

In Foreign Policy an Interesting Distinction Made between CEOs and Administrators.

In analyzing Penny Pritzker's qualifications to be secretary of commerce, Foreign Affairs gives a wonderful primer on the difference between being a CEO and an administrator.

When Penny Pritzker's nomination as secretary of commerce was recently approved by the U.S. Senate, President Barack Obama emphasized that she had had the experience of "building companies from the ground up."

While this was no doubt meant to suggest that she is therefore well qualified to be secretary of commerce it actually does no such thing. Secretaries of commerce do not build companies, whether from the ground up or the top down. The job of the secretary of commerce really has very little to do with that of a CEO. Indeed, a CEO's experience may be more of a hindrance than a help to a secretary of commerce.

Unlike that of a CEO, the secretary's job is not to build, command, or directly lead anything except the bureaucracy of the Department of Commerce. Rather it is to persuade, explain to, cajole, and perhaps even to inspire bureaucrats, politicians, journalists, academics, and labor and business leaders.

Think of it this way: the president's national economic advisor, his chairman of the Council of Economic Advisers, the secretary of the treasury, and the chairman of the Federal Reserve are responsible for what we call the macro economy. They deal with things that are reasonably well known to informed citizens - interest rates, fiscal stimulus, employment and unemployment, leading and lagging indicators, inflation, overall GDP growth, and budget surpluses and deficits. To deal with these, they have a well known box of tools that includes bank reserves, federal funds rates, taxes and tax cuts, and more.

The job of the secretary of commerce is much less well known and much less understood, including by most secretaries of commerce themselves. But just as the officials noted above are responsible for the macro economy, so are secretaries of commerce responsible for the micro economy. They need to be looking at the structure of the economy and at the health of its various sectors. Is an economy with a bloated financial sector a healthy one? How about an economy with that is heavily weighted toward traditional industries like agriculture, basic manufacturing, and fishing but with an underdeveloped technology sector? Is the military-industrial complex squeezing out more productive, entrepreneurial technological development? These are the questions the secretary of commerce must ask herself. Devising and shepherding through sector-oriented policies that can answer them is her province.

So she/he needs to have a knowledge not so much of how to build companies but what kinds of production and service provision can be done competitively from a U.S. base and of the impact of things like currency rates and the industrial policies of other countries on the productive capability of important sectors of the U.S. economy. She/he has to understand what makes the German, Chinese, Korean, and other economies tick and why their exports are so competitive and find the steps to enable U.S. based industries to respond and compete. She/he has to know something of international trade and competition law and how to use it to enhance the power of U.S. based production.

Of absolutely critical importance is the ability of the secretary of commerce to advocate and argue effectively for structural and sector-oriented policies within the councils of the administration. This is extremely difficult because it means arguing with some of the best PhD economists in the world and convincing them that macroeconomic policies can't solve all problems. In effect, it means convincing them , or convincing the president over their objections, that they may be wrong. By the same token, it means wheeling and dealing in the Congress to obtain necessary legislation.

In my long tenure as first an official of the Department of Commerce and then an observer of the department, no CEO who became the secretary of commerce had these skills and this knowledge. The one who came closest was Malcolm Baldrige for whom I worked in the first Reagan administration. But even "Mac" had to learn on the job.

Certainly nothing in Secretary Pritzker's background suggests she presently has the requisite knowledge, experience, and skills. The great question is how rapidly she might learn on the job.