

Picking Survivors

First, let me thank the three guest writers who supplied half of the articles for this space in 2008. They are Ed Richardson from Thomas & Skinner, Mike Guthrie from Quadrant Magnetics and Ian London from Avalon Resources. Each one did a wonderful job, commenting adroitly on a wide variety of topics. I hope that you appreciate their contributions, as I do. Now that Magnetics Magazine is back on a quarterly schedule, I expect to return to writing all the articles myself. However, if anyone feels moved to write something for this space, I would be happy to have another guest writer this year.

I also want to acknowledge the end of Peter Campbell's High Coercivity column, which appeared regularly in these pages. His columns offered many wise insights, which gave us much to ponder.

Since the economic meltdown in the fall of 2008, it seems that we have gone from an era of irrational exuberance to one of irrational despair almost overnight. In the wake of the decline, many people have resurrected an old idea, the *paradox of thrift*. It is a phrase coined by the English economist John Maynard Keynes during the Great Depression of the 1930's. At the heart of the paradox is the idea, that if everyone follows their natural instinct during a financial crisis and saves, rather than spends, demand will fall, which causes business activity to fall, hurting the general economy. Even though saving may be in your best interest, it is not in the interest of the economy as a whole. One solution to the paradox of thrift is direct government spending as a way to create demand and increase business activity, compensating for weak consumer demand. It was used during the Great Depression by President Roosevelt and others to reenergize the economy, although there was a significant delay of several years between the onset and the spending. Many historians believe that the slowness of governments to act was a major contributing factor to the depth and duration of the Great Depression. Today's leaders have learned that lesson and seem to have a fear of repeating the same mistake. They have been relatively quick with financial stimulus and the bailouts of banks and automotive companies. Historians and economists will have a chance to judge the effectiveness of these interventions later. But, for now, there is great pressure to act decisively.

The issue I want to address is the effect of spending on the magnetics industry. Most of the discussion to date has focused on the magnitude of spending and has been concerned with other industries, which are important topics, to be sure. However, I would argue that *where* money is being spent may be even more important to the viability of our industry. Spending, regardless of the source, is really an economic vote to keep a company in business; in essence, it is saying that you want the business to survive. Said another way, not spending is a vote to allow businesses, or even an entire industry, to fail. For us in the magnetics industry, there can be a very high price associated with the paradox of thrift. Clearly we can stop spending and save for tomorrow, but it only guarantees that we will have cash to spend at a later date; more importantly, there is no guarantee that the same goods and services will still be available. Unlike many fungible products or services in the rest of the economy, many businesses in our industry are exceptional or even unique. To delay doing business within our industry is to run the significant risk that some businesses may not be around later. This is not a time when it is safe to assume that the business landscape will remain constant; the evidence around us points to change.

While the economy is sagging, each of us has a choice. Are there businesses that you would like to see survive the next year? Make sure that you patronize their products or services in 2009. Your actions, or lack thereof, could determine who survives.

And, finally, many of you are reading this article at Magnetics 2009, are about to attend the conference, or are considering attending. Over the past few years, this conference has emerged as the best place to keep up-to-date on our industry's technology and marketplace. Once again, it promises to deliver a solid program of technical and commercial presentations, along with important networking opportunities. There are also several pre-conference workshops that offer a chance to learn more about various technologies, including two given by me called Magnetics Bootcamps, covering the basics of permanent magnets. In our current environment, it would be a mistake to follow the paradox of thrift and skip this conference. So join us in Chicago; I hope to see you there!

for Magnetics Magazine
Spring 2009 issue
S. R. Trout
January 2009

Spontaneous Materials