

TheStreet



Here's Why Chris Christie Fails the Test to Be CEO of America

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To be an effective chief executive, one has to possess several critical skills, from minding the bottom line to showing a vision for how to defeat rivals over the long-term. If that isn't a tall enough order, the occupier of the corner office has to inspire his or her executive team, and set an example for the many workers that carry out a company's mission statement all around the world.

Judging by how poorly he has handled the New Jersey economy and a high-profile scandal, Governor Chris Christie would likely not be the best choice to be the next CEO of America.

Whether success in the corner office translates to success in the oval office is an open question -- one that has become more prescient as more candidates try to make the jump. Mitt Romney perhaps got the closest in modern times to parlaying a successful business career to a stint in the White House when he became the Republican nominee but lost in the general election in 2012. His campaign, in part, focused on the idea of bringing a more business-like approach to government. But he didn't invent the idea: George W. Bush has an MBA; George H.W. Bush is a former oil executive; Jimmy Carter owned a peanut farm; and Herbert Hoover was a mining engineer and business consultant.

In this election cycle, the concept is very much a part of the political discourse, with Donald Trump and Carly Fiorina -- both successful in business but with no political experience -- making a run for the Republican nomination. *TheStreet* is producing a series on how several presidential candidates would look as America's next CEO, examining qualities that are valued in both CEOs and presidents.

"On the negative side, Christie is not good when trying to reason with the opposing view -- many times he tries to bully his way to a solution which generally creates a hostile environment," explained Dr. Michael Busler, Professor of Finance at Stockton University.

Busler doesn't believe Christie is completely unqualified to be CEO of America, however, particularly given his experience as U.S. attorney for New Jersey from 2002 to 2008 when he targeted public corruption. "His law-and-order background have helped him develop into a no-nonsense leader who has the ability to find a compromise position, although often with strong

opposition," said Busler. And Christie has found enough common ground to win election as a Republican governor twice in a predominantly Democratic state.

But the governor's suspect running of New Jersey through the years has led to the state's residents losing much confidence in his leadership. In a new Rutgers University poll released on Dec. 10, only 33% of registered New Jersey voters polled have a favorable view of Christie. His unfavorable rating at home is also at its highest point yet at 59%. Meanwhile, just 23% approve of his handling of the states' taxes, only 30% approve his handling of the economy and 25% approve of how he has managed the state budget.

"It's interesting that on issues that would be important as CEO of America, such as dealing with finances and budgets, Governor Christie has continued to poll poorly," said Ashley Koning, assistant director of the Eagleton Center for Public Interest Polling at Rutgers University.

TheStreet takes a look at four areas that separate good CEOs from bad ones, and how Christie stacks up in each.

Quality #1: Driving financial prosperity.

Jack Welch, who won accolades for his management prowess while quadrupling GE's sales, famously said that good leaders "never fail to deliver the financials." By that measure, Governor Christie is falling short.

Christie's track record with the New Jersey economy is unspectacular, calling into question whether he would drive financial prosperity for people and businesses as the next CEO of America. The current 5.4% unemployment rate in New Jersey is worse than the national average of 5.0%. New Jersey has yet to regain all the jobs it has lost since the start of the recession in 2008 (the U.S. as a whole did so in May 2014), and job growth isn't keeping up with the state's population growth. Not helping matters has been the closing of multiple casinos in Atlantic City.

In a report earlier this year from *Chief Executive* magazine, New Jersey was ranked the 47th best state in the country to do business. In Christie's five years as governor, the state's credit rating has been slashed nine times. As a result, New Jersey has one of the country's worst credit ratings, according to ratings agency Standard & Poor's, ranking only ahead of California and Illinois.

The state's financial standing is something Christie's rival in the race for Republican nomination, Donald Trump (who happens to be a CEO), has begun to point out in sharply worded tweets.

Quality #2: Being an expert crisis manager.

A good CEO must be able to be the rock, or the level-headed thinker, when things go awry for an organization.

Working in Christie's favor is that he has shown he can manage through major crises. In the case of New Jersey, that has meant coming up with a reasonable solution to address its troubled

financial state that has at least kept the government functioning and staving off more significant job losses.

New Jersey's Supreme Court recently ruled that Christie can cut \$1.6 billion from state pension funding, giving some temporary financial relief. New Jersey's pension system has about \$83 billion of unfunded liabilities, and was funded at only about 44% in fiscal 2014.

Meantime, with four of its 12 casinos having closed in 2014, Atlantic City has fewer casinos to shoulder the city's property taxes, necessitating a 32% hike in taxes. Instead of bowing to pressure for a short-term bailout in Atlantic City, though, Christie has proposed that the state withhold millions in aid until after the city passes a fiscal recovery plan.

"The next president will come into office in 2017 and will step into a fiscal emergency," pointed out Chris Edwards, an economist at libertarian think-tank Cato Institute. "Deficits are projected to rise to over \$1 trillion by 2020, and we will probably have a recession during the next presidency [since] recessions tend to occur every 8-9 years, and we have gone about 7 years without one."

According to Edwards, Christie would be very good at handling a financial crisis given how he has had to deal with budget deficits in New Jersey and elevated unemployment.

Christie was also widely praised for his immediate response to superstorm Sandy in 2012, although he has faced questions about how he's handled aspects of the recovery effort since then.

Quality #3: Having great vision.

Management guru Peter Drucker said that a leader's job was to create the desired future for the company or the organization. As a CEO and leader of a company, that means anticipating what trends may surface -- 3,5,10 years into the future and then developing strategies to profit from them. Where Christie also shows some CEO chops is on the topic of vision, essentially developing plans today that address challenging issues likely to surface in the future.

So far, Christie is seen as having been ahead of his Republican presidential candidate rivals with laying out comprehensive reform plans to key policies. "He has laid out very detailed plans on entitlement reform, and not all of the other candidates have that on the table," said Edwards.

In order to curb the growth in entitlement program costs that threaten to lead to wide budget deficits in the future, Christie has proposed phasing out and eliminating Social Security income for wealthy Americans who don't need it, a controversial proposal. According to the Congressional Budget Office (CBO) the cumulative deficit between 2016 and 2025 will be a whopping \$7 trillion, in large part due to more people reaching retirement age and tapping Medicare and Medicaid, the CBO estimates.

"Let's ask ourselves an honest question: Do we really believe that the wealthiest Americans need to take from younger, hard-working Americans to receive what, for most of them, is a modest monthly Social Security check?" said Christie at a speech in New Hampshire in April this year.

The governor believes the same template should also be applied to Medicare. Said Christie at a speech in New Hampshire in April, "If you can afford to pay more for your health benefits, you should, and if you can't, you shouldn't."

Separately, Christie's economic platform calls for detailed tax reform, including reducing the income-tax system to just three brackets rather than the current six. The top tax rate, says Christie, should be no higher than 28% while the bottom rate should be below 10%.

"We must target the tax code, because today it is targeting us -- discouraging individuals, hampering new businesses and sending job creators offshore," Christiewrote in a May 11 op-ed in *The Wall Street Journal*. The governor also calls for a cut in the corporate tax rate to 25% from the current 35%, saying it would encourage companies to start investing in the U.S. again.

Quality #4: Being a trustworthy leader.

Direct reports to the CEO have to trust in their all-mighty leader that he or she is operating with integrity. Ditto shareholders of the company, who have to trust that the CEO will be a good steward of their capital. On the other hand, a CEO also has to be able to properly select subordinates and monitor them effectively. Christie's biggest flub during his time as governor suggests that he may not be so easy to trust, nor be that good in picking subordinates.

Christie's administration got into hot water in 2013 for what became known as "Bridgegate," when it closed three toll lanes on the George Washington Bridge, causing big-time traffic jams and risking public safety for about a week. The move was allegedly an act of retribution against the Democratic mayor of Fort Lee, who refused to support the governor's bid for re-election.

The governor continues to maintain that he was not involved, and was found to not have committed any wrongdoing following an internal probe. However, former aides have said he was aware of the incident.

"He never fully got out of Bridgegate, New Jerseyans simply felt lied to -- they felt that he flip-flopped on the issues," said Koning. Adding insult to injury, says Koning, is that the investigations in the Bridgegate matter cost taxpayers money, and "people were tired of it coming out of their own pockets."

If Christie wasn't directly involved, then his hiring of people that would lead to questions about how he would fill out cabinet positions and other areas of government. What's more, Christie hesitated to take swift action in the wake of Bridgegate, waiting until January 2014 to fire the aide alleged to have been behind the debacle.

"When he was U.S. Attorney for New Jersey and people were accused of crimes, was it his approach to call in the people who were accused and ask if they did it? And then say fine, go home, everything is fine?" opined Retired Democratic Congressman Barney Frank.

In the end, Christie may just lack the necessary temperament to be CEO of America Inc. "New Jerseyans we have polled don't believe Christie would be a good fit for the White House based on his temperament -- there are two sides to his personality," said Koning.