THE GREATNESS OF AMERICA: "ASHES OF DOOMED FACTORIES, PINK-SLIPPED WORKERS, AND TOWNS LAID TO WASTE"

I'm utterly delighted with this paragraph:

> But as is so often the case, the reality is more complicated. Almost every successful business career is built on the ashes of doomed factories, pink-slipped workers, and towns laid to waste.

Not because it's true—it's not! But because I'm so amused that someone (in this case, Matt Yglesias, presumably drawing on his long career as a business tycoon) claiming to complicate a purportedly simplified issue—whether Mitt Romney and other corporate raiders are the same as "the good kind of businessman, the one who launches and grows firms, creating new products and jobs and opportunities"—would make such a claim.

"Almost every successful business career." Wow. Almost every one, huh? That's a lot of towns laid to waste. I wonder … is this a one-to-one relationship? One successful business career for every town laid to waste? Does each "successful business career" entail doomed factories, pink-slipped workers, **and** towns laid to waste—all three—as the "and" logically suggests? Or is, um, "the reality … more complicated"?

And what counts as a "successful business career," according to Yglesias, anyway? Just those titan-driven technology companies and industries he invokes—Apple, Google, broadcast, cable, Internet—or also the local business owner who succeeds at business by providing goods her customers want with excellent service? It seems laying to waste entire towns implies a scale that doesn't include many—perhaps most—successful business careers.

Even more telling, though, is the causality. Yglasias admits that Sam Zell's Tribune takeover of a newspaper was a failure.

> A poorly executed leveraged buyout, such as the Sam Zell takeover of Tribune that led to huge cuts and bankruptcy, helps no one.

The article Yglesias links to attributes Zell's failure, in part, to his cost-cutting and compromises on the integrity of the news.

> Behind the collapse of the Tribune deal and the bankruptcy is a classic example of financial hubris. Mr. Zell, a hard-charging real estate mogul with virtually no experience in the newspaper business, decided that a deal financed with heavy borrowing and followed with aggressive cost-cutting could succeed where the longtime Tribune executives he derided as bureaucrats had failed.
>
> And while many media companies tried cost-cutting and new tactics in the last few years, Tribune was particularly aggressive in planning publicity stunts and in mixing advertising with editorial material. Those efforts alienated longtime employees and audiences in the communities its newspapers served.
>
> "They threw out what Tribune had stood for, quality journalism and a real brand integrity, and in just a year, pushed it down into mud and bankruptcy," said Ken Doctor, a newspaper analyst with Outsell Inc., a consulting firm. "And it's been wallowing there for the last 20 months with no end in sight."

But in an article citing what is an extreme example, but no way unusual in type, of why newspapers have failed—aggressive cost cutting and failing to deliver the quality customers wanted—Yglesias gives the Internet and other media advances credit for killing newspapers in general.

> Radio, broadcast television, cable, and the Internet all count as technological advances that have helped the economy and improved America's quality of life. But they've harmed newspapers and led to endless rounds of publishing-industry layoffs.

It was the Internet's creative destruction that killed newspapers, not the greedy owners making big cuts because they demanded unreasonable profits. Capitalism is all about creative destruction, you see, so we must celebrate that creative destruction!

And that's what seems to be missing from Yglesias' "more complicated" understanding of how businesses succeed. Nowhere does he consider the possibility that a troubled company would, rather than firing employees wildly, figure out what customers want—perhaps in a new market segment if your old one has become unprofitable—and deliver it.

> For an underperforming company, painful restructuring now is generally the alternative to even more painful restructuring down the road.

Serving customers well may involve restructuring, sure, but it doesn't necessarily have to involve the painful firings that Yglesias calls "a legitimate and even useful element of a dynamic modern economy."

And while I won't defend Mitt's Bain career at all—it is part of the kind of financialization that has doomed our economy generally—what Mitt was talking about when he described "firing" his health insurance company is about that other kind of capitalism, the kind that believes capitalism is about delivering products that customers like. There are a whole host of other reasons why Mitt's comment deserves criticism. And Mitt did reap unnecessary destruction while pursuing his personal and corporate profit.

But it's a step even further to try to normalize firings as part of the purportedly inevitable creative destruction of capitalism.

Update: Yglesias, a Harvard grad, claims to be unable to see an argument here. So let me simplify it for him.

First, note what Yglesias claims to be doing: making something that has been simplified—a discussion about what Bain does—more complicated (with all the disdain that suggests about those who have purportedly simplified this issue). But then in the very next sentence, he engages in wild hyperbole, claiming that "most" successful business careers involve a great deal of destruction. Rather than making the issue more complicated, that is, Yglesias engages in a great deal of simplification, simplification which ends up being critical to his attempts to rehabilitate Mitt's career of firing people.

The only way his hyperbolic comment could be true is if the definition of "successful business careers" includes only those who restructure entire industries. That may, in fact, be what he means—as I noted, he mentioned technologically driven industries, ones that have most often been kicked off by titans, people like Steve Jobs or David Sarnoff, and he later shifts his discussion to innovation, not business generally. That, itself, is telling: a whole lot of successful businesspeople—perhaps most—actually engage in a fairly mundane process of providing customers products they want at a competitive price. That can certainly be destructive, but isn't necessarily. But that's also what a lot of people mean when they invoke that "good kind of businessman." So if Yglesias is leaving these capitalists out of his definition of successful businesspeople, then it's not a very useful claim, because then his argument becomes, "Bain does only as much damage as the titans who restructure entire industries, so it's okay." He's no longer doing what he claims to be doing, which is showing that Bain is like those good kind of businessmen, because he has defined success to exclude many of them.

As a related issue, the question of how to measure success also raises the role of money and structure in that definition. Is a successful businessperson's company publicly traded? Does it have to achieve certain levels of profitability? Because if that's baked into the definition of success, then it obviously might entail more "creative destruction" than other kinds of businesses. That is, a business measured for how well it serves its customers may engage in different behaviors than a business measured for how rich it makes its founders or owners, which is often how Bain is measured. The "good kind of businessman" is usually being measured for something else entirely, and frankly, maybe that's how we ought to measure businesses.

The other problem with Yglesias' argument is, even assuming his definition of successful business career makes his comment only a logical oversimplification rather than gross hyperbole, he imagines just one way to deal with such innovation and he imagines that all the destruction wrought by innovation is attributed to the innovator and not those who fail to compete. That's why his example of newspapers was so odd. Not just because he attributed the challenges to newspapers to technological advance and not changes in advertising practices or, as is the case with Sam Zell that Yglesias himself brought up, greed and a failure to deliver a good product. Newspapers are in trouble, in part, because they no longer deliver the quality product they used to, which is in part because their owners want them to be more profitable than newspapers used to be.

But Yglesias also seemed to imagine that the only way businesses respond to innovations in their field is by laying people off. True, that’s often the case, particularly in this globalized world and with public companies. True, if businesses delay responding, that’s likely to be the case. But other successful businesspeople respond to technological change by changing their own businesses. Yglesias describes all the photo developing shops that have gone out business in his neighborhood. Where I live, a lot of these have not gone out of business, but have instead shifted their business, perhaps into mailing services or general business services shops. Those, too, are admirable, successful businesspeople, perhaps more so, because they continue to deliver customers something they need.

So in fact, the reality is more complicated–more complicated than Yglesias describes. Rather than treating business as it really exists, he instead simplifies it, calls most of it creative destructive, and thereby argues that what Bain does–successful creative destruction, surely, but for what and whose benefit–is not so bad.