

Not With A Bang But With A Whimper

The Cold War gave rise to a whole genre of apocalyptic films and novels, like *Dr. Strangelove* and *On The Beach*, where the competition between super powers inevitably culminated in a horrific nuclear disaster. Ironically, the authors of these works lacked the imagination to predict exactly how a tense four-decade long East-West geopolitical stand-off would conclude—with a whimper, not a bang. Twenty years ago, on the evening of November 9th, a peaceful throng of East Berliners stormed through the Berlin Wall, effectively reunifying Germany and ending Communist rule in Eastern Europe. Within a month, the structure that had divided Europe was dismantled. What does this momentous and largely unanticipated geopolitical event have to do with the music products industry? More than one might imagine. An, in an issue that tabulates the global industry, it's a topic worth exploring.

When the Berlin Wall came down, overnight, music products firms had access to a population base of close to 350 million people who previously were shielded from all forms of western goods. Markets in countries like Poland, the Czech Republic, Russia, the Ukraine, and Romania are still relatively small, but they have shown steady growth and now account for close to 8% of the global industry sales. The rest of the world also benefited from Eastern European exports. It's more than a little ironic that vacuum tubes—the source of the ultimate rock 'n' roll guitar distortion—are produced today in converted communist military plants.

Repercussions from the fall of the Berlin Wall also hastened the liberalization of commerce in China. Hoping to avoid the unhappy fate of their Communist brethren in Europe, immediately after Berlin Wall came down, China's leaders rapidly expanded private property rights, sold off state-owned enterprises, and encouraged a new class of entrepreneurs. The direct result of this political about-face was a boom in Chinese music exports around the globe. Inexpensive Chinese goods displaced factories around the world and caused considerable hardship for some. On balance though, it's hard not to conclude that it was a net benefit to our industry. Lower priced/higher value products made it possible to attract more consumers than ever before, as evidenced

by record unit sales in many product categories.

In the U.S., in the months leading up to the fall of the Berlin Wall, the headlines were dominated by efforts to clean up the Savings & Loan Crisis. Thanks to a binge in imprudent lending and poorly conceived regulation, that year a record 747 savings & loans across the country



were seized by regulators and liquidated. The cost of the clean-up sent the budget deficit into the stratosphere and put the citizenry in a pretty foul mood. (Sound familiar?) Twenty years later, the lasting impact of the Savings & Loan Crisis is negligible, but the fall of the Berlin Wall continues to reverberate.

History is something we don't always appreciate at the time it's being made. It's often overshadowed by transient events of the day. We suspect that in a few years, the current banking and financial crisis, like the bursting of the tech stock bubble in 2000, will be little more than a footnote in the history books. What will emerge as the defining events of the year is harder to predict. But, it's a safe bet that music will play an important part. In December 1989, as construction crews pulled down the Berlin Wall, scores of performing musicians were on hand to celebrate the event and inspire the crowds on hand. Music's role in the world's defining events should, if nothing else, give us some hope for its commercial future.

Brian T. Majeski
Editor

Email: brian@musictrades.com