The Government, a Critical Partner for the Business of Humanity to Succeed

Be the issues short or long term in nature, unless a government pursues policies that support the commercial initiatives of their people as well as help provide for their basic needs, BOH and similar principles will face an incredible uphill struggle. The principles of BOH can be effective in both wealthy and poor regions of the globe, but face extremely difficult barriers when the government either fails to serve its people, or even worse, diverts needed resources from the people or even creates barriers to the efforts of the population to develop a more prosperous society.

No doubt government is a critical factor in the success of business. Many have proposed adding government as a 6th force to Porters famous 5 Forces Model. As we approach the election in the United States this November and listen to the rhetoric thrown from both sides, one would think that the government in the US is the source of all man's problems and radical shifts are needed in order to save the country from itself. However, with any serious analysis, one can see that the US government and its policies are among the brightest stars when it comes to supporting its people and paving the way for a society that continues to grow and develop in a positive manner for its people. (<u>Note</u>: As I write this, I am looking out my hotel window at a mix of warehouses, luxury apartments, and shacks in the city of Bangalore while a herd of goats and a stray cow are grazing in a field that has been cleared and is waiting for the construction of another new tower.)

Looking around the world, one sees any number of examples of governments who undermine their own countrymen and create an environment where it is a challenge to implement the principles of BOH to create a better society. I have seen several examples in recent weeks. When I read them, my first thought is how much better these places would be if their government just got out of the way.

This August, an article by Kevin Sieff appeared in *The Washington Post* titled, "An oil boom made it the most expensive city in the world. Now it's in crisis," referring to the African nation of Angola. As the price of oil surged over the past decade, glass skyscrapers have soared and the government announced that the capital of Luanda would become the next Dubai. Angola had the third highest GDP in sub-Saharan Africa. However, as the price of oil has collapsed, the government is now asking for billions in loans while the people are dying of preventable illnesses due to the lack of funding for public health. For example, the country has not purchased a single dose of malaria medication this year in spite of a large outbreak of the disease. Public hospitals lack basic needs such as surgical gloves, needles, and almost all medications. The only way to receive treatment is to purchase supplies on the black market, a very expensive proposition for the common person.

How did the country get in this situation? First, the basic economics. Oil provided 45% of the country's GDP and the oil industry crowded out other economic development. When the price of oil collapsed, there was no diversification upon which the people could rely. Certainly, there was money left from the boom times that could be used to buffer this downturn, right? Can we explore what happened? Details are lacking, but Mr. Sieff provides a few suggestions.

The country's oil minister is Isable dos Santos, Africa's first female billionaire. She is also the daughter of Angola's president since 1979, Jose Edwardo dos Santos. Last December, in the midst of the economic crisis, Isable, then CEO of the country's largest cell phone company, Unitel, paid $2 million for the American rapper Nicki Manaj to perform in Luanda.

Mr. Sieff notes that half of the country's population lives on less than $2 per day, but Luanda has a bustling Porsche dealership and apartments which rent for $20,000 per month. Angola lacks a domestic professional sector and has been importing teachers, doctors, and engineers. It is among the most expensive countries in the world for expats. With all of its wealth of recent years, little has been done to develop domestic talent.

Interestingly, the country does have a sovereign wealth fund with $5 billion under management. The fund is run by Jose Filomeno dos Santos, who is the son of President Jose Edwardo dos Santos. When interviewed, he emphasized that the focus of the fund will be to now help shift the economy of Angola from an extractive (oil) based economy and invest in other sectors to diversify and make the economy more sustainable. Let us hope that this program is successful.

Also in August, *The Economist* published an article titled, "Africa's Fragile Democracies." The article discusses that even as Africa has seen a surge in democracy in recent decades, it has stalled and presidents have reverted to any number of self-serving policies and shenanigans to stay in power. Corruption, aided by winner-takes-all politics and the resulting minimal oversite by the people, is the recipe for continued economic disaster in this region. This is not to say that this only happens in Africa, but the examples here are plentiful.

In South America, one can see a similar economic disaster in Venezuela. Examples are also numerous throughout the Middle East and Asia. Looking around the globe at other countries such as China, India, and Vietnam, one can see how policies that are pro-business, pro-entrepreneurship, and supportive of developing the economy have raised more than a billion of people out of abject poverty and hundreds of millions into the global middle class.

Government is not the solution to all of society's needs. However, supporting programs and policies that develop the country's resources (especially it's people), avoiding policies that crowd out development, and monitoring rampant corruption go a long way towards creating a self-sustaining economy. This allows the people to develop solutions for themselves that are also beneficial to their society and spawn continued growth and opportunities.

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