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2002 was a better year for business than you might have realized. We highlight a few of the bright spots—including some you probably missed.

What
Went

Right





WHAT WENT RIGHT

cellar doors: Believe it or not, despite corporate scandal, jaw-dropping bankruptcies, nonstop terror alerts, and stock market malaise, a heck of a lot went right. An icy, gimlet-eyed look at the facts shows that this *annus horribilis* wasn't so *rottenis* after all.

Start with that depressing mutual fund statement stuffed away in the file drawer in your den. Yes, the pages are spattered with minus signs. But then, your *den* (along with your kitchen, basement, and foyer) is probably worth far more than it was 12 months ago. The average U.S. home price has risen nearly 7% so far in 2002. Not a single state has had a drop in average home prices.

If such stats give you pause—we've seen boom turn to bubble, then to bust, too many times—consider not the market value but rather the real-life cost of owning your home. Rock-bottom mortgage rates, the lowest since Ozzie and Harriet were on the air, put property deeds in reach of tens of thousands of erstwhile renters. "The roughly one-point drop in mortgage rates we saw this year cut financing costs for new borrowers by some 15%," says Ethan Harris, chief U.S. economist for Lehman Brothers. "And for existing homeowners, those low rates have led to a mess of new kitchens and bathrooms."

Does that put the 14% year-to-date loss of the Dow Jones industrial average in perspective? Perhaps not, if you're looking at your fund statement instead of your new granite countertop and Vulcan range. Otherwise, yes.

As disturbing as the latest bump in the unemployment rate may be (it inched up two-tenths of a percentage point in 2002, to 6% in November), a bigger shock is how much personal incomes rose: 3.5% in the first ten months of the year. Couple that with barely budging consumer prices, and Americans can fill more shopping carts at Wal-Mart this holiday season than last. Low inflation, in fact, has been the North Star of bright spots for the economy. "You can argue that in the past year, the 20-year war on inflation was won," says Harris. "That victory will carry through to nearly everyone's benefit in the future." (We'll leave the question of deflation for another day.)

For every troublesome yin in the economy this year there has been a surprisingly happy yang, it seems. So in the pages that follow, we've decided to ring in the yang. From the mystery of raging productivity to the startling success of an Internet industry to, well, online dating, this has been an awfully upbeat time for much of American business. Cross your fingers that next year is better. — CLIFTON LEAF

J

ournalists are a cynical lot. We are natural-born skeptics searching for the black clouds in every silver lining. Our mien is—well, how to put it?—mean.

So it may seem odd for us sunlight-starved nabobs of negativism—who earlier this year wrote cover stories such as "System Failure," "Why Companies Fail," and "Send Them to Jail"—to suggest that something good happened in the world of business and the economy in 2002. But grab hold of your storm-

NICHOLAS EVELEIGH



DVDs Take Over

No more rewinding!

American consumers, God bless 'em, just want to be entertained. Preferably without leaving the couch. Thus do we account for the spectacular rise in popularity of the digital video disc, or DVD.

Surely you've noticed it in your neighborhood video store—the insidious shelf creep of the DVD. Blockbuster has re-modeled 4,400 stores to make room for the newcomers. Why? Because they sell. Revenue from DVD sales and rentals exceeded that of videotapes for the first time in 2002. On average, people who own DVD players buy 17 discs a year—three times the number of tapes bought by VCR owners when video sales were at their peak.

It's not just Blockbuster and Wal-Mart that are cheering. Columbia TriStar banked about \$140 million in just three days on its *Spider-Man* DVD, and Disney's film division's fourth-quarter revenues jumped 52%, thanks in part to the home release of *Monsters, Inc.* So what if *Treasure Planet* bombed? Just release *Cinderella* on DVD.

Consumers love its sharper images, simple format (no need to rewind), and superb sound. Research firm Gartner forecasts that 40% of U.S. households will own DVD players by the end of 2002, up from 5% in 1999.

DVD players do have a drawback: Most aren't able to record. But, hey, did you ever learn to program your VCR? — JULIE SCHLOSSER



Small Investments, Big Returns

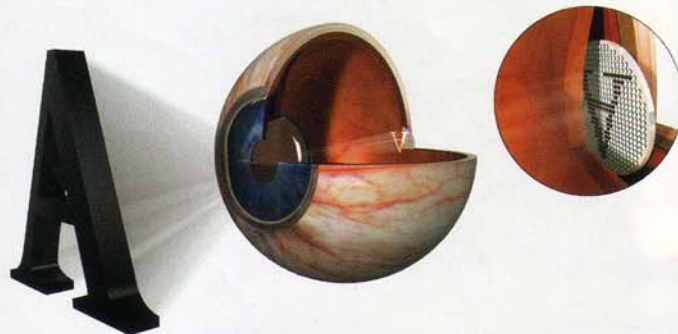
My Big Fat Greek Wedding
Budget: \$5 million
Gross: \$210 million

The Hershey Kiss-Off

The folks of Hershey banded together to stop the candymaker's sale.



It was as if Hollywood had done a remake of *It's a Wonderful Life*, except the plucky little Pennsylvania town rescued its chocolate factory instead of its savings and loan. That's what happened for real in Hershey after the 77% owner of Hershey Foods put the candy king up for sale. The heated reactions of local citizens could have melted the daily run of 33 million Hershey Kisses. The would-be seller was the Hershey Trust—founded, like the town and the company, by Milton Hershey. The locals saw the trust ripping asunder their close-knit company town, and they fought it hard: seven weeks of marching in protests, signing petitions, seeking injunctions, posting DERAILED THE SALE signs. Trust directors finally succumbed to the pressure. They rejected bids of \$12.5 billion and \$11.2 billion and took Hershey Foods off the block. An uprising of little people thwarting a big deal? A righteous holler defeating the almighty dollar? Sweet. — JOHN HELYAR



New Sight

An eye implant gives some sight to a few, and hope to many.

Every eye doctor dreads telling a patient that he will never see again. In 1987, after delivering such news to an 11-year-old Chicago boy, ophthalmologist Alan Chow vowed "no more." His hope was to create an artificial retina—a silicon microchip thinner than a strand of hair—that could be implanted in the eye. A year later he and his brother Vincent, an electrical engineer, sat down after Thanksgiving dinner to sketch ideas for a prototype: an implant that could convert light into electric current, which would stimulate damaged retina cells to work again and help combat the eye disease retinitis pigmentosa, a common cause of blindness. (See schematic above; the chip is on the far right.)

Last May the brothers' vision became reality. Clinical trials revealed that six formerly blind people given the implant can now see. Their quality of sight ranges from the ability to see shadows and movement to one patient who can see faces for the first time in 15 years. The results were promising enough that the FDA gave the brothers' company, Optobionics, the go-ahead to expand its trials. — C.D.

JOHN MUGGENBORG (2); EYE: ANDREW JERABEK; PHOTOFEIST