

TRUST IS A BUSINESS ASSET

The impact of trust on the economy can be witnessed at the corporate level. Bear Stearns, AIG, and Lehman Brothers were at one time considered trust-based businesses. Each of these companies relied on the trust of the market to establish the firm's value. As trust goes down, value goes down. For instance, the \$236 million purchase proposal for Bear Stearns by JP Morgan Chase came just hours after Bear Stearns' market capitalization was \$3 billion. Interestingly, just over a year ago that market cap was \$20 billion. As trust in the market tanks, so does the value of the business.

Bill Otis, former Chief of the Appellate Division in the U.S. Attorney's Office, offered this analysis: "Our ability to bail our way out of this recession is extremely limited, because, even if they worked and could be paid for, bailouts and government spending generally fail to address the fundamental problem at the heart of our difficulties. The fundamental problem is not liquidity or even solvency. It is trust—or more correctly, the lack of trust—that has spawned the breakdown in the credit markets. The lack of trust cannot be remedied with money. It can only be remedied with that which creates trust."

Though our trust has been shaken in America during this economic crisis, we still enjoy a level of trust that is not enjoyed in all parts of the world. A business professor and friend of mine, Leo Gabriel, was asked by a native of a small war-torn, developing country, "Why does capitalism work in America and not here?" Gabriel said, "Because, generally, we can assume trust in our economic system." In America we can go online, order a product, and assume it will be shipped. The retailer can generally assume that he will be paid. Without trust there cannot be economic activity. You must be able to put trust in your cash, check, or credit to have value and be good. A retailer must know that the product or service will be delivered from the supplier as expected. With greater trust comes greater economic activity and a better form of capitalism.