

American businesses must play a leading policy role

By Jeffrey Garten, *Financial Times*

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Earlier this week, a broad business coalition that includes General Electric, Alcoa and Lehman Brothers opened a campaign for mandatory caps on greenhouse gas emissions, something the Bush administration has refused to establish. A few days earlier, there had been another push by influential organisations such as the Business Roundtable and the US Chamber of Commerce to provide insurance for the 47m Americans who do not have it, something President George W. Bush started to address seriously only last night in the State of the Union speech. Could this be the start of a shift in how corporate America deals with the huge public policy challenges facing the nation?

The time is ripe. For the past six years, needed reforms in fiscal policy, social security, immigration and worker training have been the subject of bitter partisan fights and have gone nowhere. Now the Bush administration, with a public approval rating of just 35 per cent, is running out of steam. Meanwhile, a new Democratic Congress has yet to prove its effectiveness and cannot do much more than tee up issues for the next president.

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Among many Americans the idea that the business community would step into this political maelstrom to spearhead change in the public interest would be greeted with cynicism. The public often thinks of the enormous sums of money that US companies spend to influence elections, or about the armies of lobbyists pushing for tax and regulatory relief. They read about corporate scandals and sky-high executive pay often divorced from performance, and wonder why profits can be so high and wage increases so low.

Still, something positive may be stirring. Of course, any shift in the way business calculates its interests today will not be based on sentimentality or new-found enthusiasm for public service. That is good, however, for it means that any efforts by companies are likely to rest on a strong foundation of self-interest. For example, many large US companies are concerned that, without tough regulations relating to pollution and a viable platform for carbon trading, they will be at a competitive disadvantage vis a vis their foreign rivals. It is a rare company, big or small, that does not see rising health costs as a debilitating burden to bear in the global marketplace.

Corporate America worries that regulations at the state level - such as those emerging in California and New York amid the policy vacuum in Washington - will create an expensive obstacle course of inconsistent laws. Business executives also fear that, if the Democrats win both the presidency and Congress in 2008, companies will face heavy-handed federal regulation. They want to pre-empt that possibility with their own ideas now or they want to be at the table when the big decisions are made.

The behaviour of big companies in the 1950s could serve as a model. At that time, many corporations such as Eastman Kodak and R.H. Macy banded together in what was called the Committee on Economic Development. They worked with Washington to devise stable monetary and fiscal policies, job creation programmes, educational opportunities and the first foreign aid programmes. It was an unprecedented effort by US business to work with government on pragmatic solutions to massive postwar problems.

Obviously much has changed since then. Competition has become fiercer, corporate interests are more global and the orientation of markets is more short-term. It could just be, though, that the absence of effective national policy in areas critical to corporate competitiveness overshadows those differences. US companies could be realising that today's public policy challenges will overwhelm them if left unaddressed and that business itself can make a major contribution to meeting these challenges.

Finally, chief executives such as GE's Jeff Immelt, IBM's Sam Palmisano and many of their colleagues may well represent a new breed of leader. They are riveted on competitive performance and shareholder value, to be sure. However, they are also focused on strengthening the national and global policy frameworks so

vital to their success. It was Mr Immelt who cried out for clear environmental regulations two years ago. Mr Palmisano has been vocal about education and innovation.

It is too soon to say that corporate America is embarking on a more assertive and constructive involvement in public policy but, for the first time in many years, the possibility exists. Let us hope it happens.

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