



THE PBN COMPANY

## **Fighting the Crisis by Rebuilding Confidence**

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The key to emerging from a recession this deep and this broad is the restoration of confidence. Building confidence is ultimately about building trust. Trust in our government, in our business leaders and in the fundamentals of our economy and economic future.

Right now that trust has been shaken badly. Perhaps in Russia even more so than in other countries.

That's because it came so suddenly and at the very moment when the public's confidence in Russia was sky high. Among rich and poor alike, there was widespread belief that the type of economic displacement experienced in 1998 could never happen again, and certainly not under Prime Minister Putin's watch.

What started out as a financial crisis and turned into an all-out economic crisis has now become a massive crisis of confidence.

In January, the government announced that Russian consumer confidence plunged to an eight-year low in the final quarter of 2008. Two-thirds of the public now thinks that the country's economic situation will stay the same or get worse. Around the factory, the office and the kitchen table, the preoccupation with "The Crisis" is oppressive – a force of gloom weighing the country down.

So what is the key to restoring trust and confidence? Leadership is obviously the watchword. But so too is information and dialog. Honest, open

and effective: by government authorities, by the business and financial communities, and by society at large.

The public needs to know that the government understands the depth and breadth of the crisis. That it has a plan to return Russia to a cycle of economic stability, and ultimately to renewed growth and opportunity.

The government has done a lot of things right — like quickly pumping liquidity into the country's financial system, guaranteeing bank deposits, cutting oil export taxes and managing the ruble's devaluation. But there is still what Dr. Guriev of the Moscow School of Economics has said is an "intolerable level of uncertainty in the government's actions."

Part of the problem is shortcomings in economic policy making. But the other part has been the stunning void in dialogue and information sharing.

Igor Yurgens of the Institute of Contemporary Development has said: "The Russian crisis appeared not just in the economic and social spheres, but also in the informational one. While demand for information is growing, its accessibility and quality are falling."

Maybe the tide is turning. President Medvedev's new television program to explain the financial crisis to the general public shows he grasps that honest and open communications are a leadership imperative during this time of crisis.

While confidence in the economy has dropped in the polls, the popularity of both President Medvedev and Prime Minister Putin remains high. It is critical that they leverage this popularity to have a dialogue with the public about this crisis and the actions they are taking.

While government seems to be getting its act together, the business community has a long way to go.

In the good times, business leaders relished the opportunity to prognosticate in public about the unstoppable growth of Russia and of their own companies.

Where are so many of these business executives now? It appears that they have gone into their bunkers.

But now is not the time for bunker mentality. This is precisely the time when customers, employees, investors, the media and the government need to hear from our corporate leaders. Like the government, it is essential that our business leaders display leadership by maintaining dialogue with outside world.

Does this mean that business has to have all the answers? In these unprecedented times, no one expects them to. What is expected is that business will have the courage to engage, provide context, and to offer ideas. To offer a realistic assessment of what the future might hold.

In times of economic uncertainty, silence is not golden. Silence leads to speculation, aggravates insecurity and further deteriorates trust. Now is the time for corporate leaders to be more visible than ever before. To get out of that bunker and show they have a plan for survival and continued economic viability.

What can set back the confidence building imperative?

Anti-crisis measures by government and business are under extreme scrutiny. Mistakes, fear, incompetence and examples of gaming the system to benefit the few over the many will be clear for everyone to see.

But above all, the single greatest enemy of restoring confidence is untruthfulness. The channels for obtaining accurate information are so many and so varied that attempts to pull the wool over the public's eyes will ultimately fail. Even in a society where the government controls the major broadcast media, the truth will win out. Rising unemployment, a weakened ruble and increasing inflation are realities that no amount of "spinning" can mask.

The economies of Russia and the world will not start turning around, until we restore confidence and trust. Until consumers have confidence to spend. Until banks have confidence to begin lending again. Until businesses have the confidence to hire and invest in expansion. Until foreign investors have the confidence to reenter the Russian market.

Trust and confidence are infectious and part of a self-sustaining and self-fulfilling cycle. Restoring confidence will be the ultimate test of leadership by Russia's — and the world's — government and business leaders.

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