

The New York Times Reprints

This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your colleagues, clients or customers [here](#) or use the "Reprints" tool that appears next to any article. Visit www.nytreprints.com for samples and additional information. [Order a reprint of this article now.](#)



January 12, 2012

America Isn't a Corporation

By **PAUL KRUGMAN**

“And greed — you mark my words — will not only save Teldar Paper, but that other malfunctioning corporation called the U.S.A.”

That's how the fictional Gordon Gekko finished his famous “Greed is good” speech in the 1987 film “Wall Street.” In the movie, Gekko got his comeuppance. But in real life, Gekkoism triumphed, and policy based on the notion that greed is good is a major reason why income has grown so much more rapidly for the richest 1 percent than for the middle class.

Today, however, let's focus on the rest of that sentence, which compares America to a corporation. This, too, is an idea that has been widely accepted. And it's the main plank of Mitt Romney's case that he should be president: In effect, he is asserting that what we need to fix our ailing economy is someone who has been successful in business.

In so doing, he has, of course, invited close scrutiny of his business career. And it turns out that there is at least a whiff of Gordon Gekko in his time at Bain Capital, a private equity firm; he was a buyer and seller of businesses, often to the detriment of their employees, rather than someone who ran companies for the long haul. (Also, when will he release his tax returns?) Nor has he helped his credibility by making untenable claims about his role as a “job creator.”

But there's a deeper problem in the whole notion that what this nation needs is a successful businessman as president: America is not, in fact, a corporation. Making good economic policy isn't at all like maximizing corporate profits. And businessmen — even great businessmen — do not, in general, have any special insights into what it takes to achieve economic recovery.

Why isn't a national economy like a corporation? For one thing, there's no simple bottom line. For another, the economy is vastly more complex than even the largest private company.

Most relevant for our current situation, however, is the point that even giant corporations sell the great bulk of what they produce to other people, not to their own employees — whereas even small countries sell most of what they produce to themselves, and big countries like America are overwhelmingly their own main customers.

Yes, there's a global economy. But six out of seven American workers are employed in service industries, which are largely insulated from international competition, and even our manufacturers sell much of their production to the domestic market.

And the fact that we mostly sell to ourselves makes an enormous difference when you think about policy.

Consider what happens when a business engages in ruthless cost-cutting. From the point of view of the firm's owners (though not its workers), the more costs that are cut, the better. Any dollars taken off the cost side of the balance sheet are added to the bottom line.

But the story is very different when a government slashes spending in the face of a depressed economy. Look at Greece, Spain, and Ireland, all of which have adopted harsh austerity policies. In each case, unemployment soared, because cuts in government spending mainly hit domestic producers. And, in each case, the reduction in budget deficits was much less than expected, because tax receipts fell as output and employment collapsed.

Now, to be fair, being a career politician isn't necessarily a better preparation for managing economic policy than being a businessman. But Mr. Romney is the one claiming that his career makes him especially suited for the presidency. Did I mention that the last businessman to live in the White House was a guy named Herbert Hoover? (Unless you count former President George W. Bush.)

And there's also the question of whether Mr. Romney understands the difference between running a business and managing an economy.

Like many observers, I was somewhat startled by his latest defense of his record at Bain — namely, that he did the same thing the Obama administration did when it bailed out the auto industry, laying off workers in the process. One might think that Mr. Romney would rather not talk about a highly successful policy that just about everyone in the Republican Party, including him, denounced at the time.

But what really struck me was how Mr. Romney characterized President Obama's actions: "He did it to try to save the business." No, he didn't; he did it to save the industry, and thereby to save jobs that would otherwise have been lost, deepening America's slump. Does Mr. Romney understand the distinction?

America certainly needs better economic policies than it has right now — and while most of the blame for poor policies belongs to Republicans and their scorched-earth opposition to anything constructive, the president has made some important mistakes. But we're not going to get better policies if the man sitting in the Oval Office next year sees his job as being that of engineering a leveraged buyout of America Inc.