



## EDITORIAL

# LOOKING FOR THE PONY

**O**n Christmas morning, two boys slink downstairs at the break of dawn to see what's under the tree. Confronting a large pile of manure, the pessimist of the pair bursts into tears, wailing with disappointment, while the optimist gleefully blurts out "there's got to be a pony around here somewhere." The optimist's assessment pretty much captures my sentiments, as I survey the industry landscape at year end.

The woes of the "post bubble" economy have been endlessly documented, in no small part because journalists of all stripes are drawn to grim news. (Disasters lend themselves to "profound and insightful" commentary in a way that outbreaks of happiness and tranquility simply can't match.) Thus, newspapers and television tend to dismiss the pony and focus relentlessly on the pile of manure. Herewith a few thoughts on why it makes sense to be optimistic about industry prospects going into 2003.

**Productivity Gains.** The Commerce Department reported that third-quarter productivity surged a whopping 5.6 percent in the third quarter of 2002. Strictly speaking, productivity is a measure of dollar output per hour of labor. In the larger sense, it is a rough gauge of how the pursuit of a better way leads to dramatic improvements in efficiency. This number is more than just another wonky statistic: It's the basis of all prosperity; if we can produce more in an allotted time period, we have more money or more free time, or both. Over the past century, productivity growth has been the single most powerful engine for economic growth, and that goes for the music industry as well.

In 1890, the year *The Music Trades* started publishing, pianos were all hand built and extremely expensive, and the total market was under 30,000 units. Within ten years, the application of mass production methods boosted productivity, reduced prices, and ultimately boosted the market by a factor of four. Over the past decade, a similar process has happened in the guitar market: Better productivity has improved value and practically tripled demand. These are just two examples, but the same forces have benefited every product category.

How will productivity growth boost business in the

near future? I don't know exactly, other than to say that better product value is always compelling and that it's not a good idea to bet against a few centuries of history.

**Consumer Confidence.** The two biggest purchases most people ever make are a house and a car. Most of us don't make big financial commitments when we're in a state of panic or fearing an imminent economic meltdown. Thus, the fact that car and home sales closed out 2002 at near-record levels indicates that, bad news notwithstanding, the general public is feeling pretty good. This sentiment augers well for the music business.

In the '60s and the '70s, most of the news stories about music and musicians focused on the over the top antics of rock 'n' roll stars, with a special focus on smashed hotel rooms and drug overdoses. (The lyrics of Lynyrd Skynryd and Joe Walsh come to mind.) These days, the national media has a different story angle, trumpeting the notion that music-making boosts brain power, longevity, and general well-being. Without getting overly moralistic, suffice it to say that the current wave of publicity is good news for anyone making a living selling music products.

One final point: This good publicity didn't happen spontaneously; it's the result of a concerted effort by NAMM and its promotional arm, the American Music Conference. At the upcoming NAMM show in Anaheim, Sir Elton John and a star-studded cast will perform a benefit concert with the proceeds going to the American Music Conference. For entertainment value the show alone is reason enough to go to NAMM. It also supports one of the main reasons the industry has for being optimistic in these troubled economic times. So why not buy a ticket, have a great time, and support a good cause in the process. For details, call NAMM at 800-767-NAMM.

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