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The New Economy

Business is never so healthy as when, like a chicken, it must do a certain amount of scratching for what it gets – Henry Ford

Ah, the new economy – remember it? It was supposed to rid us of our earthly toils, bring us unimaginable wealth, and transform the way business gets done. So where did it go? At the risk of being labeled a heretic, it never left. What left us was the unrealistic vision of what this “new” economy would look like, how it would be valued, and how rapidly we mortals could integrate it into our daily lives.

In 2002, worker productivity increased 5.3% according to the Department of Labor. This was the single biggest one-year increase since 1971. What? How can this be? Surely the 1990’s must have had larger increases. Nope.

This dramatic increase in productivity is due in part to two different, but related forces. First, with a slowing economy, corporations have the time to analyze expenditures and cut wasted spending. Second, all of us are beginning to understand how to integrate new technologies into our lives and our businesses. While traveling last week, I spent a lot of time in airports and restaurants. The number of people with cell phones stuck to their ears and PDA’s (those pocket-sized computers) at the ready was eye opening. To be sure, many of the conversations were of the bring home a gallon of milk variety, but many more undoubtedly were of a more substantive nature – filling what used to be wasted time with productive activity.

What about the internet (that sucking sound you heard was not, as Ross Perot had predicted, NAFTA, but billions of dollars of investor money being sucked into the abyss). Remember life without it? I have used the internet to check prices and research cars, electronics, new golf clubs, etc. Armed with information, I feel more confident about getting a fair deal. I have booked airlines, hotels and rental cars all on-line and have saved myself, and the companies I have done business with, time and money. And how about e-mail? I can now have 30 second “conversations” with people that may have lasted minutes, been less productive and cost more.

You will hear more from U.S. manufacturers asking for protectionist legislation here to keep them “competitive” with other countries. Ask the Japanese how well protectionism works. They have had one of the most protected economies in the world (talk to anyone in the car business about trying to sell U.S. made cars in Japan 10 years ago). Japan has been in a decade long economic Tsunami that makes ours look like a sun shower. Artificially supporting higher prices does not encourage business efficiency - quite the opposite. Once a product or service becomes commonplace, the low cost producer wins - period. All you do in the mean time is prolong the agony.

The new economy has given us the fuel of increased productivity and efficiency. Innovation will provide the spark.

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