Group; Burgerville, USA; Creare, Inc.; David Bruce Winery; Eagle Insurance; Great Lakes Theatre Festival; Heitz Wine Cellars; Humana; K2 Sports; Lutron; Mazzio's; Memorex; Mercury Insurance; Papa Gino's; Rysher Entertainment; Six Flags; Strat-O-Matic; Taco Tico; Time-Life; Wienerschnitzel, and Winegardner and Hammons.

RECESSION OF 1969 (1969-1970)

Unemployment rate: 1969, 3.4 percent; 1970, 6.1 percent.

This economic downturn was relatively mild compared to previous recessions, but the telltale signs of high unemployment and rising inflation were there.

This period also ushered in more sophisticated models of economic forecasting. The U.S. government and Federal Reserve improved their response rates to avoid another Great Depression.

All of this had minimal bearing on the surge in innovation and entrepreneurial activity, as these forces were stronger than ever.

Great companies started during the recession of 1969 include Acxiom; Advanced Micro Devices; AlphaGraphics; Arbor House; Captain D's; The Children's Place; Coaxial Dynamics; CompuServe; DST Systems; Danaher Corporation; Dataprobe; Doubletree; ENSCO, Inc.; Equity Residential; Fortune Brands; Gap; Ground Round; IDX Systems; Investors Bank & Trust; Key Tronic; KinderCare Learning Centers; Korn/Ferry; Little Tikes; Long John Silver's; MTM Enterprises; Mayfield Fund; Mentor Corporation; Micro Instrumentation and Telemetry Systems; Miller-Boyett Productions; Mountain Safety Research; The Old Spaghetti Factory; Love Cosmetics; Penske Corporation; ROLM; Raines International; Red Robin; Refco; Science Applications International Corporation; Skipper's; SofTech; Spelling Television; Stew Leonard's; SureFire; Sysco; Telephone and Data Systems; Verbatim Corporation; Watermark; Wendy's; ANSYS, Inc.; American National Carbide; Andrews McMeel Universal; Aquarius Records; Bomanite; Boston Properties; Bresslergroup; Celestial Seasonings; David R. Godine; Days Inn; Dialcom; Edmark; FedEx Office; Flying Buffalo; Hollandia Produce; ISACOMM; Innovis; Jones Apparel Group; LXD Incorporated; Last Gasp; Mr. Tire; National Safety Associates; Paladin Press; Prince Sports; Redner's Markets; STX; Saatchi & Saatchi; Schnake Turnbo Frank; System Planning Corporation; Urban Outfitters; Western Digital; and the Yankee Group.

OIL CRISIS OF 1973 (1973-1975)

Unemployment rate: 1973, 4.9 percent; 1975, 8.2 percent.

American ingenuity meets Middle East oil. The oil crisis of 1973 ushered in an age of energy economics and the effect it would have on the world economy for years to come. The United States and much of the world was now dependent on oil for the functions of business and everyday life.

Middle Eastern countries were empowered by an economic bargaining chip at the world's expense and began to play it to their

advantage. The sharp increase in price and shortage in supply had an immediate and damaging effect on the U.S. economy. It was also a major wake-up call to the automotive industry as this crisis became evident to anyone who had to fill their tank with gas. It was common to wait in line for gas or to see a gas station temporarily out of gas.

Innovators and entrepreneurs saw this crisis as just another speed bump in the road of life, and it had little effect on new technologies and companies.

Great companies started during the oil crisis of 1973 include Alcalde & Fay; Alice James Books; Apollo Group; Asian America Theater Company; Bain & Company; Cablevision; Cobra Golf; Compuware; Depository Trust & Clearing Corporation; Freese-Notis; Game Designer's Workshop; George Street Co-op; Golden Corral; Gremlin Industries; Griggstown Quail Farm; Honey Dew Donuts; Hungry Howie's Pizza; Institute for International Research; International Quality and Productivity Center; Kicker; Louisiana-Pacific; MBIA; MGM Home Entertainment; New Harbinger Publications; No Nonsense; Nylink; Olivia; PSI Seminars; Price Chopper; RE/MAX; Ramsey Corporation; Rockford Fosgate; SuperStock; TSR, Inc.; Trading Places International; Weaver Leather; Winston Airport Shuttle; Arbor Drugs; Benshaw; Burke Corporation; Digital Research; William Drake; E-One; Foot Locker; Furniture Row; Gemini Sound Products; Gentex; Hampton Jewelry; Harvest House; JAM Creations; Jameco Electronics; Kendall-Jackson; Knights Inn; Landmark Theatres; Laserfiche; Mellow Mushroom; Mongoose; Osprey Packs; Rainbow Sandals; Resort Condominiums (RCI); Scurlock Publishing; Shubb; Specialized Bicycle Components; Stave Puzzles; Tandem Computers; Taylor Guitars; Tech Data; Viacom Productions; WMS Industries; AIMCO; Airflow Sciences Corporation; Brinker International; CBM Engineers; Chocolate City Records; Cinematronics; Creative Artists Agency; DuBiel Arms Company; Famous Amos; GOODE Ski Technologies; GTCO; JL Audio; Lawson Software; Maximus; Microsoft, Molecular Probes; Oakley, Inc.; Orion Telescopes & Binoculars; Oxford Analytica; Scentura; Supercuts; TeleVideo; Tellabs; and Turner Sports.

RECESSION OF 1980 (1980-1982)

Unemployment rate: 1980, 6.3 percent; 1982, 10.8 percent.

World oil prices and a tight monetary policy combined to have a devastating effect on the economy in 1980. High prices and high interest rates produced high unemployment. The economy was in turmoil.

This resulted in a change in the monetary policy, but did not prevent some very difficult years in the economy. Many businesses closed, causing unemployment to soar.

When the going gets tough, innovators get going like never before, and this recession had the results to prove it.

Great companies that started during the recession of 1980 include All My Sons Moving; American Technology Corporation; Amgen; Applebee's; Aqua Flow; Ardence; Ashton-Tate; BMC Software; Beagle Bros; British Knights; CQG; Central Point Software; Davie Brown Entertainment; Emmis Communications; Exergen Corporation; FINEX Management Serves; Fuddruckers; Gentle Giant Moving Company; Gyrodata; Harman International Industries; Herbalife; HobbyTown USA; Institutional Venture Partners; Iomega; Krell Industries; Lam Research; Lodgenet Interactive; Maui Jim; Natural Alternatives International; Odwalla; Opus One Winery; Overland Storage; Pacific Data Images; Passport Designs; SL Green Realty; SYNEX Corporation; Sanmina-SCI Corporation; Scottrade; Second Wind; Serena Software; Steve Jackson Games; Sunbow Productions; Taschen; The Learning Company; Thor Industries; Unison Industries; Valero Energy Corporation; Visibility Corp.; Westell; World Events Productions; AES Corporation; APC by Schneider Electric; Adaptec; Alerton; Amblin Entertainment; American Historic Inns; Andrew Marc; Applied Biosystems; Arthrex; Artisan Entertainment; Aspen Technology; Bitstream Inc.; Blackbaud; Candie's; Carsey-Werner Productions; Chiron Corporation; Cirrus Logic; Collegiate Licensing Company; Converse Technology; Diskeeper Corporation; ESI International; Eureka Springs and North Arkansas Railway; FlightView; Free Fall Associates; Genzyme; Guess; Halloween Adventure Stores; Harvest Partners; Hunter Industries; Image Entertainment; Impact

Confections; Islands; Jasculca Terman; Kaiser Associates; Kensington Computer Products Group; Kimpton Hotels & Restaurant Group; Kramer Electronics; LSI Corporation; LabVantage Solutions; Labtec; Maxtor; Mentor Graphics; Merrell; Millstone Coffee; PageNet; Paws, Inc.; Quiznos; Rhino Foods; Rocky Mountain Chocolate Factory; Softdisk; Sunrise Senior Living; TCBY; Trivest; United States Satellite Broadcasting; Universal Avionics; Veronis Suhler Stevenson; Vicor Corporation; Wyse; ZymoGenetics; 99 Cents Only Stores; ABC Supply; AMR Corporation; AMS Pictures; AMX LLC; Adobe Systems; Aerostich; Airgas; Amdocs; Autodesk; Barrett Firearms Manufacturing; Bristol Farms; Buffalo Wild Wings; Compaq; Dave & Buster's; Digital Systems Resources; Directed Electronics, Inc.; Great Clips; Green Hills Software; HarbourVest Partners; Huntsman Corporation; Integral Systems; Intertex; JD Squared; JVA Artists; Jackson Hewlitt; Jordan Company; Kole Imports; Landmark Graphics Corporation; Larry's Giant Subs; Lazy Acres; Locus Computing Corporations; Lotus Software; LucasArts; MBNA; Malibu Boats; MicroProse Software; Newman's Own; Olive Garden; Ollie's Bargain Outlet; Opening Day Partners; PC Connection; Panda Energy International; The Princeton Review; Quarterdeck Office Systems; Quintiles; RCTV International; Regency Enterprises; Rule Broadcast Systems; SM&A; Safra National Bank of New York; Scaled Composites; Shawmut Design and Construction; Smith Breeden; Softshare; Sun Microsystems; Sunrider; Symantec; THX; TeleTech; Toth Brand Imaging; TriStar Pictures; Ultimate Play the Game; UltraCade; Vera Bradley; Vertical Communications; and Wasatch Computer Technology.

RECESSION OF 1990 (1990)

Unemployment rate: 6.3 percent.

Many disparate financial factors were at play during this mini recession. This may be why it lasted such a short period of time. The key factor that sent the market south revolved around the collapse of many savings and loan institutions around the country. This caused panic, which brought about a host of negative effects of recession;

specifically, tighter money, loss of businesses, and increased unemployment rates. As the economy slowed, innovators pressed forward with new ideas and new technologies.

Great companies started during the recession of 1990 include ABC Family Worldwide, Inc.; ABI Research; All Media Guide; Amoeba Music; Ariat; AudioFile; Bath & Body Works; Boss Hoss; Champion Ballroom Academy; China Coast; CleveMed; Cogent Inc.; Cooper Firearms of Montana; Delta Tao Software; Distributed Art Publishers; Dollar-Thrifty Automotive Group; Eagle East Aviation; Ectaco; Emyrean Brewing Company; Farr Associates; Fuji Food; GTE Interactive Media; Hollywood Pictures; Hoover's; IDT Corp.; Icos; Ideal Homes; Ironstone Vineyards; Jamba Juice; Leading Authorities; Nautilus Entertainment Design; Open City; Quacquarelli Symonds; Rambus; Raven Software; Sacks & Co.; Sapient; Library Video Company; Shore Fire Media; Sky Mall; Specter Werkes/Sports; Spyglass, Inc.; Sullivan & Company; Trim Tabs Investment Research; United Electronic Industries; Universal Studios Florida; Vicarious Visions; WayForward Technologies; Wizards of the Coast; Xybernaut; The 3DO Company; ARIAD Pharmaceuticals; Aberdeen LLC; The Allen Group; Amblimaton; Applied Media Technologies; Aricent; Art Technology Group; Aviation Partners; Blizzard Entertainment; Brighton Collectibles; Bristol Technology, Inc.; Broadcom; Bungie; Calera Capital; Candlewick Press; Charlesbank Capital Partners; Corelis; eShop; Epic Games; Everest Group; Flying Edge; Game-House; HSU Research; Hall & Partners; Hammes Company; Hotels.com; Hyland Software; IVI Publishing; id Software; J.G. Wentworth; Kel-Tec; Lee & Low Books; Lexmark; LOG-NET; Manga Entertainment; MoSys, Inc.; Muze; NeuroDimension; New Regency Productions; New York Model Management; Nickelodeon Animation Studios; October Films; Physicians Group Management Services; Premiere Global Services; Proxicom; RF Micro Devices; Renaissance Capital LLC; Seattle's Best Coffee; Sew Fast Sew Easy; Shiekh Shoes; SonicWall; Structuretec; Stu Segall Productions; TCW/Crescent Mezzanine; Telerama; The Heavyweights, Inc.; Trailer Bridge; Vvi; Warner Bros. Studio Store; and White Wolf.

RECESSION OF 2001 (2001)

Unemployment rate: 5.7 percent.

A toxic combination of terrorist attacks, a technology bust, and a series of corporate accounting scams brought about the recession of 2001 and wreaked havoc on the economy. Many businesses failed, people stopped spending money, and the vicious cycle of a recession was in play. The unusual and tragic events were unique to America and managed to rally many people during this economic downturn.

The dot-com bubble may have burst, but many more innovations were still occurring and new companies were springing up across the country.

Great companies started during the recession of 2001 include 3Dsolve; A123Systems; Accelrys; Activision Value; Acuity Brands; Aeluros Inc.; Albright Group; Animax Entertainment; Anybots; Architel; Artificial Studios; Ascentium; AsiaPac International; Atom Entertainment; BMI Gaming; Barking Lizards Technologies; Beat the Traffic; BizChair.com; Buzz Monkey Software; CRG West; Casemate Publishers; Cavium Networks; Chicago Gaming; Chronic Logic; Cobraguard; Collaborative Fusion; Cordiem; Cortina Systems; Dabel Brothers Productions; Dalberg Global Development Advisors; Devicescape Software; Digital Eel; Digital Trends; eFileCabinet; EcoDuro; Eos Press; FBM Software; First Equity Card Corporation; Fuchsia; Funambol; GameSoft Publishing; Gratis Interact; GreatBigStuff; Heritage Web Solutions; Integrated Broadband Services; Ionian Technologies; J.C. Flowers; Johnny Cupcakes; July Systems; Kaleidescape; Konarka Technologies; Large Animal Games; Legend Films; Lithium Technologies; Live Oak Brewing Company; M2SYS Technology; MDS America; Matrix Games; Mark Logic; Maxum Games; Medix Staffing Solutions; Minecode; Mirant; Moe's Southwest Grill; Mondo Times; Motricity; MumboJumbo; Newegg; One Equity Partners; Peppercoin; PeriShip; Pillar Data Systems; Plexifilm; Prime Healthcare Services; Pureology; Raw Thrills; ResellerRatings; Rivet Software; Rocketplane Limited, Inc.; SMS.ac, Inc.; Santa Cruz Games; Saratoga Technologies; Screenlife; SelectSoft Publishing; SigmaQuest; Simplicato; Six Apart; Ska Studios; Sparkfactor

Design; Speck; Stratavia; TerraCycle; Three Rings Design; Total Phase; TriGeo Network Security; Tuvox; Twisted Oak Winery; US-Mattress; UnitedLayer; Viper Comics; VoiceBox Technologies; Wahoo Studios; Westpark Foundries; Xnergy; Zoom Corporation; Zuffa; and Zultys.

RECESSION OF 2008 (2008-TBD)

Unemployment rate: 2008, 4.9 percent; September 2009, 9.8 percent.

As this book is written in 2009, the economic crisis that began in 2007 persists. The devastative effects of high unemployment and contraction of credit are spread across multiple industries, including real estate, banking and financial services, manufacturing, and retail.

However, as history has certainly taught us, this will be a time of great innovation and entrepreneurial endeavors despite the viewpoint that this is an impossible time to start a business or create a new product or service. I hope this short economic history tour has given you hope and demonstrates that downtimes are no match for innovation.

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