

# Gleanings

Volume 1, Issue 2

March 1, 2002

## *Did you know?*

Our founding fathers intended for the doctrine of separation of church and state to protect the church from the state, not vice versa as many today would have us believe.

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**By Gerald R. Chester, Ph. D.**

## **Dealing in Root Issues!!**

The December 10, 2001 edition of the Dallas Morning News reports on the efforts of Mexico's President Vicente Fox to convince Mexicans that corruption does not have to be part of their daily lives. His tactics are "feel-good rap sessions and sting operations to subdue a culture of corruption so ingrained that kids sometimes bribe their teachers for better grades". The article labels the efforts by President Fox as "Big Brother Tactics" and provides the perspective of a "Raúl Carranca y Rivas, who has taught law at Mexico City's National University for five decades. The professor claims that "This is a cultural problem. This is an educational problem that will be solved with education, with jobs, with a more democratic culture, with a strong economy, and not with this type of repression."

President Fox is approaching the problem from the top down; that is, the government is seeking to define moral values and impose its will on the citizens. Though the

law professor is asserting a different approach, it is still top down in that the solution is based on government activities—more democracy, better education, and an improved economy.

Could it be that the solution is not top down, but bottom up. Bottom up means that the culture changes because the people that make up the culture change. When the people adopt the simple value of the golden rule—do unto others as you would have them do unto you—would there be any corruption? Doesn't society simply reflect the collective personal values of the people? If one wishes to truly change societal values, it must come from the grass-roots level—from the bottom up.

My dad always said that a person convinced against his will is of the the same opinion still. The root issue is the heart. If the hearts of the people do not adopt the golden rule, it can never be successfully imposed.

## **Enron and Arthur Andersen—Trust Violated!!!**

Investors rely on public accountants as fiduciaries in reporting and validating financial data of publicly held companies. The Enron debacle has raised a serious question regarding the credibility of once highly regarded auditors. While we don't yet know all the facts, there is mounting evidence that Arthur Anderson did not conduct itself properly. If this is true, the trust that investors have placed in the audit community will be tarnished. One of the major reasons that the

capital markets of the U.S. enjoy such favor with investors around the world is that the accounting standards of the United States are considered to be some of the highest in the world. However, if the standards are not complied with by those charged to follow them, trust in the United States financial markets will most certainly be impaired. To a large degree, the value of publicly traded companies is based on investor confidence. Is this a harbinger for a prolonged slump?

# It Used to Just Take a Handshake!!

My wife and I just completed building a new home. Upon starting construction, we had to sign a mountain of paperwork associated with the interim loan which was made by the institution that I have been banking with for over a decade. I was more than mildly amused over a document where we affirmed that we are who we say we are. But I realized that the massive paperwork was necessitated by an institution trying to protect itself from every problem it has ever experienced.

There was a day when people did business on a handshake. The handshake signified that the parties could depend on each other to honor their respective agreements and if a disagreement occurred, the parties would honorably find a resolution. For this to work, the parties had to have the same values, the highest of which were trust and honor. Even money was subordinate to trust and honor.

In the humanistic society of the United States today, we grant everyone the freedom to define their own values in the name of freedom. It is therefore often difficult for people to find others with whom they share common values, particularly the values of trust and honor. More often than not, trust and honor are subordinated to money and the proverbial bottom line. Commitments are no longer unconditionally honored. Rather commitments are subordinated to pragmatic factors that justify breaking agreements.

Our inability to be able to conduct business on a handshake is a sad testimony to the moral climate of our country. It also may be a precursor to the future. What country in the world, whose people have adopted humanism as a worldview, has prospered? I know of none. Could it be that we are enjoying the blessings of our forefathers who did business based on a handshake, and those that follow us will be doomed to the increasing burdens of a litigious world?



**Your comments and questions are invited.!!!**

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Since 1987, Dr. Gerald R. Chester has been providing business and financial advisory services to clients. After receiving his Ph.D. in physics, Gerald moved quickly from the research lab into management. From 1978 to 1985, he managed his family's business, which prospered while growing at an average annual rate of 20%. As a business and financial advisor, Gerald utilizes his rigorous technical education and hands-on management experience to serve his many clients with seasoned balanced judgment. His clients appreciate and value his experience and wisdom in both business and financial matters. Gerald's focus includes strategic planning, business analysis, business valuations, business plans, mergers and acquisitions, financial planning, investment strategies, investments, and personnel assessments. The Newsletter, *Gleanings*, is intended to provide a venue to share the insight and wisdom gained over the years working with dozens of businesses and organizations.

Gerald R. Chester is a registered investment advisor.

