



Why Big Business Is Brushing Off Campaign Trail Rage

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This is a different kind of election year, full of contempt for Big Business. Billionaire flamethrower Donald Trump, who leads the Republican field, has gone after Ford Motor, Kraft Foods, and Apple, among others, for making things outside of the U.S. Ted Cruz presents himself as the nemesis of corporate welfare and crony capitalism. And democratic socialist Bernie Sanders has built an entire campaign around the refrain that Wall Street is guilty of “greed, fraud, dishonesty, and arrogance.”

You might have expected business to mount a vigorous defense. But corporate America has responded to the charges with murmurs. In this gladiators’ match, one side simply hasn’t shown up. Many chief executive officers believe that after the election is over and the noise of the campaign dies down, it will be business as usual for business. For now, they are turning the other cheek. When Trump ripped Ford for its plans to build a big factory in Mexico, the company’s CEO, Mark Fields, wrote Trump a pleasant note explaining that the carmaker was also adding jobs in the U.S. JPMorgan Chase CEO Jamie Dimon, who’s known for flashes of anger, calmly told CNNMoney in November that he thinks he could talk Bernie Sanders out of breaking up the big banks. “I don’t think Bernie’s going to win,” he said. “I’m not that worried.”

The nonchalance can come across as patronizing: Thomas Donohue, president of the U.S. Chamber of Commerce, dismisses as a campaign tactic Hillary Clinton’s opposition to the 12-nation Trans-Pacific Partnership (TPP) trade deal in its current form. “If she were to get nominated, if she were to be elected, I have a hunch that what runs in the family is you get a little practical if you get the job,” he told Bloomberg TV.

Up until now, the hunker-down strategy has worked remarkably well. Considering the vitriol directed toward Big Business on the campaign trail, it’s scored one victory after another in Washington. Last year, Congress gave President Obama the authority he sought to put trade deals on a “fast track,” increasing the chances for ratification of the TPP. It made the research

and development tax credit permanent. It suspended the debt limit until 2017, removing the risk of a default crisis. It extended a tax break on capital spending through 2019. And it passed a five-year, \$305 billion transportation bill that Big Business had lobbied for. Attached to the bill was a renewal of the charter of the Export-Import Bank, which Cruz and others had derided as crony capitalism.

That last victory was especially sweet. Three Republican senators who were campaigning for president and had their fingers on the public's furious pulse—Cruz, Marco Rubio, and Rand Paul—voted nay. The bill sailed through the Senate on Dec. 3 despite them, 83-16. “That was a bruising battle that we were able to punch through,” says Bill Miller, the top lobbyist of the Business Roundtable, whose chief executives run companies with combined annual revenue of more than \$7 trillion.

So far, the voters' fury seems as harmless as waves breaking on a jetty. “Over the last 12 months, the manufacturing community has been extraordinarily successful in implementing its legislative priorities,” says Aric Newhouse, the chief lobbyist of the National Association of Manufacturers, which represents big and small manufacturers.

That could soon change. One good year on the legislative front is just one good year. It could even backfire. Each surprising legislative victory that business chalks up is further stoking the resentment of voters who detest the influence of corporations on politics. After Congress passed fast-track last summer, the AFL-CIO put out a statement saying “global enterprises ... must no longer be the architects of U.S. trade policy.”

Anti-establishment candidates are surging in the polls because voters sense that they're just crazy enough to blow things up. Trump, the populist, scares business because he promises to restrict immigration and put up tariff walls; Cruz, the free-market purist, frightens it because he wants to kill the Ex-Im Bank and hem in the Federal Reserve. Even the more mainstream candidates, such as Rubio and Clinton, have appealed to voters with business-unfriendly positions that will be hard to walk back if they reach the White House. Under pressure from Sanders, Clinton came out last year against the Keystone XL pipeline, which the Chamber of Commerce called a “bellwether indicator of whether America will be open for business.” And Rubio has been backing away from his previous agreement with the Big Business lobby on the TPP and immigration reform.

Cutting taxes would seem to be one issue where Big Business and the leading Republicans are on the same page. Not really, though. The cuts promised by Trump, Cruz, and Rubio are so big that they would drive up the national debt in the absence of either huge spending reductions or white-hot economic growth, both of which are unlikely. What Big Business really wants is corporate tax reform, but that keeps getting sidelined by crowd-pleasing proposals for steep cuts in personal tax rates. “Some candidates who have been most detailed in what they would do are now on the sidelines, and those who have said the least seem to be in the strongest position,”

complains John Engler, the former Republican governor of Michigan who is president of the Business Roundtable.

Fairly or not, Big Business is taking heat for the stagnation of living standards and the widening gap between rich and poor. Corporate leaders are earning high operating profits but spending them on stock buybacks and higher dividends, which enrich shareholders, rather than on capital investment. Companies say high taxes and regulatory uncertainty are to blame for their reluctance to expand, but the practical effect of underinvestment in plants, equipment, and software is to suppress productivity and job growth, harming the middle class. Meanwhile, the libertarian Cato Institute is gaining traction with its claim that “crony capitalism” costs taxpayers \$100 billion a year and consumers hundreds of billions more in higher prices. “There’s a tremendous amount of frustration on the right and the left,” says Levi Russell, director of public affairs for Americans for Prosperity, which is backed by libertarian billionaires Charles and David Koch.

Business lobbyists know they have a problem. “Economic populist rhetoric” is heightening uncertainty, which “can create a drag on jobs and growth,” Chamber of Commerce spokesman Myron Brilliant wrote in an e-mail. Says Engler: “We need to end this class warfare and get busy going back to a fundamental economic rule, that a rising tide really will lift all boats.”

Most work done by lobbyists happens behind the scenes. “Lobbyists, like mushrooms, thrive in low light,” says Richard Hasen, a law professor at the University of California at Irvine and author of a new book, *Plutocrats United*. The last thing CEOs want to do is get into a Twitter war with Trump or provide Sanders with red meat for his next denunciation of bankers. They are diplomats by nature who answer to multiple bosses: their boards, activist shareholders, customers, employees, and government.

Few chief executives will stick their necks out the way Apple CEO Tim Cook has in defying the government’s demand for access to the contents of the iPhone of one of the San Bernardino killers. Fewer still go out of their way to court controversy in the style of Trump. It’s telling that the only prominent businessperson to have endorsed Trump so far is Carl Icahn, another brash and independent billionaire.

How long can an under-the-radar strategy by corporations continue to be effective? The bruising fight for renewal of the Export-Import Bank demonstrates both the potential and the limitations of how the business lobby operates. The Chamber of Commerce and the Business Roundtable, among others, pushed hard for reviving the Ex-Im Bank, which gives loans and loan guarantees to aid U.S. exporters. Boeing Chairman Jim McNerney, who is active in both groups, quietly warned that Boeing might have to move work abroad if it didn’t have Ex-Im’s help. That alarmed moderate members of Congress, who were already having doubts about letting the bank die.

It was Stephen Fincher, a farmer and gospel singer from Frog Jump, Tenn., serving his third term as a House Republican, who made the key move that saved the Ex-Im Bank. Jeb Hensarling of Texas, who called the bank “corporate welfare,” had the renewal bottled up in the Financial Services Committee he chairs. “We tried and tried to work with Chairman Hensarling, and in the end he refused to move my bill,” Fincher recalled in February in a statement released by his office. On Oct. 26, an exasperated Fincher used a rare parliamentary device called a discharge petition to bring the renewal legislation directly to the House floor, where it won approval. That may go down as the signature legislative achievement of Fincher, who announced on Feb. 1 that at the conclusion of his term he “will be returning to Frog Jump.”

Parliamentary finesse worked this time. It also helped that John Boehner, who resigned as House speaker on Oct. 29, had stopped trying to appease his party’s right wing. In the long run, though, Big Business will struggle to win if it’s perceived as just another special interest that’s skilled in working the system.

One thing working against big businesses is that they’re, you know, big. They don’t get credit for being small businesses that succeeded. Small business is twice as popular as Big Business, according to a survey by Pew Research Center conducted last fall. In a Gallup Poll in January, 63 percent of respondents said they were dissatisfied with “the size and influence of major corporations.” We’re a long way from 1925, when President Calvin Coolidge could say that “the chief business of the American people is business.” Now, it seems, the chief business of the American people is complaining about business.

Dave Camp, a Michigan Republican who was chairman of the House’s tax-setting Committee on Ways and Means until early last year, says business needs to do a better job of making clear that its priorities—freer trade, less regulation, etc.—will benefit the public. That’s not easy to convey to angry voters, concedes Camp, now a senior policy adviser to accounting and consulting firm PwC. In the private sector, he says, “you realize that a lot of the things that are nuanced victories in Washington don’t really translate as you get out and around. It takes a lot to move the needle on public opinion.”

There are similarities between today and the years immediately after the Great Depression. Economists and politicians worried then that the U.S. would lapse back into a slump when war spending ended. Top business executives responded in 1942 by forming the nonpartisan Committee for Economic Development. It built support for the Bretton Woods agreement of 1944, which led to the formation of the International Monetary Fund and the World Bank. It was also involved in the Marshall Plan of 1948, which helped rebuild Europe. It went on to champion other causes such as free trade, pre-K education, and campaign-finance reform.

Once again a large segment of the public is questioning the vitality of the American system, whether it’s Trump voters glomming on to “we don’t win anymore” or Sanders supporters cheering his declaration that Wall Street’s business model is fraud. Says Joseph Minarik, the

research director of the Committee for Economic Development: “This is almost the first echo of the attitudes that were in place in the late years of the Great Depression.” The difference is that business is less outwardly focused this time around. The Committee for Economic Development is diminished; since last year it’s been an arm of the Conference Board. “Very few business leaders believe they have the imprimatur from their boards to engage in public-issue-type activities these days,” Minarik says. For now, the people with the pitchforks are controlling the narrative. As Cruz said on Feb. 20 after the Republican primary in South Carolina, “The screaming you hear now from across the Potomac is the Washington cartel in full terror that the conservative grass roots are rising up.”