



# America's Leadership Crisis--And Its Economic Implications

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One of the underlying causes of the Great Recession and its abnormally slow recovery is a failure of leadership. We have a leadership crisis at the individual, organizational and societal level that has exacerbated our economic problems and handicapped the fundamental motivating principle at the heart of our country, the pursuit of happiness.

In my new book, "[The Leadership Crisis and the Free Market Cure](#)," I lay out what it takes to be an effective leader. Leaders must live and communicate the fundamental values that are necessary for human flourishing. They must create the processes that incentivize superior performance and design a purposeful, rational mission to meet objective goals. This requires education, feedback and the honing of behaviors that produce excellent results.

During my almost 20-year tenure as CEO of BB&T, the company grew from \$4.5 billion to \$152 billion in assets. In our leadership development program, we educated employees by requiring them to read "Atlas Shrugged, Economics in One Lesson," and other books on the principles that underlie a free society and free markets.

Drawing lessons from these principles was critical to the success of the company. For example, we decentralized the decision-making structure in a way that enabled BB&T to weather the financial crisis without a single quarterly loss. This was in stark contrast to the example of some other financial institutions that centralized and focused on ill-gotten short-term gains in a toxic regulatory environment plagued by excessive meddling by the government and the Federal Reserve.

## **Excessive government interference distorts the economy**

The crux of America's economic problems lies in this irrational system of excessive government interference that distorts the proper functioning of the economy. Most of the goals that are described by political leaders are based on an assumption that the country is one monolithic whole. In reality, a country is millions of individuals with wildly varying goals that are too complex for central planners to account for.

Unfortunately, the flawed fundamentals that led to the terrible financial crisis in 2008-2009 are still around and have been amplified since the crash. Recent presidential leadership has discouraged businesses and entrepreneurs to invest for the future. More regulations, higher taxes,

government-chosen winners and losers – these are not the ingredients of a healthy economy and they indicate a dangerous lack of leadership.

What politicians and business leaders need to understand is that the same fundamental concepts that are appropriate for individual behavior are also appropriate for organizations and for society and government.

### **Economy is essentially a collection of individuals**

Boiled down to its essentials, the economy is simply a collection of individuals. A leader will recognize this and create an environment wherein honest feedback is encouraged. Many leaders fail because they do not receive meaningful feedback. Sometimes this is a personality issue in that they intimidate their team members, who are therefore hesitant to express the truth. Sometimes leaders only seek feedback from those who are most likely to agree with them.

When I was CEO, BB&T operated with 33 community banks. I would visit each of these banks in a systematic fashion and listen to employee concerns. The feedback from a single employee was not always that meaningful. However, if there was a recurring theme from a number of high-performing team members, there must be an issue that requires action.

There are some significant societal leadership implications of this issue. You would not want to vote for a president who was not able to get feedback from those who disagree with him. Presidents with a penchant for executive action, disregarding the Constitution's checks and balances or ignoring criticism from those in a position to have special knowledge of an issue, exemplify poor leadership.

### **Creating win-win partnerships**

Another important lesson from the market is the value of creating win-win partnerships. In the more than 100 mergers we executed at BB&T during my tenure, we approached them in this mindset and practically all of them were successful. It's not enough to outsmart or mislead in any way a future partner. If they are not objectively energized by the potential of the partnership, then it will be better for both parties to part ways.

For partnerships to work, they must be based on voluntary agreements. They cannot be forced. Government, by contrast, is all about force. And that's why, in the long term, government-forced partnerships will not work. If we want optimal outcomes in terms of economic growth, government should be limited to preventing the initiation of force by private individuals, and not much else.

I am often asked by students whether my intention when I joined BB&T was to become CEO and make a lot of money. I liked being CEO and enjoyed earning a lot of money, but neither of those things was an objective. My goal was always to do whatever I did better than it had ever been done before and to understand how what I did related to the rest of the organization.

Individual, organizational, and societal success are all based on the same principles that are derived from the laws of nature and human beings' fundamental nature. Purposeful, ethical individuals are the foundation for human flourishing. "Life, Liberty, and the Pursuit of Happiness" is one of the most profound insights in human history. We must put those leadership principles back into use if we are to flourish in the future.

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