

October 31, 2016 | By Nancy Murphy

Business may not have played a visible role in the 2016 presidential campaign, but the stakes are high and shifting in some surprising ways, says Stanford expert.



This is an installment of **Wide Angle: Election 2016**, a Stanford media series that offers scholarly, non-partisan perspectives on the forces shaping the election.

An interview with Stanford professor of political economy, **Steve Callander**

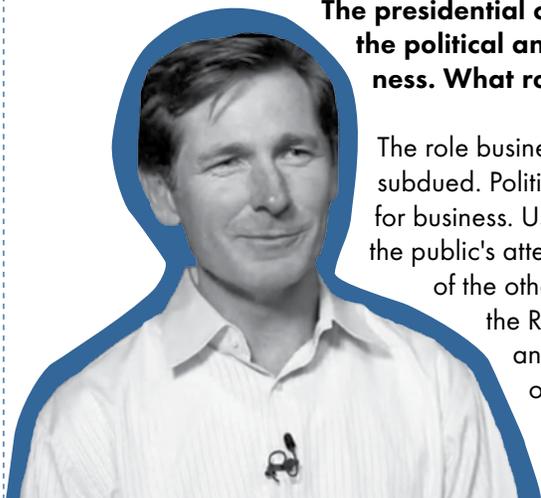
Why haven't business or organized labor wielded more influence in the 2016 election and what might challenge the new president's ability to implement a political agenda? Steve Callander, a political economist at the Stanford Graduate School of Business, sees polarization and power shifts as contributing factors.

In the 2016 election, both the business community and organized labor have kept relatively low profiles, even though the candidates propose radically different policies on economic growth and inequality, taxes, and trade. For insights into the evolving relationships between business and politics Worldview interviewed Steve Callander, the Herbert Hoover Professor of Public and Private Management at the Stanford Graduate School of Business and professor of political economy. Callander uses game theory to study the intersection of politics and economics.

The presidential candidates have very different platforms when it comes to the political and economic policies that are traditionally important to business. What role has business played in this election?

The role business is playing in this election versus the past elections is much more subdued. Politics is very polarized these days and that creates a toxic environment for business. Usually they want to be associated with big media events that attract the public's attention, but when that attention comes with a lot of anger, even hatred of the other side, that creates a dangerous environment. If they associate with the Republicans or the Democrats, they're not only getting the supporters and that positive association, they're getting the negative association of the other side as well.

Behind the scenes is a different matter. Business is very aware of the power of government and that whichever candidate wins the



election will hit the ground running in 2017. Business and industries are very issue-specific. The new president's legislative agenda is going to be implemented quickly, and negotiations about that agenda are happening today.

In general, businesses should *not* get involved in elections. They should stay away. That said, not all plans come to fruition and they should be on their toes because they may be pulled in against their wishes. The politicians, the parties, and the activists see the benefit of being associated with respected, credible companies, but it can also happen inadvertently when the businesses and their issues suddenly become the flavor of the day. Apple's \$13 billion euro tax hit in Europe, for example, easily could have brought them into the center of politics.

Organized labor is another constituency that has seemed less visible and overtly influential in the campaigns. How has that shaped the election?

Organized labor is largely a shadow of what it used to be. We had union membership up around 30 percent after the war and we're now down into the low teens. So labor just can't wield the power that they used to a generation or two ago. That's not to say though that the interests that organized labor represent, the interests of the working class, are no longer being represented in American politics. One of the more interesting developments of recent years has been the rise of different new activist groups that are representing the interests of those people.

The example of Occupy Wall Street is very interesting in this regard. Occupy Wall Street, I think, has had a profound influence on the frame of reference in American politics. We talk about the 1 percent. You might remember that all came out of Occupy Wall Street, and this is really interesting because objectively by traditional measures, Occupy Wall Street was a complete failure. They never articulated a goal and never achieved any quantifiable goal from all of the attention and energy that they harnessed.

But when we look three, five years down the track as we are today, we see that the whole frame of reference about politics has shifted. There's the talk about the 1 percent and inequality, and that's now at the center of American politics. I think we can trace that through from movements like Occupy Wall Street and the influence they had.

Whilst organized labor is not as powerful as they used to be, we're seeing new forms, new structures develop on the left that's representing those interests, and perhaps even representing them more effectively than they have been in the past.

Business leaders are very aware that their businesses, their market opportunities, exist within a political environment, and so they need to be conversant in the political language of the day. And business leaders are aware that inequality is an issue that their customers care about, it's an issue their employees care about, and it's an issue that voters care about. That means they need to care about it, and so I think that's the change we've seen in the last few years.

It's no longer endless talk about cutting regulations and helping business. There's much more talk about inequality, about opportunity, and about the broader public, and I think that's changed politics and that's changing business today as well.

What are the biggest issues or challenges the next president is going to face?

The next president is going to face enormous challenges because of the institutional restrictions on what a president can do. The president has to work with Congress and is checked by the power of the Supreme Court. These institutions work in unison to formulate U.S. policy but today the three legs of that stool are not working together well.

Congress is designed to make it very difficult to pass legislation. Now there is less and less legislation passed and that's slowing down, grinding to a halt, the gears of government. So we're going to see a lot more power coming from the presidency: more executive actions and rule making within the bureaucracy to change laws and to implement policy.

That leaves the Supreme Court and what we're seeing today is that the justices are aligning themselves much more with their party bases and voting according to the Republican line or the Democratic line. The Supreme Court itself is a partisan institution. As the institutions of the presidency, Congress, and the Supreme Court evolve, a lot more power is concentrated in the judgment of the Supreme Court. Although they don't pass laws themselves, their decisions about what is and is not the law are effectively the same.

Ultimately one of a president's most impactful acts is to appoint Supreme Court justices. There is still one vacancy on the Supreme Court. As soon as a new president is sworn into office, we're going to see an enormous fight over the nomination to fill that final seat and that fight will be repeated again and again as new seats open up.

As this rebalance of power occurs within the U. S. government, will states and local communities assume more control over policy making and experimenting with new approaches to problem solving?

As the Supreme Court assumes more power and the president exercises more authority directly rather than going through Congress, we'll also see competition evolve between the levels of government. State and local governments—frustrated by the inaction of the federal government, or perhaps seeing that as an opportunity to act—will start to take more actions themselves. We'll see a lot more variation or difference across the country to fit local situations but that also means less coordination of policy, which may not be good for the U.S. as a whole.

What this means for the next president and the country in coming years is really up in the air. I would suggest if we don't see change within the institutions, we might reach a breaking point sometime in the next generation. This hasn't been tested, but just because the U.S. Constitution has been a fantastic document that's worked for 200 plus years doesn't mean it's going to continue to work in the future.

If you could recommend one book to the next president of the U.S., what would it be?

The book I would recommend is called *Democracy and Knowledge: Innovation and Learning in Classical Athens* by Josiah Ober from Stanford's political science depart-



ment. It's a fantastic book for those who want to understand institutions and the quality of policymaking. This book, which is about ancient Greece, makes two points. One is that policy making is hard. Policy makers don't know the answer; nobody knows the answer. What we need is to gather information and expertise; only by bringing those together can policymaking succeed. Ober argues that Athens succeeded because they, unlike many other city states, were able to harness the information within their polity.

The second thing the book tells us is that no political system lasts forever. Athens was very successful for a while, but Athens didn't last. We're hoping that doesn't happen with the U.S., but unless we solve the problem of good policy making, that's a danger we must face. ✨

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