HED: Obama, Stop Bashing Big Business!
DEK: The president was right to pressure BP. But his strategy of vilifying companies to push his agenda carries serious economic risks. By *Jeffrey Garten*

AUTHOR: Jeffrey E. Garten
HED: How Obama Can Win Back Big Business
PQ: Overregulation, punitive taxes and protectionism would reduce crucial investments by American companies in the U.S., and they would discourage our desperate need for investment from abroad.

While no one can deny the magnitude of the tragedy unfolding in the Gulf of Mexico, President Obama is not getting enough credit for pressuring BP to set aside $20 billion to aid victims of the oil spill [http://www.usatoday.com/communities/theoval/post/2010/06/obama-bp-compensation-fund-/1]. BP, too, should be recognized for taking this step, including agreeing that additional liabilities may accrue and that the funds would be administered by the U.S. government. In the larger environmental disaster that is occurring, the fund is of course only one part of what will have to be done, but an important one.

In addition to his wrestling with BP, however, the president has confronted a number of other big companies in his 17 months in office. He pushed General Motors into bankruptcy and played a role in picking top management and directors; he intervened in the bankruptcy claims process with Chrysler; he vilified health-care insurers like WellPoint in order to get his health-care reform bill through; he used harsh words and unleashed the SEC on companies such as Goldman Sachs in the financial services industry. As in the case of BP, many of these actions were necessary and brought on by the companies' own actions. And some good things could come from an activist government. For example, GM just might be saved [http://online.wsj.com/article/SB10001424052748704289504575312791160651842.html?mod=WSJ_Autos_AutoIndustry3]. And banks might just be prevented from their more egregiously risky practices.

But there's a clear risk for the administration as well: creating the impression that the White House is waging war on big business in general. Is Obama inadvertently undermining trust in companies that are far from the controversies that have emerged--companies such as GE, Cisco Systems, Proctor & Gamble, Time Warner, for instance? If that were to happen – and the administration could be very close to the line – colossal problems will ensue.

Were Obama to inadvertently legitimize indiscriminate political attacks on big companies, it is likely that both parties in Congress would go even further, given populist pressures on the left and the right. The results would be seen not just in nasty words but in tangible regulatory overreach at a time when business executives' heads are spinning with thousands of new pages of regulations pushed by a government that has neither the trained people or the financial resources to put high-quality oversight in place.

Beyond that, the U.S. is approaching an epochal debate over revenue-raising, and a public perception that corporate America is operating against the national interest will insure that Congress would make big companies even juicer targets for harsh tax treatment than they now are.

If that weren't enough, Congress often equates trade liberalization as benefiting the big guys disproportionately, and could easily stop its already meager consideration of new trading agreements that America desperately needs.

Congress could also continue to stiff-arm business pleading that more engineers and scientists be allowed to immigrate to America, a critical bottleneck for continuous innovation.

Why does all this matter? Overregulation, punitive taxes and protectionism would reduce crucial investments by American companies in the U.S., and they would discourage our desperate need for investment from abroad. These threats are real in a world where at least 80% of the market now lies beyond American shores, and where emerging nations with burgeoning middle classes will be growing two to three times faster than the U.S. for the next decade – all giving the big multinational companies attractive choices about where to locate their factories and laboratories that they never had before.

The extent of the damage of an attack on big firms could be related to the role they play in the economy. According to separate studies by McKinsey & Co. and by Professor Matthew Slaughter at Dartmouth's Tuck School of Business, U.S. multinationals account for 23% of US GDP, 29 % of all private sector investment, 45% of all exports of goods, 75% of all private sector research, and 53% of all the productivity gains in the last 20 years. They employ 19% of American workers at an average compensation level of 24% over the average U.S. wage. They are the biggest supporters of community development, including being major benefactors of the arts.

Without the big guys going all out, and without their being able to compete with their goliath competitors abroad -- many of which are owned by foreign governments and have extraordinarily deep pockets-- we can also forget about a long term recovery. Let's face it: the government stimulus is over and the Fed cannot reduce interest rates from their rock bottom levels anymore. So we'll have private investment-led growth – or no growth at all.

There are some things the president could do to ensure that righting the corporate wrongs in individual cases does not accidently lead to the perception of a generalized broadside against corporate America, with all the downsides that involves.

For starters, he could chose his words very carefully when he announces his new financial reforms, sometime in the next few weeks, to express hope that the government and Wall Street can move ahead together and put animosities behind them, rather than to take one more opportunity to excoriate greedy and irresponsible bankers.

He could be more even-handed when legitimately criticizing big business by pointing out how irresponsibly regulators and congressional overseers behaved as well.

He could find ways to be visible in the media with big company leaders far from the controversies that are raging now, such as the CEOs of FedEx or PepsiCo, to take just two examples.

He could find ways to make a much bigger deal over government-business partnerships in such areas as building a new energy infrastructure, or devising a sorely needed new competitive trade policy.

He could highlight the role that big business plays in science and technology education, focusing attention on, say, programs of the kind Intel or IBM promotes.

He could publicly challenge – in a positive way -- the country's universities to set higher standards for educating citizens for the kind of business leadership that will be required to guide the country. We are, after all, in an era marked by an intensification of globalization and technology, where the risks have multiplied and ethical boundaries have become more complex.

He could create a high-profile national award for companies that demonstrate by their actions an understanding of corporate citizenship and social responsibility, using the highly prestigious Malcolm Baldridge award, now given to companies for the quality of their products or services as a prototype.

He could ask his aides to take a close look at the concrete agenda of taxes, trade, R&D and regulation with an eye towards a pro-business, pro-growth agenda that would unfold after the mid-term elections.

Big business has become a political target, in part because a few companies have made serious mistakes, but also because the administration finds it an easy mark. But the broader picture should not be taken for granted. These companies, after all, are the irreplaceable backbone of the economy. There is only one word for a policy that deliberately or accidentally has the impact of undermining them: destructive.

Jeffrey E. Garten is the Juan Trippe professor of international trade and finance at the Yale School of Management.