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## US Politics & Policy

# Why business cannot make government great

Making law is not making money, and governing is not managing

## FT View



*Management approaches native to business often fall at the first hurdle when applied to governments © Bloomberg*

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Governments have achieved amazing things. They built the pyramids and defeated the Nazis. Yet it never occurs to anyone to bring government officials in to reinvigorate unproductive businesses. When governments do get involved in business, the results are usually bad, and no one is surprised. The reason is obvious: government and business, when they are good, are good at different tasks.

Somehow this logic has not ended calls for government “to work more like a business”. This hardy perennial bloomed again on Monday, when president Trump [created \(https://www.whitehouse.gov/the-press-office/2017/03/27/presidential-memorandum-white-house-office-american-innovation\)](https://www.whitehouse.gov/the-press-office/2017/03/27/presidential-memorandum-white-house-office-american-innovation) a “White House Office of American Innovation”, to be run by his senior adviser and son-in-law, [Jared Kushner \(https://www.ft.com/content/09c6580a-130e-11e7-80f4-13e067d5072c\)](https://www.ft.com/content/09c6580a-130e-11e7-80f4-13e067d5072c). Its goal is to make the federal bureaucracy better, using insights from business. “The government should be run like a great American company,” Mr Kushner declared, a piety mouthed by a long line of government newcomers before him. Few of them achieved very much. It is a good bet that Mr Kushner will not, either.

[An explanation \(https://www.amazon.co.uk/Bureaucracy-Government-Agencies-Basic-Classics/dp/0465007856\)](https://www.amazon.co.uk/Bureaucracy-Government-Agencies-Basic-Classics/dp/0465007856) of why not was offered by the political scientist James Q Wilson. He pointed out that while businesses can focus on simple tasks — usually making profit — government agencies must satisfy multiple constraints. The constraints are often dismissed as red tape, but they are there because citizens demand them. Mr Wilson illustrated this point in reference to Mr Trump himself.

In 1986, New York’s parks department had failed to rebuild the Central Park ice skating rink, despite spending \$13m and six years on it. Mr Trump offered to get the job done for \$3m. The mayor accepted. The project was completed in six months and under budget.

Why was the city government unable to work as efficiently? Because it had to honour constraints. When it hires a construction firm, a public bid is required, including highly detailed plans, to prevent sweetheart deals. This takes time and money. Mr Trump simply gave broad specifications to a company he trusted. The parks department had a double mandate of building a rink and making it fuel efficient; the latter requirement was dropped for Mr Trump. Finally, Mr Trump knew that cost overruns would come out of his pocket. Giving a government official a personal stake in a public project is corrupt, not efficient.

This illustrates why in certain areas — particularly projects where the goals, work processes, and outcomes are relatively transparent — government outsourcing can work very well. But notice that the government’s constraints are all reasonable: no one wants government contracts to be handed out behind closed doors, and no one wants officials to run their departments for profit. Good government is efficient. It is also equitable and transparent and accountable to the broad electorate. These various constraints are always in uneasy balance. So management approaches native to business often fall at the first governmental hurdle.

In areas where the government’s goals are more complex and its achievements harder to measure — think of education, the military, diplomacy, or [prisons \(https://www.ft.com/content/b1554900-0e59-11e7-a88c-50ba212dce4d\)](https://www.ft.com/content/b1554900-0e59-11e7-a88c-50ba212dce4d) — turning the work of state over to businesses or business management techniques leads to results that vary from uneven to bad.

Some of the smartest people in the world are in business. Some of them, in fact, understand and operate bureaucracies brilliantly. When they come into government they can do a lot of good. But all the same, Mr Kushner is wrong: the government should not be run like a great company. It should be run like a great democracy, which is much harder to do.

## **Letter in response to this editorial:**

*[Positive intervention needs to be revalued / From Philip G Cerny, York, UK \(https://www.ft.com/content/39b5463a-13d5-11e7-b0c1-37e417ee6c76\)](https://www.ft.com/content/39b5463a-13d5-11e7-b0c1-37e417ee6c76)*

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