



From Tragedy To Triumph

How Economic Challenges Often Create Economic Progress

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“From Tragedy To Triumph: How Economic Challenges Often Create Economic Opportunity.”

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Introduction

The story of the American economy is the story of the American entrepreneur. No other country has ever produced the risk-takers and innovators that America has. During times of economic prosperity, we celebrate this fact. But in times of economic downturn, we often forget it.

Ironically, it's the economic downturns that produce so many entrepreneurs and so many entrepreneurial ideas. As the economy contracts and people lose jobs, they are forced to find new and creative ways to earn a living. In the short term, this is bad news. In the long term, it's great news. Why? Because fear and uncertainty are great motivators. People looking for work will find something new, something different, something better. New products, new companies, new inventions are developed. And once the economic downturn ends, the economy is stronger than it ever was before thanks to the creativity of these entrepreneurs.

But don't just take my word for it. History is filled with examples of how a bad economy can create some great entrepreneurs.

As someone who has been an entrepreneur in the peanut business, I take an interest in not only my industry but the economy as a whole. And though we face uncertain economic times, my industry provides an important example of how today's economic tragedy can transform into tomorrow's economic opportunity.



How One Man Changed Agriculture

When the young professor arrived at the school, he faced a daunting task. He needed to teach his students skills that they could use to compete in the marketplace. But this was no ordinary teacher and this was no ordinary place.

This was George Washington Carver. And this was Tuskegee, Alabama, 1896.



In the aftermath of the Civil War, the economy of the South was destroyed. Plantations that had once clothed the world with their cotton products were now shuttered; lands that had once grown produce to feed the world were barren. Moreover, slavery had been the labor that had fueled the

economic engine of the South in the antebellum years. Now, there was no slave labor. Even worse, banks were closed and factories were uninhabited. By the 1890s, the economy of the South had not improved much since the end of the war.

The South faced a profound economic challenge in the postwar era: how to find a product to replace cotton. King Cotton had generated enormous wealth for the region but at a great human cost. Now that free slave labor wasn't an option, the economics of cotton didn't work as well. This was the state of affairs that George Washington Carver pondered in 1896 in his office at Tuskegee. His students were mostly ex-slaves and entirely African-Americans. They had little experience, less education and almost no hope of commercial success once they left his classroom. They would leave Tuskegee and enter a depressed economic climate that showed no signs of getting better.

But Carver wasn't one to accept the way things are; he was always working to make things the way things ought to be. He was a dreamer, a thinker and, most important, a doer. He had been born to a slave mother during the Civil War. By the time he was a teenager, he was working all the time, experimenting with his own garden. At college in Iowa, he had continued his experimentation and research into agriculture. He made a name for himself and was soon invited by Booker T. Washington to join the faculty at Tuskegee Institute.

And so in 1896 what would eventually become one of the most famous—and successful—professorships in American history began in Alabama. Here is how Booker T. Washington described it: "I have asked Professor George W. Carver to make a careful study of the condition and needs of the farmers in Macon and surrounding counties and to publish something that will be of immediate and practical help to the farmers in this section. It will pay, in my opinion, for every man interested in

farming...to read carefully the suggestions which Prof. Carver has made."

Here was the basic challenge facing Carver: for decades, the soil of the South had been used to grow cotton and tobacco. These products had depleted much of the South's soil. And with the aftermath of the Civil War, it was essential to find new products that would not further destroy the terrain. This was a monumental task; but Carver was a monumental man. He soon proved he was up to the challenge.

Carver began by urging farmers to plant gardens. He believed that every family should have its own garden and that the garden could help provide the family's food. So many family farmers in the South knew only about cotton and tobacco. But Carver urged them to return to simple gardening, and he showed them how. In a publication called, "Help for the Hard Times," he urged farmers to grow vegetables, fruit and herbs. He gave specific instructions on what to plant, when to plant it and

where to plant it. And he wrote in a style that was easy to understand.

Plus, Carver urged an approach to gardening that stressed the basics. No fancy fertilizers or chemicals were needed in the Carver approach. Instead, he urged farmers to use the land. He wrote that “muck from the rich swamps” could provide all the fertilizer and nutrients any garden needed. Since this was easy to come by, Carver’s method soon spread among poor farmers throughout the South.

Drawing upon his academic research, he offered a timetable about when to plant. February was the time to plant potatoes, peas and spinach. March was the time to plant cauliflower, watermelon and collards. And April was the time to plant cabbage and eggplant.

A plan like this, Carver argued, would produce a little garden capable of feeding any family, with some left over. For the extras, Carver advocated selling them and then investing the profit in more seeds or perhaps animals.

In fact, animals were a big part of Carver’s plan. He advocated that each family have “12 good hens and 1 rooster.” This would provide eggs for the family as well as plenty more to be sold. He also recommended buying young pigs. They were relatively cheap and could be turned into all kinds of meat products. And, once the family had saved up enough money, he recommended buying a cow.

These recommendations were widely read throughout the South and helped create countless family farms all across the region. If that had been his only achievement, we would likely still read about Carver today. But his real greatness lay in moving the South away from an agriculture based almost entirely on cotton and tobacco. He knew the key was to find a product that could actually re-invigorate the soil. Specifically, he needed a product that could put soil back into the ground. What product could do that? Peanuts.

Carver began urging Southerners to plant peanuts. He believed that

planting this product would restore protein to the soil.

His plan, borne out of the economic desperation of the 1890s, was a huge success. Peanuts were planted all across the region and protein was added back into the soil. In fact, his plan worked too well. So many families were growing so many peanuts on their land that the market was soon overwhelmed with too many peanuts. This was counter-productive since the excess market of peanuts drove the price down.

But Carver was nothing if not resourceful. Rather than encourage farmers to plant fewer peanuts, he began experimenting with new ideas for peanuts. He soon ushered in the modern era for the peanut. Before his experimentation was done, he had created more than 300 uses for peanuts, including peanut milk, peanut paper and peanut soap. Again, his goal with these new uses was to keep family farmers self-sufficient.

It worked. Peanuts continued to grow in popularity throughout the

South and peanut products continued to grow in popularity throughout the country. In 1920, the peanut farmers joined together to form the United Peanut Association of America (UPAA). Just one year later, the UPAA sent Carver to speak before the U.S. Congress about the peanut and its many uses. And it wasn't long after that that peanuts broke into the top ten crops planted and produced in America. And it all began because one man tried to find a new idea in the middle of a tremendous economic downturn.

Of course, another major event also helped the growth of the peanut industry—the plague of the boll weevil. This beetle migrated from Central America in the late 19th century. The boll weevils soon infested almost all cotton fields and began feeding on the cotton bolls. The boll weevil crisis led to several chemical advancements, including pesticides like DDT. It also led farmers to look for crops other than cotton to plant. And since George Washington Carver had already shown that peanuts

would work, more and more cotton farms became peanut farms.

And with the encouragement of the Farm Security Act in 1939, peanut production became a mainstay in southwest Georgia, southeast Alabama, the Florida panhandle and the southwest portions of Virginia and the Carolinas.

It's been said that necessity is the mother of invention. American economic history proves it. George Washington Carver is one of the most important examples of this. He revolutionized the entire agriculture industry. Why? Because times were hard and some new ideas were needed. If the economy of the 1890s had been in good shape, it's unlikely that Carver would have ever developed his revolutionary ideas.



How the Great Depression Changed Our Lives for the Better

Though he is one of the most famous examples, Carver is hardly alone. America has always found people who could turn the dark nights of economic despair into bright dawns of invention and creativity.

If Carver is the person who best demonstrates this, the Great Depression is the era that best demonstrates it. Few of us stop to think about the changes that came about during those years. Even history books tend to shine the light on the hardships the American people faced, forcing the stories of economic creativity into the shadows.



But as *Business Week* recently pointed out, some of the most

important changes to our way of life were created during the Great Depression. In fact, we still use these changes today. Here are four creations that came about during this era.

Every day, most of us get in our cars, turn on the ignition and then turn on the radio. And when we do, we are doing more than listen to the radio; we are using technology first pioneered in the Great Depression. Since the car had been mass marketed in the early 1900s, no one had ever had a radio in a car. But Paul and Joseph Galvin decided to do something about it. They had been selling electric converters for battery-operated radios. But when the stock market crashed, they realized that they needed a new product. In an early example of what business professors now call “lateral marketing,” the Galvin brothers decided to figure out a way to take their core product into a new market. Why not a car radio? They worked closely with

an audio engineer and discovered a way to install a radio into the car and have it powered by the engine. In June of 1930, Paul drove a Studebaker to a radio manufacturers' convention. Sure enough, people loved the idea and began ordering car radios. Three years later, Ford started offering cars with radio already installed in them. And the Galvin brothers? They changed the name of their company to Motorola. And it none of it would have happened with the stock market crash and the Great Depression.

Meanwhile, the Great Depression also impacted what we eat. Back in those days, there was a common cookie recipe called the "butter drop do" recipe. It was a basic cookie made of regular cookie dough but with some baker's chocolate mixed in. The baker's chocolate melted in with the cookie dough. One day in 1933, a lady named Ruth Wakefield was forced to experiment with this recipe. She operated an inn in Massachusetts called the Toll House. And she loved cooking the butter drop do cookies. But due to

the hard economic times, she had been unable to find any baker's chocolate. So she came up with an alternative: she chopped up a chocolate bar into pieces and then mixed it in with the cookie dough. She assumed the chocolate bar would melt into the dough like the baker's chocolate did. But it didn't. When she pulled the cookies out of the oven, the little pieces of chocolate had formed little chips all around the cookies. Her discovery was a sensation. People gobbled up the cookies. Soon, Nestle, the chocolate maker, offered Ruth free chocolate for life if she would provide the company with her recipe. This was a deal too good to refuse. The result was Nestlé's Toll House Chocolate Chip Cookies.

Meanwhile, most Americans still washed their clothes by hand during the Great Depression. Not that the washing machine hadn't been invented. That was done in 1908. But who could afford a washing machine in the Great Depression? No, the washing machine remained available only to the few and the wealthy and

those with electricity. In 1934, a Fort Worth businessman named J.F. Cantrell had a brainstorm. What if he bought some machines, put them in an accessible spot where electricity would power them, and then offered cheap prices for local residents to come in and wash their clothes? He started with just four machines and charged by the hour for folks to come in and do their laundry. The result was so successful that the Laundromat was born and soon replicated all across the country.

And the Great Depression brought changes to how we do business, too. In 1933, a man named Chester Carlson was working for Bell Telephone Laboratories. But the market soon forced the company to lay off some employees, including Chester. He threw himself into law school and then landed a gig at a New York electronics firm. Given his legal background, he was assigned to the patent department. Part of his job description was to hand-copy on carbon paper the patent drawings. It was tedious, exhausting work. And he soon longed for a better

way of doing business. He began experimenting. Eventually, he used electrostatic attraction to adhere powder to plain paper. After some trial and error, he was able to make the world's first photo copy in 1938. The procedure became known as xerography. And in 1959, the Xerox Company began selling automatic copiers.

So the Great Depression created some great inventions; inventions that most of us still use to this day. This may seem surprising to some. But students of economic history will recognize this as “creative destruction.” When the market is convulsing (as it is again today) there is a certain rhythm and design to it. It throws off uncompetitive jobs and companies. And new jobs and companies are born. This is a fancy theory for the old saying that “desperate times call for desperate measures.” George Washington Carver and the Great Depression show that economic tragedy can often lead to economic triumph.

How Wars Have Led to Economic Advancement

Don't believe that hard times can lead to good things? Here is another great example: warfare. Wars are hard on everyone, especially those fighting them. But many wars have produced great advancements in technology and in products. The Civil War saw the creation of observation balloons as commander sought to see the battlefield from the sky. After the war, these became hot-air balloons. The Civil War also saw great advancement in telegraphic communication and that helped the country's economy after the war was over. The Civil War also produced advances in medicine, with the large-scale usage of penicillin.

World War II also helped produced great tools for economic advancement. That war saw the creation of the radar, which helped the Allies win the war and helped the West after the war as its airline industry took off.

And, of course, the jet engine came about as a result of World War II.



After World War II, America engaged in the Cold War. And this, too, produced advancements. In particular, the Department of Defense developed a way for computers to communicate with each other. This was the beginning of the Internet.

And even with the war in Iraq today, we are seeing advances in medical care (especially trauma medicine), body armor and pilotless aircraft.

Conclusion: Good Can Come From Bad

None of this is to minimize the economic challenges we face. Rather, it's to refocus these challenges as opportunities. In an economic downturn, entrepreneurs are forced to think of new ideas, new approaches and new products. So while we all hope the economy turns around soon, we can take comfort in knowing that when it does improve it will be with many great economic advancements that are just now being discovered.

The future is being shaped right now by entrepreneurs all across America. And that future will be bigger, better and brighter than any of us can imagine.



