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**MarketIntellibits™**

January, 2011  
Volume V Issue 1

### *The Third Rule of Holes*

By Jack Miller

You probably know that the First Rule of Holes is, “When you find yourself in a hole, stop digging.”

This is relevant to understanding the current economic situation. The economy is in a hole. By definition, the recession ended when we stopped digging. But the problem is that we’re still in the hole. That’s why the recovery doesn’t feel good.

Employment is always a lagging indicator. Employers don’t start eliminating jobs as soon as markets turn down – it’s expensive. Unfortunately, they also don’t start hiring people back as soon as the market stabilizes or turns up – it’s risky. And may not be necessary: they have found a way to make do with fewer resources.

So employment recovery lags the economic recovery. This became very noticeable when we had the jobless recovery in 2002 and 2003 following the recession of 2001. The lag in the employment recovery was not new, but structural changes (globalization, internet: what Thomas I. Friedman calls the Flat World) have made the cycles longer, and it became very noticeable in 2002 and 2003. The lag will be even greater this time.

If your market intelligence includes market forecasting, and your market is sensitive to employment - and most market are - you need to keep this in mind.

You can find a discussion of the First Rule of Holes and how it relates to demand for paper and printing on my blog at *Printing Impressions*. Click [here](#). As a bonus, you’ll find the Second Rule of Holes, too.

The Third Rule of Holes is that holes can be good. A hole in the economy squeezes waste out of the system. It forces us to make adjustments that we needed to make, but postponed. It can make your less able, and more disruptive, competitors close their doors. True, the economic hole is painful - like a root canal (a hole in your tooth). But some good can come of both of these types of holes.

If your market intelligence includes strategic planning, don't overlook the Third Rule of Holes.

For a baker's dozen rules of holes, click [here](#). Enjoy, these are fun.

For help deciding how the rules of holes can affect your business, whether forecasting, strategic planning, or market development in difficult time, call 203 925 0326 or email [jack.miller@market-intell.com](mailto:jack.miller@market-intell.com).

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