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Business Voices Frustration With GOP
Wall Street Journal // Laura Meckler

The budget stalemate that had the U.S. flirting with default has left business and the Republican Party, longtime political allies, at a crossroads.

In interviews with representatives of companies large and small, executives predicted a change in how business would approach politics. They didn't foresee a new alignment with Democrats but forecast backing challengers to tea-party conservatives in GOP primaries, increasing political engagement with centrist Republicans and, for some, disengaging with politics altogether.

Many business executives say they were dismayed that some Republicans didn't heed their warnings that closing the government and risking default would hurt the U.S. economy. Others expressed disgust with Washington politics in general. All said the crisis could have been averted with a more pragmatic approach.

The decadeslong relationship between American business and the GOP is certainly likely to endure, with business still feeling a kinship and shared goals with many in the party, including a push for lower taxes and lighter regulation.

But the conversation among businesses is "characterized by tremendous frustration and angst," said Dirk Van Dongen, president of the National Association of Wholesale-Retailers, a trade group. "Because at the end of the day, the system is supposed to produce results, and the failure to produce results has consequences."

The episode has prompted top business lobby groups, including the U.S. Chamber of Commerce, to consider taking sides in Republican primaries next year in hopes of replacing tea-party conservatives with more business-friendly pragmatists.

Mark Thierer, chairman and CEO of Catamaran Corp., a major pharmacy-benefit manager, said business's relationship with the GOP "is going to need a retooling," adding that he would continue to make modest contributions to centrists. "I am not going to give up on the Republican Party—I am going to encourage moderation," he said.

This kind of reaction challenges the long-standing relationship. Tensions emerged after the GOP takeover of the House in 2010, fostered by an empowered group of conservatives who saw companies seeking tax breaks and government grants as an embodiment of a traditional mode of politics they wanted to break.

The Chamber of Commerce, which has given tens of millions of dollars to Republican candidates, is researching what challengers might be viable next year. It urged House members to support the final compromise by including Wednesday's vote in the scorecard it uses when weighing possible endorsement of members of Congress. By contrast, FreedomWorks, which backs tea-party candidates, urged a "no."

Bruce Josten, the Chamber's top lobbyist, said he has pushed members of Congress to keep the government open and to understand that flirting with default is "just plain stupid." To Republicans who tried to use the budget battle to unravel the health care law, he said: "They've accomplished nothing."

Russ Walker, national political director for FreedomWorks, said any effort to displace tea-party candidates will fail. "The grass roots is going to choose those people who will speak up for them," he said.

For the tea-party bloc of the GOP, the priority has been trying to stop implementation of the new health-care law, which its members strongly oppose, even if it meant closing the government. They dismissed warnings of economic peril, saying it is more crucial to curb spending.

"A fight on principle is always worth it," said Rep. Scott Garrett (R., N.J.), who backed the tea-party effort, while heading into a House GOP strategy session Wednesday.

The group's goals are shared by many executives, business lobby groups and other Republicans, but many criticize the tactics, saying they could never succeed given Democratic control of the Senate and the White House.

Maurice Taylor, chairman and CEO of off-road tire maker Titan International Inc. of Quincy, Ill., was one business leader who supported the tactics of tea-party-backed Republicans in the budget fight. For his taste, Republicans in Congress aren't focused enough on controlling the federal bureaucracy. "It's like a cancer it just keeps growing," he said. "The House is doing a pretty good job. I hope they

stick to their guns....The tea party in 2014 is going to be stronger than they've ever been."

Businesses worry that Congress will now be unable to tackle other big issues on their agenda, including immigration policy and overhauls to the tax code and entitlements. Success in any of these areas will require compromise, something business lobbyists and leaders say has been sorely lacking.

John Engler, the former Republican governor of Michigan who now heads the Business Roundtable, a trade group, said the normal legislative process—where bills are debated and passed by each house of Congress, and then married together—encourages compromise. "Today we have a significant number of people who don't want to compromise because they think they can win something that's been unwinnable," he said.

David French, top lobbyist at the National Retail Federation, guesses that business lobbies will back somewhere between 12 and 25 business-friendly Republicans in primaries next year. "We don't like having a very high stakes poker game where we're dealt out and nobody's going to win," he said.

Even before the partial shutdown two weeks ago, Republican executives pressing for an immigration overhaul were venting frustration that the full House has been unwilling to consider any immigration legislation, including a bipartisan Senate bill, in the face of opposition from one wing of the party.

Norman Braman, a Miami businessman and GOP donor, said he is asking candidates who solicit campaign contributions for their position on immigration and will be reluctant to support those who don't back a revamp. "Those of us who have been active and supportive of the party have a duty to express our feelings," he said.

Several business executives said they were counting on establishment GOP leaders, including House Speaker John Boehner of Ohio and House Budget Committee Chairman Paul Ryan of Wisconsin, to move immigration and future fiscal legislation. But those same leaders struggled to steer the House toward a fiscal compromise and struggled to pass another business priority, the farm bill, amid conservative demands to curtail food stamps.

Some say the key will be engaging Main Street business leaders to press upon their representatives the need for compromise. Others predict business leaders outside Washington will disengage altogether, disgusted by the results.

Hal Sirkin, a senior partner with the Boston Consulting Group, said his conversations with executives in a range of industries suggest widespread frustration with the Republican party. The budget battle "is giving them pause to reconsider everything that they believed" about conservative support for business, he said. Some executives have told him they plan to pull back their support for the party "as a message to say, this is not acceptable. You can't trash the business community," he added.

"Right now, I'd have a hard time voting for any incumbent," said Kevin Hartford, president and co-owner of Alle-Kiski Industries Inc., a Leechburg, Pa., maker of metal parts used in power generation and rail locomotives, among other things. Mr. Hartford said he typically supports Republican candidates but now believes the party "has become fractured, lacks vision, is leaderless and discombobulated."

—Rachel Feintzeig, James R. Hagerty, Joann S. Lublin and Bob Tita contributed to this article.