Who Will Pass Their Midterms?
Business Opportunities and Election Outcomes
Washington, DC | September 24, 2018
Agenda

Welcome & Overview

Jeffrey A. Sonnenfeld, Senior Associate Dean, Yale School of Management

A Tribute to Our Friend and Fallen Hero — The Honorable John McCain

Jon Kyl, Senator, State of Arizona

Heading into the Storm or Piloting to Safe Waters

OPENING REMARKS

Peter Navarro, Director, National Trade Council at the White House
Bob Woodward, Associate Editor, The Washington Post; Author, FEAR
Mark Warner, Senator, State of Virginia
Michael V. Hayden, 15th Director, National Security Agency; Director (2006-2009), CIA
Michael Dell, Founder, Chairman & CEO, Dell Technologies
Mark A. Weinberger, Global Chairman & CEO, EY
Marillyn A. Hewson, Chairman, President & CEO, Lockheed Martin Corporation
Steve Liesman, Senior Economics Reporter, CNBC

COMMENTS

John Yarmuth, Congressman, State of Kentucky – 3rd District
Jane Harman, President & CEO, The Wilson Center
Robert D. Hormats, Under Secretary (2009-2013), U.S. Department of State
Jason L. Furman, Professor, Kennedy School; 26th Chairman, Council of Economic Advisors
Grover Norquist, President, Americans for Tax Reform
Mark Penn, Founder & President, The Stagwell Group; Former Clinton Campaign Strategist
Christopher Shays, Member of Congress (1987-2009), State of Connecticut
Nicholas T. Pinchuk, Chairman & CEO, Snap-on Incorporated
Tom Rogers, Chairman, TiVo
Kip Tindell, Co-Founder & Chairman, The Container Store
Harold L. Yoh III, Chairman & CEO, Day & Zimmermann
Jeffrey M. Solomon, CEO, Cowen Inc.
Miriam E. Sapiro, Acting & Deputy U.S. Trade Representative (2009-2014)
Eddie Tam, CEO, Central Asset Investments
Catherine L. Mann, Global Chief Economist, Citibank; Chief Economist (2014-2017), OECD

RESPONDENTS

Richard H. Pildes, Professor of Constitutional Law, New York University
Elizabeth H. Esty, Congresswoman, State of Connecticut – 5th District
Quinn Mills, Professor Emeritus, Harvard Business School
Lisa Osborne Ross, President, Edelman Washington DC
Steven Lipin, Founder, Chairman & CEO, Gladstone Place Partners
Nels Olson, Vice Chairman, Korn Ferry
Michael Warren, Global Managing Director, Albright Stonebridge Group
Dan Raviv, Senior Washington Correspondent, i24News
Navigating Changing Business Weather beyond Washington

OPENING REMARKS
Mary T. Barra, Chairman & CEO, General Motors Company
David P. Abney, Chairman & CEO, UPS
Richard H. Anderson, President & CEO, Amtrak
Joel N. Myers, Chairman & President, AccuWeather

COMMENTS
Steve Miller, Chairman, Purdue Pharma
Ajita G. Rajendra, Executive Chairman, A. O. Smith Corporation
Rick Goings, Executive Chairman, Tupperware Brands
Alan B. Colberg, President & CEO, Assurant
Blake D. Moret, Chairman & CEO, Rockwell Automation
Mark D. Ein, Founder & CEO, Venturehouse Group
W. Matthew Kelly, CEO, JBG SMITH
Scott A. Price, Chief Strategy & Transformation Officer, UPS

RESPONDENTS
Marc Rotenberg, President, Electronic Privacy Information Center
Tom McMillen, Member of Congress (1987-1993), State of Maryland
Glenn R. Fuhrman, Managing Partner, MSD Capital
Melanie Kusin, Vice Chair, Korn Ferry
James Firman, President & CEO, National Council on Aging
Stacy J. Kenworthy, CEO, HellaStorm
Patricia A. McGuire, 14th President, Trinity Washington University
Nell Minow, Vice Chair, ValueEdge Advisors
Beth Van Duyne, Regional Administrator, U.S. Department of Housing and Urban Development
Pericles Lewis, Vice President & Deputy Provost, Yale University

Legend in Leadership Award: Mary T. Barra, Chairman & CEO, General Motors Company

PRESENTATION
Ellen J. Kullman, Retired Chair & CEO, DuPont; Chair, Paradigms for Parity
David P. Abney, Chairman & CEO, UPS
Who Will Pass Their Midterms?
Business Opportunities and Election Outcomes

Drama abounds in Washington DC, with what seems like a new storyline each day. Even Yale was thrust into the national headlines on the morning of this Caucus as Supreme Court nominee Brett Kavanaugh was accused of inappropriate behavior during his time on campus.

Amid the nonstop political noise, economic growth remains strong, unemployment is low, and more than 40% of Caucus participants see the business climate as either the best or one of the best in their career. Reasons for the favorable climate include lower taxes, decreased regulation, increased investment, and general optimism.

However, almost 50% of participants are not as ebullient. They attribute higher growth to increased debt, which is creating short-term gain at the expense of long-term pain. Most participants don’t trust President Trump and believe his trade practices put the economy at risk. In general, these business leaders are concerned by the President’s leadership style and don’t seek to emulate it.

A Tribute to John McCain

Senator Jon Kyl offered reflections and memories on the life of the Honorable John McCain. McCain was a patriot who believed in the greatness of the United States, loved freedom, and thought it was important to share America’s ideals with the rest of the world.

Senator McCain’s credo was about serving a cause larger than oneself, and his cause was all about public service. McCain was inspired by Teddy Roosevelt’s admonition to be in the ring and to slug it out; he loved slugging it out, but always thought there was something worth fighting for.

Personally, McCain could have a temper, but he was funny, caring and sensitive. He talked to everyone. He valued bipartisanship and was passionate about educating new members of Congress—from both parties—about foreign affairs. A treat among younger members of Congress was traveling abroad with Senator McCain, which involved sharing long plane rides and hearing amazing stories.

Senator McCain’s patriotism, bipartisanship, leadership, and civility are sorely missed and will be impossible to replace.

Many desire more investigation about Brett Kavanaugh.

At the time of the Caucus, uncertainty surrounded whether Brett Kavanaugh would be confirmed as the next Supreme Court justice. Caucus participants were divided in their views of how the Kavanaugh nomination should proceed. Almost half believe that more investigation (of the allegations against Kavanaugh) is required before a vote by Congress. Almost equal numbers of participants believe the nomination should be rescinded (27%) and voted on soon (24%).

However, despite the interest among so many in further investigation, few participants expect such an investigation to occur.

<table>
<thead>
<tr>
<th>The Brett Kavanaugh nomination:</th>
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<tbody>
<tr>
<td>Should be rescinded</td>
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<tr>
<td>Requires more investigation</td>
</tr>
<tr>
<td>Should be voted on soon</td>
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While views differ on the appropriateness of the Mueller investigation, Caucus participants don’t think highly of President Trump or his leadership style.

An advisor from a previous presidential administration asserted that the Mueller investigation should never have been launched. He claimed, “There is nothing more destructive than an ongoing investigation.” In his experience, lengthy investigations are demoralizing, distracting, and bad for the country. In America we should strive to avoid investigations and should rely on elections. But many don’t share this view. Importantly, now that the investigation has begun, it has raised legitimate questions that need to be resolved.

Further, regardless of people’s views about the likely outcome of the Mueller investigation, there is general concern about President Trump’s ability to lead the country.

• 85% of participants believe that President Trump is hiding something which jeopardizes his ability to serve as president.
About 40% believe we are headed toward a constitutional crisis in the next year.

A former senior government official, who is uncertain whether Trump colluded with the Russians, nonetheless believes the Russians have viewed Trump as a “useful idiot” (the translation of a Russian term) who is easily duped and used.

Bob Woodward, author of the book Fear about the Trump White House, said (on the record), “It’s worse than you think.” Woodward shared anecdotes from interviews he conducted showing a disturbing lack of knowledge by Trump about the economy, trade, and foreign affairs. On issue after issue, Trump doesn’t know things and doesn’t try to learn.

“It’s worse than you think…What’s going on in the Trump White House is more troubling than the Russia investigation. Trump’s leadership style is enormously concerning.”
— Bob Woodward

In these unprecedented times, what will occur over the next year is impossible to predict. One elected official anticipates that the country’s leaders—both political leaders and business leaders—will be tested. A key part of the test will be about the belief in the rule of law. This political leader cautioned that as events play out it is imperative for the business community to stand up, lead, and be heard.

Caucus participants have a positive view of the economy, but many worry about longer-term consequences.

The U.S. economy is strong and most economic data is positive. GDP growth in the most recent quarter was 4% and is expected to come in at or near that level in the next quarter. Jobs are being created and unemployment is historically low, including low unemployment rates among groups such as African Americans and Hispanics. Investment is increasing, median household income is rising, consumer confidence is extremely high, and even job satisfaction has increased.

A senior member of the Trump administration said these results are due to the administration’s economic program, which is “growth inducing.” Key elements of this program are tax cuts, decreased regulation, policies to lower energy costs, leveling the playing field on trade, and improving border control. While economists during the Obama administration said GDP growth of more than 2% was not possible, current growth of 4% shows that belief was wrong.

However, while 44% of Caucus participants view the current business climate very favorably, the other 56% are not as impressed with the current economy.

<table>
<thead>
<tr>
<th>The Trump Economy is:</th>
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<tbody>
<tr>
<td>The best business climate of my career</td>
</tr>
<tr>
<td>One of the best business climates of my career</td>
</tr>
<tr>
<td>A short term fix we will pay for later</td>
</tr>
<tr>
<td>Mediocre performance if properly assessed</td>
</tr>
</tbody>
</table>

| 9%                                           |
| 35%                                          |
| 48%                                          |
| 9%                                           |

Many (48%) see the current economy as a short-term fix that must be paid for later, at a high cost. These individuals temper their enthusiasm for the economy based on:

• The belief the current economy is merely a continuation of the past.
• Low wage and productivity growth.
• Use of fiscal stimulus (the tax cut), to fuel short-term GDP growth (by an estimated 1.2%).
• Concern that the increase in government debt will hurt long-term growth and increase risk as interest rates rise. Every 1% increase in interest rates will cost the U.S. government $160 billion.
• Increased debt means steps will have to be taken to increase revenue and reform entitlements.
• Further, some question whether the federal government is spending on the right things. For example, the U.S. is spending more than $700 billion on defense, compared to about $70 billion by Russia and perhaps $150 billion by China. Meanwhile, China’s defense spending is in areas such as artificial intelligence and other technologies, while massive U.S. defense spending is for the military of the 20th century.
• At the same time less than 5% of federal spending is on education, infrastructure, and R&D, which is not a formula for long-term success.

One participant suggested that as part of the tax plan’s more favorable treatment of repatriated funds, an appropriate use of some of the funds brought back would have been to provide assistance to those who are dislocated through global trade, especially those in rural areas.

There is broad agreement that China’s trade practices pose a threat, but there is not consensus on how to deal with this threat.

A senior administration official with responsibility for trade policy provided a long list of grievances about China. He claimed that China attacks America’s markets and protects its own markets. China tries to control core natural resources, dominates traditional manufacturing, acquires key technologies by any means necessary, and tries to capture emerging industries such as robotics and AI. And, for decades, previous administrations have put up with this.
The vast majority of Caucus participants agreed that Chinese trade practices are a threat to the U.S. economy, and more than 50% see Chinese practices as a threat to their own business.

<table>
<thead>
<tr>
<th>CELI Polling Question</th>
<th>% Agree</th>
<th>% Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese trade practices (IP, forced tech transfer, unfair tariffs, closed markets) are a threat to the GENERAL U.S. ECONOMY</td>
<td>83%</td>
<td>17%</td>
</tr>
<tr>
<td>Chinese trade practices are a special threat to MY BUSINESS</td>
<td>55%</td>
<td>45%</td>
</tr>
</tbody>
</table>

While there is a general consensus on these problems, there is disagreement on the solutions. The majority of participants disagree with the unilateral tariffs imposed by the Trump administration.

<table>
<thead>
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<th>CELI Polling Question</th>
<th>% Agree</th>
<th>% Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trump’s trade practices are putting our economy at risk.</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Trump is wrong to attack U.S. business leaders who challenge tariffs.</td>
<td>96%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Participants believe that tariffs—which are hidden taxes—will increase prices to consumers, boost inflation, and reduce GDP growth. Perhaps more importantly, trade is a way to build peaceful relationships. By unilaterally imposing tariffs, the U.S. damages relationships with both adversaries and allies.

Some participants see threats from China as more than just a trade issue; the threats from China extend to technological dominance and national security. Instead of going it alone to combat these issues, participants argued that U.S. interests would be better served through a multilateral approach that enlists allies and leverages international institutions like the WTO.

But critics of the Trump administration said the U.S. under Trump doesn’t understand how trade works and doesn’t have a strategy. Further, the U.S. has criticized international institutions, has alienated allies, which are viewed and treated as enemies, and has eroded relationships.

**LEGEND IN LEADERSHIP AWARD**

**Mary T. Barra, Chairman & CEO, General Motors Company**

Mary Barra is a GM lifer. Her father worked at GM for almost 40 years on the factory floor and she has been at the company for 38 years, where she has held a series of positions in manufacturing, engineering, and HR.

After GM’s 2009 bankruptcy — when the company’s future was not assured – Barra led the revitalization of GM’s product development process, resulting in celebrated new products, record product quality ratings, and a dramatic improvement in customer satisfaction. Since becoming CEO in 2013, she has restored public trust, improved profitability, and is investing in the company’s future.

Retired DuPont CEO Ellen Kullman noted that it is extremely rare for a dramatic turnaround and cultural change to be led by a longtime insider, and said Barra has taken GM to a new level. UPS CEO David Abney termed GM under Barra “an American success story.” He commended Barra’s focus on customers, relationships, and excellence.

Barra termed GM a “work in progress” and gave credit to her team. She remarked the automobiles have changed the world by providing independence and mobility. Yet cars have brought problems including collisions, emissions, and congestion. Part of Barra’s mission and GM’s future involve addressing these problems.

Legend in Leadership Award recipient Mary Barra has had an amazing career, is just getting started at GM, and in a short period has positioned GM well for future success.