

U.S. News: Candidates Court 'Big Business Brands'; Obama, McCain Woo Famous CEOs in Bid to Burnish Their Economic Credentials

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Jason Furman, Barack Obama's economic-policy director, is spending this weekend in the tony Hamptons outside New York, as will many top Wall Street executives. But he won't be relaxing. Instead he will be explaining the Democrat's tax policies in small business gatherings and celebrity-studded fund-raisers. Another top Obama adviser, University of Chicago Professor Austan Goolsbee, just returned from Jackson Hole, Wyo., to chat up other business executives and big donors.

The campaign for the CEO vote is heating up. With increasing attention on the economy, the presidential candidates are trying to wrap themselves in business's embrace by wooing some of the best-known chief executives.

In the Obama campaign's latest effort to calm business, its economists are providing specific numbers for his proposed tax increases on investment income and payroll taxes -- essentially smaller increases than many had feared based on his campaign rhetoric. Messrs. Furman and Goolsbee now say Sen. Obama would raise capital-gains tax rates from the current 15% to 20% for families making more than \$250,000. Payroll taxes would also rise for that income group to a range between 2% and 4% (to be borne by the employee and employer), but the increase wouldn't take effect for at least 10 years. The proposals were set to be unveiled Thursday on the campaign's Web site and in an opinion piece published in The Wall Street Journal.

Business had argued that a big tax increase would discourage investment and increase costs, and Republicans -- including Sen. John McCain -- had criticized Sen. Obama's tax plan as being harmful to the economy.

Still, both candidates have perceived weaknesses when it comes to managing the economy. Sen. McCain, a longtime lawmaker and Vietnam War hero, has considerable stature on foreign-affairs and national-defense issues, but less on domestic policies, including the economy. Sen. Obama, in his first Senate term, lacks a long track record on business, with some executives concerned with what they regarded as harsh rhetoric against corporations during the Democratic primaries. Both sides believe endorsements -- or support, if not an outright endorsement -- from business leaders can help shore up their economic credentials.

In the contest for business approval, the campaigns are lining up "poster CEOs." Sen. McCain has FedEx Corp. Chairman Fred Smith, private-equity guru Henry Kravis and Merrill Lynch & Co. CEO John Thain. In Sen. Obama's camp are investor Warren Buffett, former Federal Reserve Chairman Paul Volcker and Robert Wolf, president of UBS Investment Bank.

The candidates "are picking big business brands standing high in public regard" in the hope that voters will connect them to "solutions for the economy and more jobs," says

Judith Samuelson, executive director of the Aspen Institute's Business and Society program.

At the same time, both campaigns are trying to walk a careful line to avoid appearing too much in favor of big business. On the stump, Sen. McCain says he supports incentives for small business, and Sen. Obama would lower the capital-gains rate on small businesses to zero percent.

Sen. McCain this week is trotting out a new campaign theme called the "economic surge," a domestic effort modeled after his support of more troops in the Iraq war. He plans to release the "Tech 100" -- high-tech executives who back his economic plans, a list the campaign says includes Cisco Systems Inc.'s John Chambers and Scott McNealy, chairman of Sun Microsystems Inc. On the campaign trail, Sen. McCain has lately been accompanied by Stanford University economist John Taylor, advising him, among other things, on oil prices and futures markets as the candidate calls for more offshore drilling. At other times, former chief executives Carly Fiorina of Hewlett-Packard Co., or Meg Whitman of eBay Inc., back up Sen. McCain on the stump.

"With the economy weakening and in the teeth of a recession, John will keep taxes low, create incentives to grow jobs and help small businesses," Ms. Whitman says.

The Obama campaign responds that Sen. McCain's tax plan "actually is more of the same failed Bush policies of cutting taxes for high-income people and big corporations," says Mr. Goolsbee. "Obama's economic plan is geared toward getting the economy going again and easing the struggle of ordinary Americans."

Faced with such diverse approaches to business in what looks to be a close election, some companies are responding to the courtship with executives backing both sides. At Merrill, Mr. Thain supports Sen. McCain, while President Gregory Fleming backs Sen. Obama.

Others are taking advantage of the courtship. At General Motors Corp., CEO Rick Wagoner, who isn't publicly backing a candidate, has pushed both campaigns to adopt positions that help domestic auto makers. "Both McCain and Obama are listening to us, probably because we have plants in key states, like Michigan and Ohio," says one GM executive.

To help rally support, Sen. Obama's campaign is relying on two 30-something economists. Mr. Goolsbee, 38 years old, a wunderkind known for using data to understand economic behavior, put off writing an economics textbook with "Freakonomics" author Steven Levitt to advise Sen. Obama. Sen. Obama also recently named as his chief economic adviser Mr. Furman, 37, a centrist economist who had worked for former President Bill Clinton and 2004 Democratic candidate John Kerry. (Mr. Goolsbee remains a professor and is an unpaid adviser.)

In garnering business support, the Obama campaign has encountered rough terrain. When Mr. Goolsbee recently spoke at the National Finance Committee, a handful of Democratic fund-raisers quizzed him so intently after his speech that he was backed up against the women's bathroom door. "Frequently, I have to debunk the misconceptions some people have," says Mr. Goolsbee. "They just need to hear the true policies."

A big prize is Google Inc. Chief Executive Eric Schmidt, who sits at the top of a much-envied business of the future. Both candidates have toured and spoken at the Web-search giant, but Sen. Obama's camp is getting an edge. Mr. Furman is in frequent email contact with Mr. Schmidt, who is pushing for the creation of more "green collar" jobs. Last week, Sen. Obama unveiled an energy plan that quoted Mr. Schmidt and proposed five million such jobs while lowering gas prices.

"Eric is coming out on the other side," says Ms. Whitman, who went to college with Mr. Schmidt and has been talking with him about the campaign. Since retiring from eBay, Ms. Whitman has worked nearly full time to help Sen. McCain, raising money from Silicon Valley peers and reviewing his stump speeches.

Mr. Schmidt says he has talked with both candidates, but hasn't endorsed either. He confirms "exchanging ideas" with the Obama campaign.

The Obama campaign is also enlisting heavy hitters. A few weeks ago, the Obama campaign, led by billionaire Penny Pritzker and J.P. Morgan Chase & Co. executive William Daley, invited a group of business executives to a meeting in New York, including some who had supported Sen. Hillary Clinton, such as former deputy Treasury Secretary Roger Altman and private-equity financier Steve Rattner. Soon after, Mr. Rattner was asked to co-head a new CEO group with another private-equity leader, Mark Gallogly, a longtime Obama supporter.

On a recent Sunday in July, as Treasury Secretary Henry Paulson crafted a rescue package to shore up confidence in government-sponsored mortgage investors Fannie Mae and Freddie Mac, Sen. Obama's young team scrambled to gather the latest information. Even as 80 people trooped through his home for an open house, Mr. Goolsbee shut himself in a room to check in with other economists. Mr. Furman, at a Chicago zoo with his wife and two young children, phoned former Treasury Secretary Lawrence Summers. The campaign released a statement just an hour after the Bush administration announced its proposed fix.

The McCain campaign's economic apparatus, run by Washington economist Douglas Holtz-Eakin, is less intense. During the crisis of confidence in Fannie and Freddie, Mr. Holtz-Eakin relied for his advice to the candidate on his past knowledge of the companies from his experience as head of the Congressional Budget Office.

Sen. McCain's new Tech 100 list was instigated by Michael Powell, the former Federal Communications Commission chairman, who said he had talked to dozens of high-tech managers who favor Sen. McCain. The McCain campaign has also put out a letter expressing support of its economic policies, signed by 300 economists.

Mr. Holtz-Eakin, in New York last week to appear on CNBC's "Squawk Box," also used the trip to meet with some business supporters, including Donald Marron, the ex-CEO of Paine Webber. "We had a great talk about what's really going on," the economist said.