

## ARMCHAIR ECONOMIC PERSPECTIVE

### “The Crisis Within the Crisis”

January 2009

After months of reading, thinking, talking and debating with friends I may have finally figured out my “feelings” about our current economic circumstances. First comes an assumption....All business cycles take place within the framework of a larger cycle, the technology cycle. Technology cycles represent periods when innovation radically changes our world. If technology cycles frame the business cycle then our underlying challenge today may have at its foundation a multi-generational technology cycle. Every time man discovers a new “wheel” he moves “forward”, but the transition from pre wheel to post wheel is wrapped in significant change. With change comes turmoil. They don’t call it “disruptive” technology for nothing.

What is today’s disruptive technology? The PC, the fax machine, cellular telephones and the Internet.

You probably could go back to 1929 and suggest that period's economic euphoria and crash was also framed by a technological cycle...electricity, the telephone, autos and air travel.

Embracing every new “wheel” increases productivity, inspiring new wealth creation. But the resulting economic changes also likely inspire "technology hangovers". **The hangover phase probably begins when technology penetration within economic systems has matured relative to its ability to improve productive activity.** A simple example of that today is Microsoft Office. Little value has been created in those “tools” for probably a decade. Instead, our technology advance today is “improving” our leisure time, giving us the iPod and flat panel TV’s. The transition of technology’s value added from productive activity to leisure time suggests a maturation of the cycle.

I am not the originator of this “technology hangover” concept. After it came to mind, I communicated it to a few friends. One suggested I look into the “Kondratiev wave”.

[http://en.wikipedia.org/wiki/Kondratiev\\_wave](http://en.wikipedia.org/wiki/Kondratiev_wave)

The general repercussions of having a “technology hangover”, being in the downside of a Kondratiev wave, are not good. Kondratiev suggests these are 25 year cycles, up and down. But, all problems are solved only after they have been identified. If a “technology hangover” is the underlying crisis shaping the crisis we watch daily, we should focus attention on the disease as well as the symptoms.

Where’s the opportunity during a “technology hangover”? And where is that catalyst for the next positive cycle? Answers to these questions should inspire our personal efforts and investments.

I hope 2009 proves to exceed all our modest expectations.



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