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BARON PUBLIC AFFAIRS LLC

THE POLITICAL ISOLATION OF CORPORATE AMERICA

INTRODUCTION

The nation's largest companies find themselves politically encircled by a hostile coalition of the Right and Left. The precondition of corporate America's current political isolation is the discrediting of conventional pro-business views regarding trade, immigration, and internationalism by the Great Recession. The perceived domestic consequences of policies today closely associated with the business community – a deeply unpopular economic relationship with China, immigration levels viewed as undermining wages, and broad cronyism that privatizes gains and socializes losses – leaves the *Fortune* 500 without reliable political allies.

The combined effects of three factors appear to have exacerbated this political isolation: C-suite executives moving leftward as part of broader demographic trends, especially among elites; the difficult task confronting corporations pressured to satisfy a Left increasingly opposed to capitalism; and the backlash against the business community from a populist Right that has abandoned *laissez-faire* economics. With a decreasing number of political defenders, America's most successful enterprises must navigate the most hostile ideological landscape in decades.

ABOUT BARON

For more than a decade, Baron Public Affairs, LLC has guided clients through the most challenging political terrain. Baron's offerings include:

Political Risk Assessment
Powerful solutions to the most serious threats to the *Fortune* 500, high-growth middle-market companies, and leading startups;

Influencer Analytics
Actionable insights on the individuals who drive policy outcomes; and

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Exceptional execution of high-impact initiatives.

Project areas have included defense, energy, financial services, food, health care, hospitality, media, technology, trade, and transportation, among other sectors.

IMPACT OF THE GREAT RECESSION

Corporate America today confronts a far more unfavorable political landscape than during the Great Recession. Even with GDP rapidly contracting, the *Emergency Economic Stabilization Act of 2008* – popularly known as the "Bailout Bill" – initially failed to pass the House before ultimately being approved with an unimpressive 263 votes.[1] This experience – which occurred with pro-business Republicans in control of the White House and broader party – suggests that an equivalent bill likely would fail in the current political environment.

Political events surrounding the Great Recession accelerated a long-term discrediting of the business community's policy agenda. As Russ Roberts, a leading right-of-center economic commentator, concluded, "What we do in the United States is make it easy to gamble with other people's money – particularly borrowed money. … The financial crisis of 2008 was a natural result of these perverse incentives. We must return to the natural incentives of profit and loss if we want to prevent future crises."[2] The close government-to-business relationships that made the "Bailout Bill" possible galvanized a cross-party cooperation on attacking corporate cronyism. After Senator Bernie Sanders (I-VT) asserted in 2016, "I do not believe in corporate welfare," Senator Ted Cruz (R-TX) responded, "I'll give credit to Senator Sanders for standing up against corporate welfare."[3]

THE LEFT AND C-SUITES

The leftward movement of C-suites has manifold causes, but fundamentally mirrors broad voting patterns. In the 1950s, "White Americans who did have degrees tended to vote Republican," and in the 1990s, 34 percent of whites with a four-year degree identified as Democrats. Today, however, 49 percent of white college graduates align themselves with the Democratic Party, as do 59 percent of whites with post-graduate degrees.[4] For the colleges and universities that produce the largest numbers of senior corporate executives, the trend becomes even more pronounced.[5] For example, nearly 70 percent of the 2017 Harvard graduating class identified as either "liberal" or "very liberal."[6]

The elites who occupy positions of corporate authority increasingly struggle to remain loyal to progressive values while prospering within a capitalist system.

Moreover, the young talent highly sought after by major corporations disproportionately leans left. For example, tech employees frequently identify with leftist views even more than their Silicon Valley employers.[7] Younger consumers also conform to this overall trend. According to a 2018 Gallup poll, fewer than 50 percent – down from almost 70 percent in 2010 – of young Americans view capitalism positively, and more than 50 percent of the same demographic favors socialism.[8]

Companies increasingly reflect these shifts. For example, on the boards of the *Fortune* 10, every director with a political background served a Democratic White House.[9] The almost-total absence of conservative policies in the Corporate Social Responsibility (CSR) agendas of the *Fortune* 100 also indicates the rise of the Left in board rooms. The longstanding (albeit changing) tendency of the Right to eschew injecting politics into consumer choices has compounded the effects.

The marked leftward shift of corporate America does not appear, however, to have increased support for pro-business priorities. To the contrary, the Democratic Party has moved decisively in an anti-business direction. In the battle for the 2020 Democratic presidential nomination, candidates make news when they identify as capitalists rather than socialists.[10]

Board members' past experience in Administrations, on campaigns, or holding political office

***FORTUNE* 1-10**	**100% Democrat**	**0% Republican**
***FORTUNE* 100**	**67% Democrat**	**33% Republican**
FINANCIAL SECTOR (*FORTUNE* 100)	**83% Democrat**	**17% Republican**
TECH SECTOR (*FORTUNE* 100)	**82% Democrat**	**18% Republican**

THE RIGHT RESPONDS

With C-suites moving leftward, the American Right perceives that Big Business has committed an enormous betrayal, weakening an already-declining commitment to a long-standing alliance with the corporate community. The intellectual basis of this fundamental shift has been embraced by prominent conservative figures.

As Senator Tom Cotton (R-AR) expressed, “Ultimately, we are not an economy with a country. We are a country with an economy.”[11] Onetime Cato Institute Senior Fellow and current *Fox News Channel* host Tucker Carlson echoed this sentiment, criticizing Republican leaders for accepting “decades” of “corporate propaganda.”[12] Even Senator Marco Rubio (R-FL), a champion of the private sector, recently commented, “Economic elitism has replaced a commitment to the dignity of work with a blind faith in financial markets.”[13]

At the very moment when a favorable policy environment is needed to facilitate massive investments in innovation – essential to escaping a looming fiscal crisis through growth and countering a globally ambitious China – the largest U.S. companies find themselves without crucial sources of political support, let alone the champions, needed to withstand a massing wave of populism.

OUTLOOK

Business leaders should not expect the significant reductions in corporate tax rates implemented under President Donald J. Trump to last. As the composition of the elected political leadership increasingly reflects today’s populism – rather than the Republican and Democratic parties of the pre-Trump era – pro-business policies will struggle to survive. Assailed by ideologues across the spectrum, the corporate community should prepare for the possibility of serious policy reversals. Measures only recently considered extreme, including confiscatory tax rates and new regulatory regimes for entire industries, are redefining the political center. To avoid the reduced innovation and slower growth rates that would result from enactment of such policies, the nation’s largest companies – especially in the health care, financial services, tech, and transportation sectors – will need to recruit new allies and repair old alliances amidst deteriorating conditions.

ENDNOTES

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