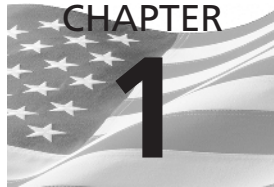

PART

I

Business Leadership in Twenty-First Century America

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Down a Dark Road

There is no truth on earth that I fear to be known.

—Thomas Jefferson

The test of the morality of a society is what it does for its children.

—Dietrich Bonhoeffer

A Proud History—A Great Experiment

The United States of America will always be referred to in recorded history as one of the great experiments in democracy. This noble enterprise in statecraft will undoubtedly be appreciated because of the genius of its founders, the passion of its people for innovation and progress, and for its basic commitment to one set of values for much of the nation's history.

But democracies are fragile; they must be nurtured and protected. Like a good crop of wheat or tomatoes, they must be watched, guarded, and cared for each day if they are to survive and flourish. This book provides the future focus that is needed for this great adventure in freedom and democracy to continue.

How Long Do We Have?

Some years before (1770) when our original 13 states adopted their new constitution, Alexander Fraser Tytler, a Scottish-born British lawyer and

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writer, is reported to have said about the fall of the Athenian Republic some 2,000 years prior:

A democracy is always temporary in nature; it simply cannot exist as a permanent form of government. A democracy will continue to exist up until the time that voters discover they can vote themselves generous gifts from the public treasury. From that moment on, the majority always votes for the candidates who promise the most benefits from the public treasury, with the result that every democracy will finally collapse due to loose fiscal policy, which is always followed by a dictatorship.¹

Tytler very perceptively recognized the frailties of human nature in a democratic culture—falling prey to the temptations of deception, delusion, and denial in the form of promises made by public office seekers, who promise support and assistance to citizens who want or need it. This assistance is paid for with the taxes collected from others and thus comes at no real cost to the recipient. In the end, this practice brings an end to the democracy and to the government whose promises exceed its ability to pay.

Tytler saw this process as a repeating cycle in human history, as civilizations, emboldened by spiritual faith, emerged from bondage to achieve liberty, only to succumb to greed, complacency, and an ultimate return to bondage. The Tytler Cycle is shown in Figure 1.1.²

Since 1700, the U.S. pilgrimage matches this sequence. Unfortunately, the United States has now reached Stage 9 substantial dependence. And we've only been pushed there because of a stunning array of financial and leadership breakdowns that have occurred in recent years. The combination of failing to address the most significant national problems in the past four decades, spending well beyond our income, and borrowing in

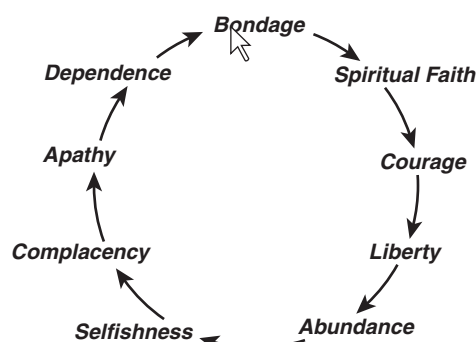


Figure 1.1 The Tytler Cycle

See <http://sanpetrepublic.com/?p=338>.

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excess of our ability to repay has placed the United States in bondage to its financial obligations.

This book serves as a warning. As one reviews the many signs of our nation's movement (in the wrong direction), it is clear that for nearly half a century, we have placed too much trust in self-serving politicians instead of principled leaders in many of our institutions—business, organized religion, education, and government—and we are now headed for collapse. The nation's trajectory must be reversed as it enters the twenty-first century. And only business can lead this transformation—because it has the most at stake in a failure to do so.

Role of Institutions

Our four primary economic institutions—business, organized religion, education, and government—are at the center of this poorly directed movement. These institutions have abandoned many of the values³ that served as the original basis for American government and culture in favor of satisfying more self-serving appetites, short-term goals, and compromised ideals. Much of this change has occurred in the past 40 years. Today's culture no longer aligns with the core principles that the nation followed for many decades prior.

Tracing these changes and their impact on the culture inevitably draws us to recognize the stature and quality of our leaders during the past half century—who they were, what roles and functions they have (or should have) performed, and what they and we are handing down to our children. However, this book will not single out individuals. It will assess the direction of our institutions during this period in the context of the attributes of principled leaders. Leaders reflect, and often determine, values in practice. These values are therefore the core elements of governance for institutions. Institutions guide and reflect the nation and its changing culture; and the nuclear family (husband, wife, and children) is at the center of the culture. The family binds and cuts across all four economic institutions; as such, the family is the centerpiece of the culture and the object of service and support from all four economic institutions. Unfortunately, the family may also be the most eroded of the nation's core institutions.

Each of the four economic institutions—business, organized religion, education, and government—has a unique agenda and core values that steer its behavior, define its role in the culture, and determine current cultural norms. Some institutions have put their interests above those of the nation. Others have stood by while the nation declined. And it is only principled business leaders who can reverse this decline and refocus our interests on the areas that matter.

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Perhaps we are no longer a nation “of the people, by the people, and for the people,” as stated in the preamble to the Constitution. You may indeed conclude that our four primary economic institutions have been hijacked by *self-serving* politicians, defined in the broadest sense, who individually and collectively are *not* serving the people and are instead serving themselves—their own special interests and political futures—at the expense of coming generations. This book is a call to the majority interest—not the special interests or to the elite minority.⁴

Leaders establish values; values set the direction of institutions; and institutions determine the course of nations. Any decline in the state or positive influence of our institutions is a failure of leadership—a deficit. The former comptroller general of the United States, David Walker, often stated that our country has “four major deficits—a fiscal deficit, a trade deficit, a balance of payments deficit, and a leadership deficit.”⁵ Forty years ago, such a statement would have drawn cries of outrage from across the nation—especially considering its source: a senior federal official. Ironically, however, the statement was not reported, except when it was originally broadcast on C-SPAN. Leadership failures now plague America: Seven million lost jobs, millions of foreclosed homes, and nearly \$18 trillion in lost wealth bear stunning present-day witness to those failures.

Noted author and pastor Reverend Henry Blackaby was invited to Africa in 2006 to address a meeting of African heads of state. In November 2005, he previewed his planned remarks to a Virginia seminar audience of some 500 people, saying, “I can tell you right now what I plan to say to those leaders. Every problem in Africa is a problem created and/or allowed by you, the leaders of Africa or by your predecessors.”⁶

Like our nation, businesses are all too often led by self-serving business politicians instead of principled leaders. The priorities of self-serving politicians are clear and limited—their self-interest and reselection or reelection, their partisan interests, and their wider community or country—in that order. This is true no matter where they serve—business, organized religion, education, or government. They are all the same. Institutions, however, do not thrive (or in many cases, survive) if the priority of the leader is his or her interests. This self-interest is what forces this type of leader to attempt to please everyone—for the sole purpose of securing his or her position. Unfortunately, seeking to please everyone is usually the path to pleasing no one. The bitter divisions among and between America’s institutions are ample evidence of governance by special interests and not by principled leaders. Who will bear the cost of this twentieth century hijacking of the American dream for the twenty-first century? Our children. Is this the legacy that we wish to leave them? Are they not the future of

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America? Have we put ourselves and our short-term interests ahead of our children's future?

A Shameful Legacy

Do we love ourselves more than we love our children? Pulitzer Prize-winning author of *From Beirut to Jerusalem*, Thomas Friedman, raises this question when he recounts a 1984 dialogue with a 54-year-old Lebanese Druse merchant, Nabih, and Nabih's 15-year-old son, Ramsi, in the village of Qabr Chmoun. The Druse had recently taken over the region from the Phalangists, who had responded with endless artillery barrages and machine gun attacks—some of which nearly destroyed Nabih's shop. As Nabih described the "savagery" of the attacking Phalangists, Friedman could see there were no remaining windows, and the interior ceiling of his shop had been reduced to a mess of hanging wires and steel rods.

The Phalangists had failed to retake the region. Nabih beamed with pride as he told how his son, Ramsi, had behaved in the fight. Ramsi echoed his father's pride as he told of leaving school to fight those who were killing his people. Friedman was puzzled at the story and its obviously deeper implications for the tiny country, and he recounted the event some weeks later to his friend—American University psychologist-counselor Richard Day—whose job was to counsel youth suffering from the trauma of internal civil war. Day responded with a question: "When will there be peace in Lebanon?" Answering himself, he went on to answer: "When the Lebanese start to love their children more than they hate each other."⁷

The same question applies to the current generation of Americans. Do we love ourselves more than we love our children? Our actions as a nation would suggest that we unfortunately do, because we are handing our children a nation that is economically, financially, morally, and socially bankrupt. The failures of our leaders have led to the state of our nation. Only principled business leaders can reverse this movement in the wrong direction. If leaders continue to default, politicians will continue to dominate our institutions and manage America's inevitable journey to mediocrity. Today's shortcomings will seem insignificant when that occurs. The suffering will be widespread. We are fast becoming victims of the four *Ds* of disaster: debt, deception, delusion, and denial.

In the absence of values, there is no standard by which the people can discern and refute the ever-present deception, delusion, and denial that become part of any culture. Our lives are saturated with them in all four of our economic institutions. Principled leaders don't allow entropy to take root and live; self-serving politicians do. Americans are like the frog in the

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pot of water coming to a boil—oblivious to the rising temperature of the water until it is too late.

The Warning

Sadly, the modern United States may not have the courage to prevent its own fall because:

- No one wants to hear bad news;
- The roots of our worsening situation are not fully understood;
- We are *broke*; our safety nets and financial systems are technically bankrupt;
- The best measure of our financial integrity—our currency—continues to decline in value;
- Our dual value systems continue to interfere with honest searches for cause; and
- Those in control may not care about the future of the nation as much as they care about short-term self-interest.

Collapse occurs in part because people in positions of entrenched power—the elite—in the four main institutions act to benefit themselves and the special interest groups who fund them. Those in authority pass on problems and growing excesses to future generations to resolve and pay the bills. They fail to reverse entropy.

Geographer Jared Diamond, who has studied the collapse of civilizations, was recently asked whether he thought the United States could survive. “I would give us a 51 percent chance,” he responded. When asked what the critical factor would be in our survival, Diamond said that his studies indicate that “if the elites are not directly affected by the difficulties faced by others in a culture, its survival is unlikely.”⁸

History Is Not on Our Side

Forty-nine empires have fallen of their own weight and arrogance.⁹ Twenty-four civilizations have collapsed because they failed to see the long-run implications of their own actions or inactions. Moreover, only a few have succeeded in reversing the trends that ultimately caused their collapse. America has not reversed entropy.

So we must ask ourselves: Do we love ourselves more than we love our children?

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Is There Hope?

This is a book of hope. It is a hope rooted in the reemergence of our long-standing, individual passion for reality, for progress, and for solutions and in our rejection of self-serving values. It will require a decade of sacrifice and action. But we must change course. There is still time to do the right thing, “to do the harder right rather than the easier wrong.”¹⁰ Taking the hard steps to forge a different future is still an option. We cannot say that we did not know, because history is rich with empirical examples of both collapse and survival. The choice is ours.

We cannot say that we did not have an opportunity to change our trajectory, first by establishing and maintaining a leadership culture built upon unifying values, and then on sacrifice and dedication to stopping the fall. Too many others have done this before us.

We cannot claim that the neoconservatives and liberals are at fault. Both share part of the responsibility. It is the 300 million of us who bear the ultimate responsibility, as we ignored debt, deception, delusion, and denial instead of paying attention to our future.

This surrender has left us *broke*. Some saw it coming in January 2006, as one of the nation’s large annual investment conferences concluded in Orlando, Florida. One participant reported on the results. Summarizing the three-day meeting in two sentences, he reported “All of the managers tell me that it is time to get our money out of the United States. We are *‘broke.’*”¹¹

The Bottom Line

Our nation has now passed through four decades, three wars, several government-induced recessions, several energy crises, and more money than was spent by any entity in history—without truly resolving a single major issue on either the domestic or the international fronts. We have piled up more debt in the process than was ever created, and we have nothing to show for it. We are handing our children a country that is bankrupt morally, socially, spiritually, and financially, while we justify unconscionable waste that only serves the special interests of a select few. Are we ready to change this legacy?