

# COMMENTARY

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## Should government be run like a business?



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I often hear that “Government should be run like a business.” I will concede that there are some practices in businesses that could be copied in government sometimes — President Franklin Roosevelt used to have two people/agencies in his administration working on the same task in order to see which result was best. But for the most part, business and government are very different entities and must run differently.

One difference is that government cannot fail. According to the Small Business Administration, about 20% of small businesses fail in the first year, only half survive five or more years — and only one-third make it for 10 years! We could not tolerate that rate of failure of public health, gasoline pump accuracy measurement and road maintenance — let alone policing and firefighting. Trial and error and the risks that businesses take to try to increase their profits are not acceptable in government.

A difference I have noticed particularly in the current political climate is that in a business, by and large, the board of directors likes their employees, or at least likes having employees.

That is because it is the employees who make business do its business, thereby profiting the shareholders and CEOs. On the other

hand, the CEO of the state, called the governor, and the state’s board of directors, called the Legislature, are now dominated by folks who really do not like government and think that the less government there is, the better.

It is motivating to work for an entity that appreciates you, and tough on morale when the opposite is true. Not a good way to run a business or government.

The big difference between business and government I learned personally from my years working for a subcontracted, government-funded agency that supplies civil legal services to low-income citizens — “justice for all,” like it says in the last three words of the Pledge of Allegiance.

The lesson is that businesses offer products or services in exchange for payment. And payment for each item or each service performed covers the cost of producing the product or service (plus a profit to the business).

If a business provides better products and services, then word gets out, and the business gets more business, which means it gets more income to pay the additional costs of providing the additional products or services.

That is not so in government! If you are a government worker manning a state park, for example, and if you make it a better state park and more people hear about it, then more show up.

But all you get is additional work for no additional pay, and you run out of materials because your funding is from appropriations from the

Legislature, which really does not like government and certainly does not want to raise taxes to increase it. So there is a perverse disincentive to many government workers for doing their jobs well.

And some government jobs, unlike working in a state park or selling groceries, are not popular with the citizens who come in contact with the government workers’ duties. Inspecting coal mines, writing speeding tickets and enforcing hunting laws come to mind.

We could follow the business model of matching an income source with the service performed — that is, we could allow the agencies to use the fine money they collect to pay to increase their size to respond to the increase in need for oversight. Giving incentives for law enforcement to ticket speeders and fine hunters would at least be unpopular, and is probably not good public policy anyway.

Magistrates used to be called justices of the peace and used to get a fee for awarding judgments to creditors and against consumers in order to pay for the justice of the peace system — until that was declared unconstitutional.

Politicians say we should run state government like a business, but when we have trouble keeping child protective service workers, highway engineers, prison guards, etc., we do not, like a business would, raise pay to match the competition.

Prison guards are now lured away by jobs at gas stations and grocery stores. I wish the politicians would in those instances act

on their philosophy and increase pay and benefits to attract and retain employees the way a business would.

I think the biggest reason that businesses might seem to be better run than government is bigness. The vast, vast majority of businesses are small. A government is huge. In my professional work now against big businesses, I see lots of perverse incentives and inefficiencies in those big businesses.

So in an entity the size of a state government, lots of perverse incentives can impact on the worker with boots on the ground.

Frankly, most of the state workers I run into I admire for overcoming perverse incentives and the oft-expressed knee-jerk disdain of government by the citizenry.

I admire them for taking pride in doing their duties nonetheless — even if it means more people may hear about their good deeds and ask for their help, thereby increasing their burdens with no corresponding increase in pay or resources.

They are the ones who keep government from suffering the fate of two-thirds of small businesses. The good state employees buck the perverse incentives, low pay and lack of beneficial funding, and do good work giving services to the people, which in the end is the purpose of government.

And the purpose of business, providing money to shareholders and golden parachutes to failed leaders, is quite different.

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