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## Trump's corporate trouble: CEOs keep their distance from the party of business

The tension between companies and the populist president could develop into a long-term headache for Republican party

Andrew Edgecliffe-Johnson in New York

October 30, 2020

When Donald Trump accepted the Republican party's presidential nomination in 2016, he touted his credentials as an executive who understood how to create jobs.

"I have made billions of dollars in business making deals — now I'm going to make our country rich again," the property developer turned television star declared, pledging to make the American brand as great (again) as he had made his own.

It was a rare theme the iconoclastic candidate shared with two of his most recent Republican predecessors — Mitt Romney, who co-founded the private equity group Bain Capital, and George W Bush, whose oil industry career prompted magazines to dub him "the CEO president".

It was also in keeping with a Republican party that had for decades pitched itself as the natural party of business, espousing low corporate taxes, deregulation and free trade.

But in 2020, as Mr Trump faces a bruising re-election battle against the life-long Democratic politician Joe Biden, a significant number of corporate America's leading voices are being raised against him. Angered by his management of the coronavirus pandemic and attempts to sow doubt about the election, some executives are now speaking out.

The Republican party has long grappled with a division between its establishment wing and a more populist base, but that split is becoming ever harder to manage. The growing rift between US business elites and the anti-elite president could spell longer-term trouble for the GOP.

It might be too early to predict a lasting realignment of corporate America's political allegiances, but Jeffrey Sonnenfeld, a Yale School of Management professor, doubts that the Republicans can continue to accommodate a "pro-expertise" corporate cadre alongside its "rural, anti-intellectual conspiracy group" for much longer.

"What is hard to imagine is that after next week the two-party system will be the same," he says.

The brewing clash came to a head this week when Mr Trump claimed it would be "totally inappropriate" for election officials to keep tallying ballots after next Tuesday's election day.

Within hours, Washington's top business lobby groups joined forces with a statement contradicting him. In the midst of a pandemic that has prompted millions more voters to request mail-in ballots, the groups noted that counting all the votes could take weeks. They urged all Americans to support the process and remain confident in the country's tradition of fair elections.

The neutrally worded statement followed sterner warnings from investors, academics and executives of the potential for electoral chaos and the importance of a previously unquestioned peaceful transfer of power. One chief executive, David Barrett of the software group Expensify, told his 10m customers that "anything less than a vote for Biden is a vote against democracy".

### **Breaking cover**

Most chief executives have kept their voting intentions to themselves but concern about the impact a contested result could have on a polarised workforce and a pandemic-scarred economy has pushed companies into taking an unusually prominent role in this election.

More than 1,700 US companies have given staff paid time off to vote, and in a week when the International Crisis Group warned that the president "will more likely stoke than calm tensions" CEOs have felt the need to call for patience and civility as votes are counted.

"We have no historic parallel," says Prof Sonnenfeld of the fissure between the business community and the Republican president. But he says the senior executives he convenes at regular conferences never saw Mr Trump as one of their own.

"I would bring Donald Trump to our CEO summit years ago and the top tier CEOs would say 'Don't bring him in here. We don't consider him a top CEO'," he recalls. When he told the president this after his 2016 election victory, Mr Trump replied: "Well, they're all coming by to see me now."

Once Mr Trump was in power and calling executives to sit on his business advisory councils, Prof Sonnenfeld notes, "they bit their lip and said, 'well, maybe we'll have some impact'."

But few directors of America's largest companies, two-thirds of whom he estimates are typically Republican, have warmed to Mr Trump: a Yale poll found that 77 per cent of them planned to vote for Mr Biden.

That is not the case among bosses of smaller companies, where confidence in the economy was approaching a 30-year high before the pandemic hit. According to a UBS survey of business owners with at least \$1m in annual sales, 55 per cent favour Mr Trump.

Companies of all sizes have welcomed some — though not all — of Mr Trump's moves to roll back regulation, Prof Sonnenfeld notes. And businesses strongly supported Republicans' 2017 cut to top corporate tax rates from 35 per cent to 21 per cent.

But these victories for corporate interests were marred by actions few large companies supported, such as restrictions on skilled immigration or escalating disputes with trading partners from China to Europe. Some Republican policies which business backed, from an alternative to Barack Obama's Affordable Care Act to promised investment in the country's crumbling infrastructure, never materialised.

Mr Trump's way of doing business has also jarred, Prof Sonnenfeld says. As he played companies from Boeing to GM off against their rivals, "I was in touch with all these CEOs and they were asking 'where's this coming from?'"

But it was not until the summer of 2017, when Mr Trump blamed both sides for deadly clashes at a far-right protest in Charlottesville, Virginia, that executives abandoned his business panels. Since then, many have seen him as a source of unwelcome instability.

"There's a lot more to having a favourable business climate than just having a lower tax rate. Predictability is one of those things," says Sarah Bonk, founder of Business for America, an alliance of companies working to improve government.

Many CEOs have also resented the extent to which controversies stirred up by Mr Trump have forced them to speak out about political issues, at the risk of alienating one side or another of a polarised electorate.

But corporate America's frustrations with Washington predate Mr Trump, Ms Bonk adds: "If they didn't have to think about the political climate because it was stable, because problems were being solved, because we have predictability in our markets, they would be thrilled. But we've seen a failure of government to solve big problems for decades."

"Business leaders are not ideologues," echoes Neil Bradley, chief policy officer for the US Chamber of Commerce: "Like most Americans they're frustrated by the gridlock and the polarisation that they see in government and it's now having tangible negative consequences."

The failure to produce further coronavirus stimulus packages for a fragile economy has encapsulated that exasperation. "Five months and we still don't have anything. That should not happen," Mr Bradley says.

Last year, the Chamber pledged to start supporting candidates from either party who work constructively across the aisle. That has led the traditionally conservative group to inch towards Mr Biden's party: this year it endorsed 30 Democrats in the House of Representatives, up from its usual handful, alongside 192 Republicans.

Corporate donations show a similar shift. Listed companies have given 13 per cent more to Democratic groups this year than in 2016, and 15 per cent less to Republicans, according to the Center for Political Accountability, although Republicans still raised double the Democrats' \$5m from this group.

Individual executives' donations show the divides in the business community. "You have more of the buccaneer type of CEOs giving to Trump and more of the traditional CEOs giving to Biden," says Bruce Freed, CPA's president.

Mr Trump has been backed by 15 CEOs of companies in the S&P 500 index, including Jeffrey Sprecher of Intercontinental Exchange, Steven Roth of the property group Vornado and Sheldon Adelson, the Las Vegas Sands casino magnate who has poured \$180m into the Republicans' 2020 war chest.

But twice as many big company CEOs have given to Mr Biden's campaign, MarketWatch calculated, led by Disney's Bob Iger, Edward Breen of DuPont and Merck's Ken Frazier. James Murdoch, whose father Rupert controls Fox News, has become one of the top Democratic donors.

Some of the biggest Republican corporate supporters in 2016, such as Paul Singer, Robert Mercer, Steven Cohen and Larry Ellison, have also cut back or disappeared this year. And while Citadel's Kenneth Griffin and Blackstone's Stephen Schwarzman have vaulted into the top ranks of Republican donors, Mr Biden has also outraised Mr Trump by a wider margin than Hillary Clinton did on Wall Street. In 2012, Wall Street election funding favoured Mr Romney.

Some of these donations, Mr Freed notes, are about executives "buying access" to a Democratic party most expect to take the White House and perhaps the Senate.

### **Looking for a political home**

Among corporate leaders, there are plenty of anxieties that a Biden victory could provide a platform for the policies prioritised by the Democratic party's leftwing. Surveys from PwC and UBS show that executives see significantly greater risks on tax policy, healthcare reform and technology regulation should Democrats win. But they also see risks in a second Trump term, from a mismanaged pandemic, unfavourable trade policies and continued inaction on climate change.

Forecasts from Goldman Sachs and Moody's that a Biden presidency offers better prospects for growth have provided "cover" to those executives who were looking for an economic excuse to break with Mr Trump.

Where CEOs find their next political home may depend heavily on events next week. The Chamber's Mr Bradley still hopes that executives' worst fears about election unrest are not realised, just as predictions of chaos at the turn of the millennium proved unfounded.

"I hope this is all like Y2K," he says. But if the worst-case scenarios play out, he adds, "you will hear more from the business community".