

History Repeated?

Published in the October 31, 2016 edition of The Journal Record

Things got pretty ugly in the early Seventies when Americans discovered President Nixon was behind the burglary at the Democratic National Committee headquarters. What has become known as the Watergate scandal erupted in the midst of the Vietnam War when casualties were high, veterans were undeservedly disrespected and war atrocities were a source of global disdain. Simultaneously, racial tensions ran high, the feminist movement was in full swing and skepticism about judiciary processes grew. Back then, polls showed that more than half of American voters were disillusioned; believing government was run by powerful self-interest groups.

Sound familiar? This year, the Associated Press NORC Center for Public Affairs reported that 70% of Americans, whether Republican or Democrat, feel frustrated with this election cycle. More than half feel hopeless.

What does this mean for business? The cost of mistrust is high. Last week, the *Financial Times* reported that traders are preparing for an uptick in volatility. Using the Mexican peso as an example (which they stated is the second-most traded emerging market currency), they showed the direct link between instability and perceptions about the U.S. presidential election. The *Times* further indicated health care stock performance has declined and banks could face greater regulatory scrutiny. Everyone seems to be a little nervous.

When trust is lost, rules proliferate, bureaucracy flourishes and productivity suffers. In 2004, research by consultants Franklin Covey estimated the cost of complying with federal rules and regulations at \$1.1 trillion – more than 10% of the gross national product.

It feels overwhelming, but we must recognize the American character has overcome bad eras, including the Seventies. An example of this was demonstrated by President Gerald Ford, who pardoned Nixon shortly after the impeachment. Despite criticism, Ford focused on the greater good for our country. Working beyond the confines of his own party, he began stimulating the economy through rebates and other schemes. By the time Ford left office, unemployment had dropped from 9% to 7%. America was emerging from its funk.

Whether or not one agrees with his decision, we must acknowledge the man's ability to lead through his courage, humility and perseverance. As we face today's challenges, let's remember the valuable lessons of the past. Good leadership must inspire trust: the true currency of any business and the core of capitalism.

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