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Commentary: Free enterprise is under siege - from some Republicans

By Shanker Singham and Jerry Haar

"Anti-capitalist Republican" is as contradictory and absurd as "celibate prostitute," "moderate terrorist," or "noisy mime." Yet, in the Kafkaesque process known as the Republican primaries, the regurgitation of anti-capitalist rhetoric is being spewed by a number of candidates.

To the utter dismay of the Republican Party establishment and sheer joy of Democrats, a rising right wing populism seems to be pushing a number of primary candidates to embrace a mean-spirited, right-wing populism that is at once class-oriented (in this case, anti-wealthy), protectionist and isolationist. It is also hypocritical, clamoring for radically smaller, less intrusive government while at the same time calling for the federal government to continue to call for market distortions which further hemorrhage the U.S. budget deficit by providing millions in incentives to companies to "bring manufacturing jobs back home."

Clearly, some in the GOP seem to have forgotten that there is a profound difference between those who believe in the free enterprise system with all its benefits arising from economic liberty, and those who believe that the government should have a stronger role to play in the economy. The new wave of "anti-capitalist Republicans" ironically are in synch with the Occupy Wall Street crowd, at least when it comes to diagnoses — crony capitalism, influence peddling and corruption (Congress and K Street as interchangeable parts, and Wall Street and federal political appointees as well, including regulators. That they happen to be right is not the point here.) Frighteningly, these "fellow travelers" unintentionally provide grist for the Occupy Wall Street crowd whose "solutions" are a concoction of socialism, Keynesianism, radical redistribution, and revolution.

The target of the GOP primary candidates' wrath (and that of many Tea Party stalwarts) is one of their own — Mitt Romney. He's rich. He's a Harvard grad. He's a Mormon. He's the godfather of Romneycare, a Massachusetts-born elder cousin of Obamacare. And most troubling, he was the "sinister" head of a "nefarious" private equity firm, Bain Capital.

Romney's GOP challengers are focusing on the private equity (PE) connection — a strategy that has unintentionally added heavy artillery to the arsenal of the Democratic Party and the president's reelection campaign. It is surprising, disappointing and sad that the sage of the GOP, Newt Gingrich, is leading the charge to lambast Mitt Romney and private equity firms in general for looting companies, gutting them and throwing hordes of people out of work.

Whether their motivations are economic ignorance or political pandering, the anti-Romney challengers — and most importantly, the public at large — need to know the truth about private equity firms and what they do. Pure and simple, they are the road warriors of what the late economist Joseph Schumpeter coined "creative destruction." Failing companies die, new ones are born; and private equity firms are the equivalent of trauma center doctors who come in and pull out all the stops to help the patient, against all odds, survive and eventually thrive. Sure, more than a few "flatline," but the survival rate, after private equity firm intervention is far higher than one would imagine. For PE firms, the goal is

resuscitation not decimation. They incur all the risk and do not profit unless the firm they take over pays all its debts and turns a profit. Research studies find that companies in which PE firms invest subsequently increase profitability, return on investment, employment, wage levels and innovation.

Were Mitt Romney to secure the GOP nomination for president, private equity firms would surface as a prominent issue in the presidential race. Given the high level of corporate bankruptcies, layoffs, unemployment levels and income disparity, combined with the public's low level of understanding of how private equity works, as well as the mainstream media's antipathy towards the wealthy, Mitt Romney could be at a clear disadvantage. However, in reality, this challenge is a gift to Republicans and will enable them to frame a debate which must be had now, and which they must win if the free enterprise system itself is to survive.

What fair-minded commentators, Romney supporters and Romney himself must communicate effectively is that the man's private sector career represents a vital part of the free enterprise system at the firm level. It is part of the broad tapestry of free market capitalism and those who criticize it criticize the very fabric of liberty and economic democracy that have made America great. By doing so, they attack the American idea itself. The American idea is not based on envy or fear, but rather on opportunity and hope. It is extraordinary that not all GOP candidates have embraced this notion and a repugnant act of ideological heresy that a number actively oppose.

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