I have heard this expression so many times, yet few people seem to understand what it means. And even if they do understand, they don't necessarily want to run government like a business.

Gov. Arnold Schwarzenegger is a breath of fresh air. He wants to, and he understands. Unless we run government like a business, we will end up a bankrupt government. Unless we establish priorities and make hard choices, we will continue to run yearly deficits. Those deficits will run up long-term debt, which we will keep refinancing. Some day it will all come to a collapse.

I don't want to say the sky is falling. Certainly opportunities arise to bail us out. The extreme economic prosperity of the 1990s, the stock market boom, and related world economic conditions gave us the greatest economic expansion in generations. At the federal level, we ran surpluses. In states and cities, elected officials enjoying ever-increasing revenues created more programs, established more priorities, and set new expectations.

But now that we no longer have the luxury of that economy, we must take a hard look at a new paradigm of spending.

For example, the governor has proposed eliminating 94 boards and commissions. I am sure that all of them were important at one time or another, but the California Performance Review determined they have outlived their time. They certainly cost a lot of money; between stipends for members (salaries in some cases), staffing, mail, facilities and other costs, it is nothing to sneeze at. Each of these 94 entities has a constituency that will argue to keep the board, but they must confront the possibility that their time has passed. If we can't at least tackle this, we won't be able to tackle the big items.

Take pensions, for example. As companies have seen their finances shrink in recent years, no stone remains unturned. Employers seek labor concessions from unions that include givebacks of salary and benefits, and new work rules that make it easier to flexibly run the company.

Not so in the public sector, where pensions are ballooning out of control. The governor has correctly pointed out that since 2000, the state's pension obligation has inflated from $160 million to $2.6 billion. Is there any doubt that this cannot continue?

How is it possible for public employees to retire on taxpayer-funded pensions that are almost equal to their salaries? How is it possible for them to retire on public pensions and disability income at the same time—while also not being prohibited from second or third careers that boost their income to pre-retirement compensation? No wonder spending is out of control.

Beyond these examples, there are hundreds of programs that benefit constituencies that also need to be examined in light of the present environment. We need a transportation system that moves people and goods to fuel our economy. We all want to adequately fund a safety net for the most needy among us. We need a first-class education system. We need to preserve and improve our environment. And we also must create a business environment that will help grow our economy out of this fiscal downturn.

But reality must set in. As business leaders, we can't be disingenuous and say we want all of these things yet fight solutions that will pay for them. We can't say that only certain priorities should be funded and all others should be cut. We can't afford it all, and I don't see any mad dash to increase taxes.

Businesses would never be run this way. Any CEO who did not cut costs wherever possible and establish priorities based on reality would be out the door.

The same should be true of our elected officials.

And that's The Business Perspective.