

Ken McCarthy on the Economy [August 2, 2008]

I'm sure you've noticed that everyone today is talking about "the economy" in worried tones. "Where is the economy headed?" "The economy is up." "The economy is down." And on and on and on.

Commentators look for "signs" about where things are headed. Politicians beat their chests and present bogus solutions.

Here's the deal for entrepreneurs: There is no such thing as "the economy." There's only your market and your customers... and the whole game of entrepreneurship – the whole game – is adapting successfully to circumstances whatever they may be.

So let's face the Big Fear and get it out of the way right now: A deep recession, or even worse a full-fledged Depression. Can the worst happen?

Sure it can, and all the "rah rah" guys who are telling you it can't are doing you a grave disservice. This is reality and in reality ANYTHING can happen, and not all of it's nice.

Frankly, given the insane misbehavior in the credit and banking industries in recent years, "the economy" is probably due for more pain. But at the end of the day, it doesn't matter if you are a real entrepreneur... and I'll PROVE it to you right now.

Let's look at a really hard case, The Great Depression of the 1930s. Over 25% of Americans were out of work. Bread lines. The Grapes of Wrath. Total disaster, right? Traumatic for many to be sure, but 75% were employed. These folks continued to buy goods and services without so much as a hiccup.

Because costs were so low – rents were cheap, salaries were low, material costs were low – it was a great time to start a business. In fact many of today's most successful businesses had their roots in those "bad" days.

Just Google "founded in 1930" and check it for every year of the 1930s. Millions of results come up. For 1937, in two seconds, I came up with Krispy Kreme; Kaplan, the test preparation company; Saab, the auto maker; and T. Rowe Price, the stock broker.

The so-called Depression was boom times for many. During the Depression entire industries experienced explosive growth. "Little" ones like broadcasting.

Now, if you depend on a J-O-B and you have a limited skill set that ties you into one industry, like selling sub-prime mortgages or making gas-guzzling SUVs, you may be in trouble.

But the issue is not "the economy." It's never "the economy." It's where YOU are and what YOU are doing.

Here's the reality: No matter how bad things get, they never go to zero everywhere. There are always big winners in every "economy." The entrepreneur's job is to go where the action is.

Let's take an Internet example. In 2002, you could see the tumbleweeds rolling down the streets of the internet marketing world. Practically everyone had bet it all on the banner ad and then suddenly banner ad prices crashed. It was a definite Depression in the internet advertising world, and many were caught like deer in the headlights.

A lot of people closed shop and left the industry for good. Then what happened? At the very bottom of it all, Google came out with AdWords in the spring of 2002 and the rest is history.

As a result, Google, which in 2001 had less net income than I did, is now one of the richest businesses on the planet, and they've made it possible for countless entrepreneurs to build multi-million dollar businesses. So for heaven's sake, stop listening to all the drivel about "the economy" and start paying attention to the Google-sized opportunities that are laying around untouched in every economy.

That's what being an entrepreneur is all about.