

Daniel Marshall Cigars seen in Business Week

UP Front

BUSINESSWEEK
SPECIAL REPORT



GET CREATIVE!

How to Build
Innovative Companies

BY BRUCE MCGRAW '91-'92

PLUS: THE BEST GLOBAL BRANDS

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TOBACCO ROAD

STOGIE SURGE Cigarette sales are plunging. States are hiking per-pack taxes. What's a tobacconist to do? Push cigars. Through May, sales of premium stogies were up 6.3% from a year ago, with 2005 volume headed for 300 million. That would be the third straight year of rising sales, putting consumption near 1998 levels, when an earlier craze was tailing off. Arnold Schwarzenegger leads a parade of celebrity smokers—the Governor loves his Daniel Marshalls so much he erected a smoking tent outside the capitol. Norman Sharp, president of the Cigar Association of America, credits the economic upcycle: "A cigar is still a symbol of success and celebration." —Michael Arndt

deduction. "They issue

—Joseph Weber

REALTY CHECK

WHY A HOUSING BUST WON'T SPOIL THE FUN

IF HOUSING prices sag, consumers may not cut spending. Economists Karl Case of Wellesley College, John Quigley of UC Berkeley, and Robert Shiller of Yale correctly predicted in 2001 that rising housing wealth would boost spending. But in an updated paper, they report that declines in housing wealth have "no effect at all" on consumption. Case says: "People spend and borrow on the way up but don't pay off loans when things fall. They get locked into patterns of spending." Good news for the economy; bad news for household budgets.

—Michael Mandel

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