

We're Doomed!

Stephen R Balzac

It's the end of the world! There's clearly no chance that the US will escape from the current economic downturn. Doom is at hand.

More and more people are telling me that they no longer listen to the news. They are finding the steady drumbeat of negativity too depressing. Their response is to shut out the noise.

Now, there's something to be said for that approach. After all, if you don't listen, you don't have to pay attention to how bad things are. On the flip side, you might also miss something useful. Back in 1910 or so, legendary stock trader Jesse Livermore always read the newspapers, no matter how bad things were. When the economy finally turned, he was ready. Inside a year, he went from a million dollars in debt to a million dollars in the black. During the Great Depression, IBM's Tom Watson always stayed current on the news: when conditions changed, his swift actions made IBM a huge success.

Perhaps ignoring what's going on is not the best course of action, especially for CEOs and other business leaders.

The fact is, though, it is hard to listen to the news without feeling discouraged. It's even worse in a world where the news is always on, as close as our computer or cell phone. Being tough and bucking up only works for so long. Eventually, even the toughest will get tired: a steady diet of discouraging words can undermine anyone's confidence in a variety of subtle or not-so-subtle ways. Just listening to a barrage of negative news is enough to subtly shade our decision making toward fear. The decision to not take a risk on a new product or to not aggressively invest in the business becomes that much easier. So if the answer is not playing ostrich, and it's not toughing it out, what does work?

The most important thing is to reframe excessively negative news into something more neutral or even positive. This is actually less difficult than it sounds, mainly because the news frequently appears worse than it actually is. In Edwin Lefevre's classic, "Reminiscences of a Stock Operator," he observes that the news media is always most excited and positive at the top of the economic cycle, and most dire and pessimistic at the bottom. Lefevre's book was written in 1923, and his observation remains true today. Just because it's easier to get the news doesn't mean that the psychology has changed.

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In a recent news report, one economist was claiming that hyper-inflation and total social collapse is just around the corner. Is that likely? I'm no economist, but I have to wonder how many people today remember "Dow 36,000?" James Glassman's book was published at the height of the Internet boom: in October 1999, just a few short months before the market crashed in March 2000. Today, we're hearing the equivalent of Dow 3600. The predictions of a rosy future stretching into forever were loudest, and most believable, at the top; what does that say about the news today?

What then is the best way to listen to the news and keep your outlook positive? There are several strategies used by master stock traders and other business leaders:

- Be contrarian: it's always most euphoric at the top and grimmest at the bottom.

- Look for the hidden opportunities. When it looks like we're doomed, that's when things are turning.
- Don't listen to every news broadcast or read every paper or website. Hearing the same stories over and over reinforces the feeling that you're getting new information. In fact, you're getting the same information, and it's all usually from the same original source. Hearing something through multiple channels "tricks" us into giving it too much credence.
- For some reason, negative news frequently sounds logical and good news foolish. Stop and take a larger perspective. Don't let your point of view become narrow.
- Each day, set aside some time to get away from the computer. Shut off the TV, put down the newspaper. Do something fun; watch a comedy. Give yourself perspective.
- Don't be afraid to act. It's easy to get stuck looking for the perfect move. Sometimes, the important thing is just to move. Once you're moving, it's amazing how much more positive the news becomes.

While it's certainly true that we can't control the economy, we can control how we react to it. You can be sucked into the doom and gloom, or reframe and seize the opportunities that are out there. Tom Watson chose the latter. What's your choice?

Stephen Balzac is a consultant and professional speaker. He is president of 7 Steps Ahead (www.7stepsahead.com), an organizational development firm focused on enabling businesses to increase revenue and build their client base. Contact him at 978-298-5189 or steve@7stepsahead.com.