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Why Bad Times Nurture New Inventions

By [The Editors](#)

(Photo, left to right: Naum Kazhdan/The New York Times, Paul Sakuma/Associated Press) Personal computers and canned foods were some of the inventions nurtured in recessions past.

With [consumer confidence plunging](#), the [jobless rate rising](#) and the [gross domestic product falling](#) at a rate second only to the decline seen in the 1982 recession, there's little hope of good economic news anytime soon. But some economists and historians point out that such fallow ground can make a fertile bed for seeds of [innovation and invention](#).

What kinds of businesses thrive in recessionary times? How do entrepreneurs get a running start in a recession?

The Upside of the Worst of Times



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The deck gets reshuffled in a recession as habits are re-examined and patterns of behavior are broken, perhaps to greater degree than when things are humming along at a steady state. And that’s what creates business opportunities.

With a downturn, overall incomes, consumer spending and capital expenditures fall, but not to the same degree for all individuals, products or businesses. A 3 percent drop in aggregate income doesn’t mean that everyone’s wages fall by 3 percent. Some will lose their entire paycheck, others will keep what they have and a fortunate few even get raises.

Recessions don’t stop new ventures — they may even help.

The same is true with consumption: we may spend a lot less on new houses but a lot more on new Kindles and iPods. These changes can provide a powerful stimulus for entrepreneurship.

About 20 years ago, I studied 100 founders of Inc. magazine’s 1989 list of the 500 fastest growing private companies in the U.S. Virtually all of them had started between 1981-83 in the midst of an awful recession.

But that didn’t prevent those founders from starting a new venture — in fact, in many ways it may have helped. Several had lost their jobs, so they weren’t risking steady employment — and they were able to hire employees who didn’t have great job prospects on the cheap. Landlords offered leases without asking too many questions about credit histories. Suppliers were willing to wait to be paid.

And even though the old economy and the rust belt was in a deep slump, the personal computer was taking off, and with it opportunities not only for new hardware and software makers but also for retailers, resellers and even magazine publishers.

More than a third of the founders I studied had started computer-related businesses. What were the worst of times for the economy as a whole turned out to be one of the best times for resourceful and opportunistic entrepreneurs.