Nine Months of the New Business Voice in DC:
Corporate Expectations and Economic Realities

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PRESENTATION
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Nine Months of the New Business Voice in DC: Corporate Expectations and Economic Realities

Overview

Despite a stable economy and numerous competitive advantages, U.S. business and political leaders are somewhat pessimistic at the moment based on America’s dysfunctional political system and international uncertainty, particularly related to North Korea.

There is consensus on the domestic priorities: tax reform, infrastructure, and fixing immigration. But the political system is hindering action on these priorities, with little optimism about near-term progress. There are also significant worries about the implications of the Trump administration’s international policies. Most Caucus participants believe American brands have been weakened internationally, coalitions are being eroded, trade is being threatened, and international institutions are under assault. Both domestically and internationally, democracy is losing ground.

The Domestic Frontier — The First Nine Months

Vice President Joe Biden, Senators Christopher Coons and Dan Sullivan, and other CEO Caucus attendees engaged in a discussion about the state of the United States’ economy and political situation.

There is optimism about America’s economy and competitive position.

More than 60% of Americans believe the economy is growing, according to a prominent pollster, and a similar number say they are living the American dream. The CEO of a manufacturing company that sells to garage owners said his employees and customers, who are an often overlooked segment of American society, are extremely optimistic about the economy.

Business and political leaders see economic growth as relatively stable at about 2%, but hope that through tax reform, infrastructure spending, and deregulation, the economy can do even better—perhaps achieving 3% growth.

Senator Sullivan and others agreed that the U.S. has a strong competitive position. Advantages include America’s:

- Unrivaled capital markets
- Outstanding universities
- Improving energy position, including oil, natural gas, and renewables
- Strong military and numerous allies

There is consensus on America’s priorities but pessimism about advancing them.

Vice President Biden stated that more than 50% of Americans agree on most key issues including:

- Tax reform
- Upgrading the country’s infrastructure
- Fixing the broken immigration system
- Strengthening the educational system

Mr. Biden also emphasized the importance of preserving middle class jobs and closely examining the future of work. This is a similar set of priorities articulated by business leaders and the Business Roundtable, which also added the importance of decreasing unnecessary regulations and boosting international trade.

While there was general optimism about the economy and consensus on the most important domestic priorities, there was significant skepticism about the ability to make meaningful legislative progress on these priorities. More than 70% of participants don’t expect legislation to pass this year repealing Obamacare, reforming the tax code, or addressing the infrastructure agenda.

<table>
<thead>
<tr>
<th>Legislation Will Be Passed This Year</th>
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<tbody>
<tr>
<td>Infrastructure agenda</td>
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<tr>
<td>Tax Reform</td>
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<tr>
<td>Repeal Obamacare</td>
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<tr>
<td>0%</td>
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<td>20%</td>
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<td>No</td>
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<td>Yes</td>
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A few advocates for tax reform were more optimistic about the chance for progress in this area, which is enhanced by being positioned as a jobs plan. There is largely agreement and support from the business community on the key elements of tax reform; there is Congressional leadership; and the President will sign tax legislation.

There is concern about America’s political system, leadership, institutions, and democracy.

With significant alignment on priorities, the obvious question is why is there an inability to make progress on these priorities?

In Mr. Biden’s view, the problem is that the political system is broken. This is not a result of ideological differences—which have been even greater in previous decades. He attributes the broken system to lack of personal relationships between elected officials from different parties; gerrymandering, which limits the number of contested seats and sees more extreme candidates winning in primaries; and the influence of special interest money in politics.

“The biggest problem is that we have a political system that does not function.”

— Honorable Joseph R. Biden

Others concurred that the system is broken, with politics today being petty, nasty, and vindictive. As one experienced political advisor commented, “Politics used to be about persuasion. Now politics is about incitement.” Topics such as repealing the ACA move forward with little public support, and with elected officials having little data or knowledge of the issue.

The senators in attendance described multiple behind-the-scenes efforts to build personal bipartisan relationships. Efforts include cross-denominational prayer breakfasts, travelling together overseas, and even exercising in the Senate gym. While the media likes to cover the political bickering, personal relationships are being built in more ways than people realize.

Other topics eliciting pessimism and concern included:

• Lack of credible leadership. Both Republicans and Democrats expressed deep concern about President Trump’s personal leadership style. It seems that almost daily Trump tweets something shocking and previously unimaginable. Few participants expect Trump to change his behavior or begin acting more presidential. Even among veterans of Republican administrations, the perceived levels of blatant lying and dishonesty are unprecedented and beyond comprehension; the dishonesty rivals that of authoritarian regimes.

“Democracies are built on trust; autocracies are built on lying... the U.S. is being degraded on a daily basis by the current leadership.”

• Damage to institutions and concern about the future of democracy. Some fear that the behavior of this president and this administration—such as criticizing judges and respected institutions—is doing long-term damage to the country. Not only are institutions experiencing potentially irreparable damage, but the foundations of democracy are being shaken.

Among Americans born in the 1930s, more than 80% say it is important to live in a democracy. But among those born in the 1980s or later, fewer than 30% say living in a democracy is important. People take living in a democracy for granted and fail to appreciate it. As a result, some believe that America’s most defining characteristics are at risk.

Others offered a different perspective on President Trump and his administration. One participant said that new presidents often struggle for the first few years in office, noting that President Clinton’s first two years were extremely chaotic. Also, as one journalist noted, while the sensationalistic tweets and the legislative failures have gotten a great deal of attention, in general, not that much has happened in Trump’s first nine months. Often, it is not a president’s priorities or agenda that shapes their presidency; it is unexpected events. Trump has not yet had a major unexpected event that will define his presidency.

“What happens with events will define politics and shape the next year.”

Many business leaders prefer to be apolitical advocates for business, but circumstances make this increasingly difficult.

Opinions were mixed regarding whether it was right for members of the President’s business advisory councils to resign and for the councils to dissolve after Charlottesville. Among attendees, 63% supported dissolving the business councils and 37% opposed dissolution. (And there was broad agreement that President Trump’s criticism of Ken Frazier of Merck— who acted based on his conscience— was inappropriate.)
Concerns were high about the damage inflicted by the Trump administration’s international policies.

- 64% believe the administration’s international policies have weakened support for U.S. products and brands in global markets and only 4% think U.S. brands have been strengthened.
- 60% believe U.S. coalition building to control North Korea has been weakened.

There was lack of agreement on whether the amount of pressure that Trump is putting on China regarding North Korea is appropriate, but there was strong agreement that Trump is applying too little pressure on Russia.

There was also concern that Trump’s behavior and rhetoric—particularly his recent comment at the UN about destroying North Korea—make war a real possibility. As one participant said, “Presidents think that wars solve problems. They don’t. Wars cause problems.”

Other comments about the international frontier include:

- **Iran.** There are concerns that President Trump will scrap the Iran deal, which will hurt U.S. credibility and result in other countries increasing their trade with Iran.
- **Trade.** President Trump withdrew the U.S. from TPP with no plan B for trade. Business leaders have concerns that the United States is regressing in terms of free trade and investment. Trump is isolating the U.S. while other countries are moving quickly to pass the United States.

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**The International Frontier – The First Nine Months**

International institutions have played a key role in advancing democracy and contributing to peace and prosperity. Since the 1920s, international institutions have worked together to decrease war, and since World War II there has been constant momentum toward greater democracy, trade, and capital flows, aided by international institutions. Following the financial crisis in 2008, collaboration between countries and institutions had a profound impact on the global economy and security.

“Ten years ago we were optimistic about the spread of democracy . . . now there is xenophobia and nationalists and a deterioration of systems and institutions . . . there is an assault on institutions and alliances . . . we are going in the wrong direction.”

But the expansion of democracy is now in doubt, as there is rising nationalism and xenophobia, and the international institutions that provided stability are under assault. President Trump has criticized institutions and alliances such as the UN and NATO, has withdrawn from TPP, and is threatening to withdraw from NAFTA.

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Some participants asserted that the need for business advisory councils still exists and that eliminating these councils serves no purpose. They argued that CEOs should be non-partisan, non-political adults in the room who stay above the political fray, represent business, and focus solely on policy.

However, others responded that CEOs don’t solely represent the interests of shareholders. Today, many customers and employees—especially millennials—want companies that reflect their values. This may mean that CEOs don’t just represent the interests of “business” but also must be sensitive to the concerns of other stakeholders.

A member of the President’s faith advisory council explained his decision to stay on this council. He said that he stayed in order to have a seat at the table where he can share his views. He believes that faith leaders who have stayed engaged have had their voices heard and have had impact.

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**Robert D. Hormats, Under Secretary (2009-2013), U.S. Department of State**

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**Indra K. Nooyi, Chairman & CEO, PepsiCo, and David P. Abney, Chairman & CEO, UPS**

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**Richard C. Adkerson, President & CEO, Freeport-McMoRan**

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• **NAFTA.** Business leaders are open to the idea that NAFTA can be improved, but with intermingled North American supply chains, if NAFTA went away it would be bad for businesses and for the United States.

• **Higher education.** Trump’s policies have led to a decline in international interest in U.S. educational institutions.

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**The Technology Frontier — The Next Nine Months**

Major security incidents such as the Equifax breach have everyone’s attention. Among CELI attendees, 90% believe that the worst of the impact from the Equifax breach is yet to come and 87% believe that Equifax’s CEO should be fired. An expert on data privacy argued that there should be a greater legal burden imposed on companies that collect data. Most participants agree, as 95% believe we need better laws protecting consumer data.

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**Legend in Leadership Award**

Brian L. Roberts, Chairman & CEO, Comcast Corporation

Legend in Leadership Award honoree Brian Roberts was recognized as a media visionary who has transformed the entire media industry in building one of the world’s most successful companies. Under his leadership, Comcast has grown from less than $1 billion in revenue to more than $80 billion and is one of the world’s 50 largest companies. Roberts is a person of values who leads with humility, compassion, and a sense of service. He has been deeply involved in philanthropic activities and in multiple civic efforts in Philadelphia.