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<http://www.theaustralian.com.au/in-depth/us-election/business-chiefs-should-not-run-countries/story-fn95xh4y-1226454408765>

## **Business chiefs should not run countries**

• by: *JONATHAN TASINI*

**THE barrage against Mitt Romney's record as the chief executive of a hedge fund is head-shaking. Not because it isn't legitimate to probe his record of job creation or destruction while at the helm of Bain Capital. Rather, there is a more fundamental question: why would anyone think a business executive is qualified to run a country?**

This is a common choice voters are being offered around the world. Unemployment is high, governments appear incapable of charting a course for economic security and people feel afraid.

Then, from the fog of paralysis, a saviour appears: the savvy businessman offering to get everything shipshape, just like he claims he did in his fabulously successful role as a private sector chieftain.

Indeed, on the campaign trail, Romney's newly chosen vice-presidential pick, Paul Ryan, says of Romney's business background, "It's the kind of experience you want to have in Washington."

But, while it may seem like an attractive proposition to try to translate business success into public policy life, it's highly debatable whether a chief executive is the kind of person you would entrust to manage national affairs.

Perhaps the most obvious point is companies are essentially dictatorships. The chief executive is the boss. Spare us the rhetoric about chief executives serving at the pleasure of the boards of directors. Boards of directors are mouthpieces for the chief executive, stacked with cronies. So, while the CEO-as-supreme-leader might work well in Syria, Uzbekistan or North Korea, it's a role fundamentally at odds with democracies. Give and take, compromise and patience may be messy and tedious in the political world but, in most democracies, those are part of the checks and balances political leaders accept.

Examples of the imperial chief executive can be found in every corner of the globe.

Once she had accumulated a large share of stock in Fairfax Media, it took about five minutes for Gina Reinhart to demand that the company change its entire code of independence - and she wasn't even the chief executive.

Imagine Rupert Murdoch sitting still for a parliamentary negotiation, or the perpetually impatient Bill Gates biding his time while the US congress debated, for weeks, whether to pass a farm bill.

Nobel prize-winning economist Paul Krugman, in a slim, little noticed book called *A Country is Not a Company*, points out that companies operate in very different environments from a country. An economy, he says, is monumentally more complex than a company, no matter how big the private enterprise: "A successful business leader is no more likely to be an expert on economics than on military strategy." To make this point, Krugman focuses on an essential difference: "Businesses, even very large corporations, are generally open systems. By contrast, a national economy - especially that of a very large country like the United States - is a closed system."

Think of it this way. In the open-system world facing a chief executive, when a company does well, the chief executive can expand lines of business and hire more workers. As it grows, the company can, as a whole, perform well and without regard to how it may hurt another company engaged in a similar market. The CEO's only concern is watching his own bottom line.

But in a national economy a leader does not have the same luxury. One industry's job growth from exports driven by a highly valued domestic currency, for example, often comes at a loss to someone else's jobs in another industry that is hurt by an overvalued currency.

A national economy's closed system - that is, a system where a pie is divided up among competing interests - is inherently a more conflicted ecosystem. And, in that conflict resides political challenges a chief executive is ill-equipped to manage. Thus, Krugman says, "an executive who has made \$1 billion is rarely the right person to turn to for advice about a \$6 trillion economy".

The real problem is that, by believing that a chief executive can do a better job than current political leaders from other walks of life, we aren't really understanding, or we are refusing to acknowledge, the deeper problem. Our worldwide crisis - too many unemployed workers, a declining standard of living, eroding retirement security, all coupled with an existential threat to life on the planet because of climate change - has little to do with a failure to run a nation with executive-like efficiency.

It's a failure of morality and vision. The crisis and paralysis are a direct outcome of an economic system - the so-called "free market" - that has delivered prosperity only to a handful of people while impoverishing most others.

Sharan Burrow, general secretary of the International Trade Union Confederation, put it succinctly: "This is an economic model that is not creating jobs, protecting livelihoods or providing the social protection that people need to stabilise the economy." In the process, the system is exhausting the earth's capabilities to sustain itself.

Running a failed economic system with CEO-like efficiency means driving the entire human condition deeper into the abyss. An honest debate would make clear that chief executives embrace a set of beliefs and institutions that have got us into the mess we face. They are, thus, not suited to run a nation because their core instincts are to continue to offer more economic insanity over a path to sustainability.

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