



REUTERS/ LARRY DOWNING

WHY CAN'T WE BE FRIENDS?

As part of its post-election playbook, the Obama administration will attempt to reset increasingly tense relations with corporate America.

BY CAREN BOHAN
WASHINGTON, NOV 3

It seemed like the beginning of a beautiful friendship -- or at the very least a functional relationship.

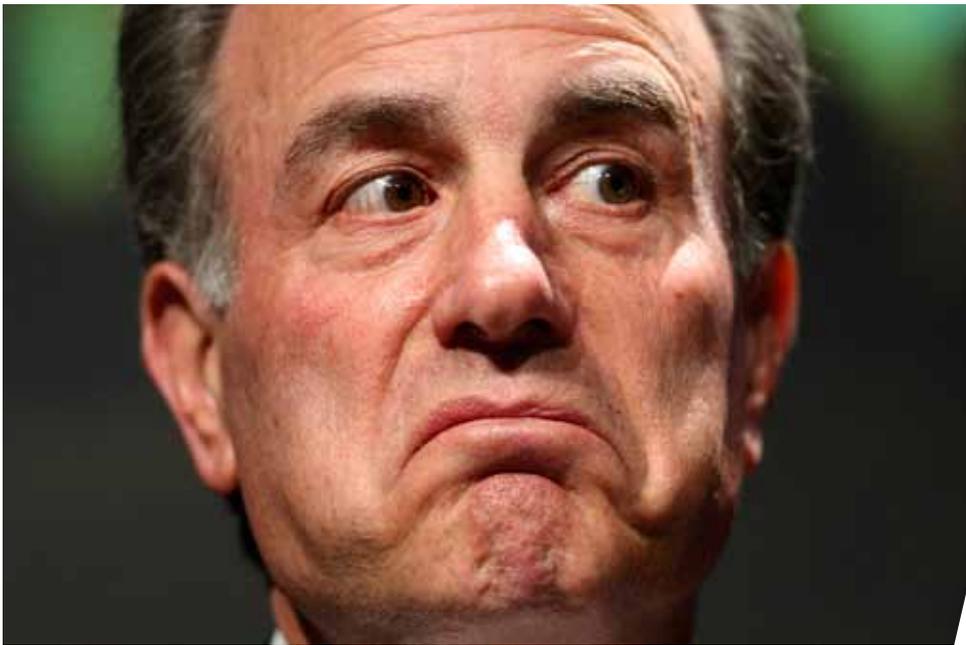
In March 2009, with the United States on the brink of recession and the stock market at 12-year lows, President Barack Obama met with the Business Roundtable,

an association of chief executives from top U.S. firms. The two sides said they would work together to rescue the economy and signaled openness to tackling long-term problems like tax reform and deficit reduction.

Obama hailed the "entrepreneurial spirit" of the CEOs and said his goal was "not to disparage wealth but to expand its reach; not to stifle the market," but to help spur

innovation.

Harold McGraw III, chief executive of the McGraw-Hill Companies and the Roundtable's chairman, was equally effusive. "There's a misperception, I think, in some people's minds that the relationship between business and the Obama administration is like, well, oil and vinegar," he said. "From our standpoint, that couldn't be farther from the truth."



HOSTILE ENVIRONMENT: Verizon Communications Inc Chief Executive Ivan Seidenberg speaks at the USC Annenberg School for Communication and Journalism in Los Angeles, California April 8, 2010. **REUTERS/ DAVID MCNEW**

Eighteen months later, oil and vinegar would be among the more polite ways to describe the state of the White House's relationship with the business community.

In a speech last summer, the Roundtable's chairman, Verizon chief executive Ivan Seidenberg, accused the administration and Democrats of creating a hostile environment for business. "By reaching into virtually every sector of economic life, government is injecting uncertainty into the marketplace and making it harder to raise capital and create new businesses," Seidenberg said.

Business groups contend this uncertainty has led firms to keep \$1.8 trillion in cash on the sidelines -- money they might otherwise use to invest and hire.

After taking what he called a "shellacking" in midterm elections, Obama acknowledged missteps in his dealings with the business community, and said he was ready to listen hard and take action.

"There's no doubt that ... when you had the financial crisis on Wall Street, the bonus controversies, the battle around healthcare, battle around financial reform, and then you had BP, you just had a successive set of issues in which I think business took the message that, well, 'Gosh, it seems like we may be always painted as the bad guy,'" Obama told a news conference on Wednesday.

He said he had specific plans to reach out to business. "There's been a lot of strong interaction behind the scenes. But I think setting the right tone publicly is going to

be important and could end up making a difference at the margins in terms of how businesses make investment decisions."

White House aides say several ideas are under consideration. One is to hold a "summit" on jobs and the economy in either late December or early January, led by Obama and including leaders of both parties as well as top business leaders.

In the meantime, the president will also make a highly visible gesture toward corporate America when he sets off on a 10-day trip to Asia this week. On his first stop in Mumbai, he will address a U.S.-India business summit that will include a delegation of more than 200 U.S. chief executives -- everyone from Boeing Co's Jim McNerney and Honeywell International Inc's David Cote to General Electric Co's Jeffrey Immelt.

His presence there could help the companies seal billions of dollars in deals. Part of the agenda is a meeting between Obama and the U.S. CEOs.

A big priority on the Asia trip will be ironing out remaining issues with Seoul on the U.S.-Korea free trade pact, something business has been clamoring for since the start of the administration.

There will be further outreach, though officials say much will depend on whether the newly strengthened Republicans are willing to work with the administration.

"The perception that the business community and the administration aren't

OBAMA'S STORMY RELATIONSHIP WITH BUSINESS

JAN. 29, 2009:

Obama calls huge Wall Street bonuses "shameful." (Comments made during an Oval Office meeting with Treasury Secretary Timothy Geithner and Vice President Joe Biden)

MARCH 12, 2009:

Obama hails "creativity and innovation" of entrepreneurs at Business Roundtable event, says government's role is "not to disparage wealth, but to expand its reach." (During an event at St. Regis Hotel in D.C.)



DEC. 13, 2009:

Obama skewers "fat cat" bankers in "60 Minutes" interview

MAY 2, 2010:

Obama administration vows to keep "boot on the neck of BP" over catastrophic Gulf Coast oil spill (Comments made by Interior Secretary Ken Salazar on CNN Sunday talk show)

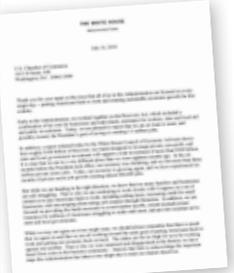


OCT. 10, 2010:

Obama lambasts Chamber of Commerce for its fundraising for Republican congressional candidates, accuses it of using foreign sources of money. (Comments made at a campaign rally in Philadelphia)

JULY 8-14, 2010:

In volley of letters with business groups, White House tells Business Roundtable it has an "open door" but scolds Chamber of Commerce for its rhetoric.





CAMPAIGN FEUD: President and CEO of the U.S. Chamber of Commerce Thomas J. Donohue speaks to the press at the U.S. Chamber of Commerce "Jobs for America Summit 2010" in Washington, July 14, 2010. **REUTERS/LARRY DOWNING**

getting along is not productive for either side or for the economy and we see real opportunity for common ground on a number of policies," said Austan Goolsbee, a longtime Obama aide who was recently promoted to become chairman of the White House Council of Economic Advisers.

Goolsbee said a big unknown is: "Is the Republican party going to remain in a stance of 'If the president is for it, we oppose it?'"

After Tuesday's election, Obama was faced with the prospect of legislative gridlock. Republicans pushed Democrats decisively from power in the House of Representatives and strengthened their ranks in the Senate as voters vented frustration over the economy.

Now that the election is over, one idea that could gain traction is a payroll tax holiday to give consumers and businesses some extra cash. Obama had considered proposing it before the election but rejected it because of its cost. There is some openness at the White House to it now but much would depend on whether it seemed likely to gain bipartisan support.

Obama aides say they were frustrated that the economic package the administration offered in September -- including tax breaks for companies and beefed-up infrastructure spending -- received little to no backing from Republicans in Congress.

They hope to enlist business support in reviving these ideas.

"IS THE REPUBLICAN PARTY GOING TO REMAIN IN A STANCE OF 'IF THE PRESIDENT IS FOR IT, WE OPPOSE IT?'"

But mending the frayed relationship may need to come first.

MAKING UP IS HARD TO DO

During the mid-term Congressional campaigns, an open feud broke out between the White House and the Chamber of Commerce as a result of the business lobby's voluble fund-raising to defeat Democratic candidates.

The president got in his shots, too. At a rally in Philadelphia, Obama suggested that foreign funds had made their way into the Chamber's campaign coffers -- an accusation that the business group and many in the media viewed as unfounded. Chamber of Commerce President Thomas Donohue fumed that the attack was an attempt to "demonize" the 100-year-old trade association.

Many chief executives, even those who have been supportive of the administration, saw the tussle with the Chamber as a broadside

VIDEO

REUTERSINSIDER

To see "Tea Party could stall trade pacts" click here:

<http://link.reuters.com/hes33q>

against business.

Then there was the rift with the National Federation of Independent Business, a major small-business lobby which has joined a lawsuit challenging the constitutionality of Obama's healthcare law.

NFIB member Ralph Beebe, president of Highland Engineering Inc. in Howell, Michigan, was part of a group of small-business owners who visited the White House a year ago where he grilled the president about the tax cut debate. He said he came away feeling that he had gotten the "brush-off" when he raised his concerns that taxes on businesses were too high.

Like many NFIB members, Beebe is up in arms over Obama's desire to see the tax cuts on upper-income Americans lapse. He argues that the hike will hit small business owners, many of whom are taxed under individual tax rates. The White House counters that the vast majority of small business owners would not see their taxes go up.

Susan Eckerly, a senior lobbyist at the NFIB,



AN ALLY: U.S. President Barack Obama (R) puts his hand on the shoulder of Boeing Chief Executive Officer (CEO) and President Jim McNerney following his remarks at the President's Export Council meeting in the East Room of the White House in Washington, September 16, 2010. **REUTERS/JASON REED**

describes the trade association's ties with the White House as "more of an acquaintance than a real relationship."

"Unlike in a true friendship, when you have a two-way conversation, we seem to have a one-way conversation where we tell them how they could help small business and they listen politely and then do something else," she said.

She acknowledges, though, that joining 20 state attorneys general in challenging the new healthcare laws hasn't really helped matters. "That probably has been a bit of a conversation stopper as well," Eckerly said.

Top White House aide Valerie Jarrett, the administration's main emissary to the business community, said the tone by some trade associations became "high-pitched" during the campaign. But she added: "We are confident that we can all come back to the table and be constructive."

She listed exports and education initiatives as areas where the administration and business can work together.

Allies of the administration take particular umbrage at accusations that Obama's

agenda is overly intrusive. At the height of the financial crisis, many prominent liberal economists urged an administration takeover of the big banks. Obama and Treasury Secretary Timothy Geithner rejected that step and managed to restore calm to the markets through far less interventionist methods.

Business has benefited "greatly" from the action the president took to stabilize the economy and financial system, Jarrett said. "If businesses didn't have access to capital, they wouldn't be able to expand and grow," she said. "The president's support for the financial institutions and the steps he took to steady them so they could lend again is critically



THEY HAVE THE PRESIDENT'S EAR: (Left) Anne Mulcahy, former Chairman and Chief Executive Officer of Xerox Corporation, **REUTERS/STRINGER** (Right) Valerie B. Jarrett, Senior Advisor and Assistant to the President for the Office of Public Engagement and Intergovernmental Affairs. **REUTERS/PHIL MCCARTEN**

important to the business community."

CEO OUTREACH

Obama, who has long criticized the influence of lobbyists in Washington, has tended to put more emphasis on outreach to individual executives rather than trade associations.

Billionaire investor Warren Buffett, Google chief executive Eric Schmidt, GE's Immelt and former Xerox CEO Anne Mulcahy -- whose name was dropped as a possible replacement for outgoing economic adviser Larry Summers -- are just a few of the business people whose counsel the White House has sought out.

Boeing's McNerney was named earlier this year to lead the President's Export Council and GE's Immelt serves on an outside advisory panel on the economy led by former Federal Reserve Chairman Paul Volcker.

"They have corporate CEOs in and out of the place with great frequency," said Bruce Josten, chief lobbyist for the Chamber of Commerce. "I have absolutely no doubt that they do that."

But, he added, "They are not having coffee klatches morning, noon or night with the business organizations in this town whose job responsibility is paid for voluntarily with dues money by the companies of America, small, medium and big."

The Obama administration maintains a much more cordial relationship with the Business Roundtable, which does not have a political fund-raising arm.

Jarrett, Goolsbee and Michael Froman, a top adviser on international economics, met with the Roundtable's executive committee a month ago. The discussion touched on trade, among other issues.

The meeting was part of a below-the-radar charm offensive the administration has undertaken over the last several months, even as it publicly sparred with the Chamber.

The administration has been "quietly reaching out and trying to rebuild some bridges," said one Wall Street money manager and Obama supporter. He said the outreach had included top aides as well as Obama himself.

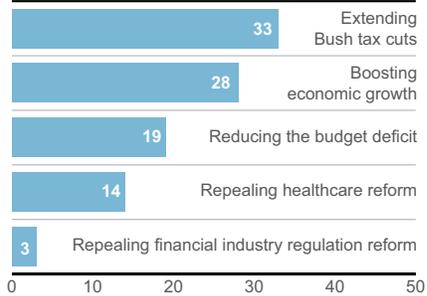
The effort has been led by Jarrett. Goolsbee and Froman, a former Citigroup executive who attended Harvard Law School with Obama, have also taken an active role.

Froman called perceptions that Obama is anti-business misplaced. "The president came in during the worst economic crisis in 70 years. He took a number of bold steps, whether it was the Recovery Act or the financial stability plan, which were absolutely critical to maintaining and restoring the health of the financial system and getting to a recovery as soon as possible, all of which I

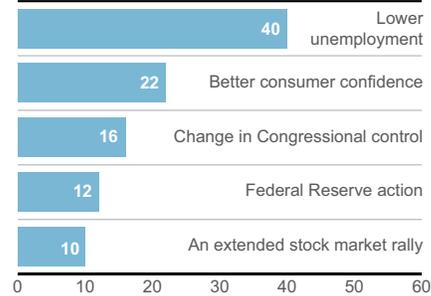
Reuters Wall Street poll

A poll of 53 financial analysts and money managers indicates that Wall Street wants Washington to focus on tax cuts, jobs and the deficit.

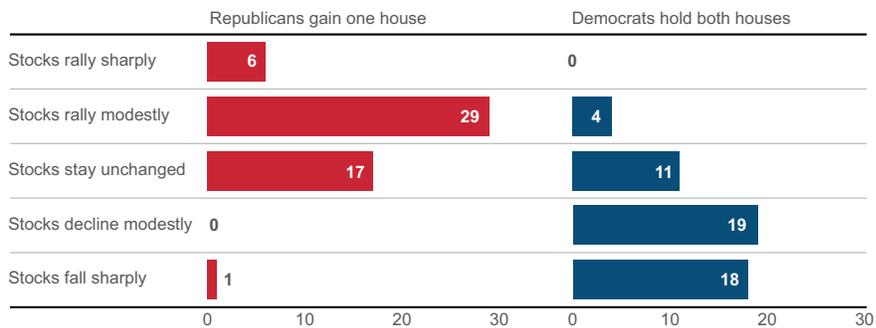
If the Republicans win the House, which two issues do you think they should give the biggest priority?



In order of importance, which two factors are key for improving the business climate in the U.S.?



What will be the effect on the U.S. stock market from the following outcomes in the November elections?



NOTE: Poll was released on October 12, 2010
Source: Reuters Poll



Reuters graphic/Stephen Culp



WATCHDOG: Consumer advocate Elizabeth Warren. REUTERS/KEVIN LAMARQUE

"THE COUNTRY IS ANGRY. THE COUNTRY IS FRUSTRATED AND THE COUNTRY IS TAKING SOME OF THAT OUT ON BUSINESS."

her tough rhetoric toward Wall Street. Her appointment was bitterly opposed by the financial industry.

Not long after she was named to lead the creation of the new consumer regulatory agency in September, Warren attended a dinner of the Financial Services Roundtable, which represents 150 of the biggest U.S. financial firms. And she has kept up a busy schedule of other meetings with financial industry players.

"I respect the fact that she's doing that," said Rob Nichols, president of the Financial Services Forum, who recently had lunch with Warren. The outreach is part of an effort to build relationships, not a signal that a lighter touch on regulatory policy is in the offing.

see as very much in the interests of business as well as the American people."

Also taking part in the effort to court private industry is an unlikely player -- newly named White House consumer adviser Elizabeth Warren, a Harvard Law professor known for

12/10/10



CROWD POLITICS: Protesters march down Broadway during the "Main Street to Wall Street" rally in New York's financial district, April 29, 2010. REUTERS/BRENDAN MCDERMID

The administration is considering tapping someone with a business background to fill the job of director of the National Economic Council that will be vacant at the end of this year when Larry Summers steps down.

Mulcahy has suggested the job would not be a good fit for her but the administration could look at other people who would bring business expertise. Some have mentioned Larry Summers' deputy Diana Farrell, who is formerly of Goldman Sachs.

Alternatively, the White House may recruit a businessperson for either a Cabinet role -- should an opening arise -- or another job within the administration.

EMPTY GESTURES?

It is unclear how far any of this would go toward winning over business.

"I think what the business community is interested in is results. We're not so interested in political gestures right now," said James Tisch, chief executive officer at Loews Corp.

Besides policy disagreements, the business community has been rankled by the administration's populist rhetoric. Obama has lashed out at the bonuses of "fat cat" bankers and criticized insurers during the healthcare debate for skyrocketing premiums. During the oil-spill saga in the

Gulf, the administration pledged to keep a "boot on the neck" of BP.

Financier Steve Rattner, the administration's former "car czar," said the rhetoric was a reflection of the frustration at the excesses of Wall Street that led to the financial crisis and anger at big business.

"The country is angry. The country is frustrated and the country is taking some of that out on business," he said. "I get that. That's the reality but it would be great if everybody could get to a better place."

Rattner, author of the book "Overhaul," an inside account of the White House, said he has been puzzled by some of the criticism of Obama by business. "When you get to substance I don't see very much of anything that the president or the administration has done that is anti-business or different from what the president said he would do when he was running for office -- when many business people supported him," he said.

The White House has been careful at times to moderate its rhetoric toward Wall Street and big businesses. For example, it resisted the temptation to make the foreclosure crisis an issue in the midterm elections. A call for a national moratorium on foreclosures could have helped fire up the Democratic base but the administration was concerned it might cause renewed turmoil in the housing market so it declined to back that measure.

William Galston, a scholar at the Brookings Institution think tank, said he expects that "within limits" the White House will try to reconcile with business. "There's every reason to try to broaden the base of the president's support. Even if people aren't with you, the



ANTI-WALL STREET: The "Main Street to Wall Street" rally in New York, April 29, 2010. REUTERS/MIKE SEGAR

intensity of their opposition can be either enhanced or diminished depending on how you conduct yourself," Galston said.

Shedding the anti-business label is seen by many analysts as crucial for Obama's efforts to position himself closer to the political center and win back independent voters ahead of the 2012 election.

Business groups also say tensions between the White House and private industry could weigh on the already fragile U.S. economy by hurting confidence. That in turn could thwart efforts to bring down the 9.6 percent unemployment rate. "There are enough economic headwinds out there that we don't

VIDEO

REUTERSINSIDER

To see "Taxes, healthcare repeal top agenda" click here:

<http://link.reuters.com/cyq63q>

need to add any others," said Nichols of the Financial Services Forum.

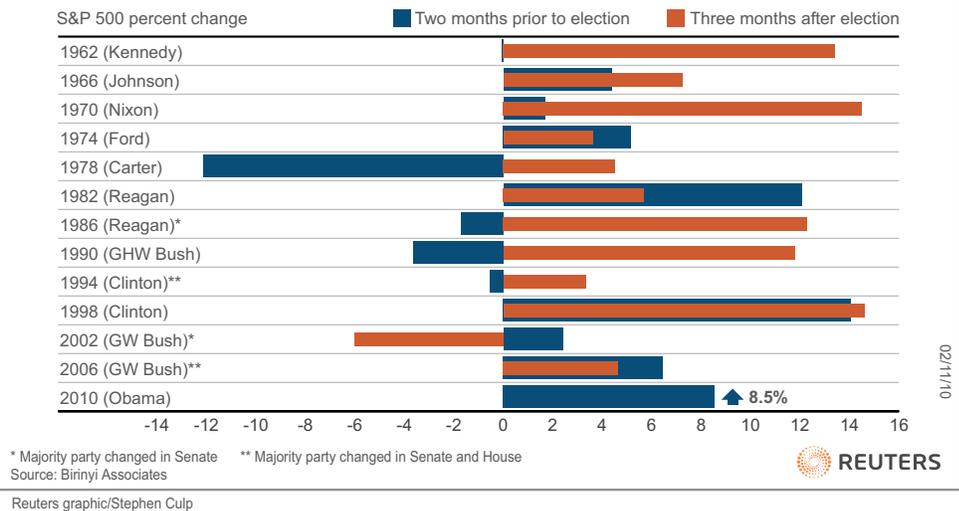
"My overall message and the one we're trying to convey is the government and the business community need to be partners, not adversaries," he said.

The Business Roundtable backs the idea of bringing together the administration, lawmakers and business for a meeting. "I think we are all very focused on job No. 1, which is the economy and what actions to make sure that the economy can get back on track," said Johanna Schneider, executive director of external relations at the Roundtable.

But she added that the outreach has to "go beyond the listening and the dialogue phase ... into policies that we can recommend and adopt. That's really the next phase of the relationship."

U.S. markets and mid-terms

The S&P 500 has increased an average of 2.8 percent in the two-month period prior to mid-term elections, and increases an average of 7.5 percent in the three months afterward.



02/11/10

(Additional reporting by Kristina Cooke in New York and Kim Dixon in Washington)

FACTBOX

U.S. ELECTION IMPACT ON COMPANIES

THE U.S. MIDTERM ELECTIONS have ushered in a divided government that is expected to bring legislative gridlock and limit the chances of enacting any broad new initiatives.

Renewed policy fights are assured as Republicans take control of the House of Representatives while President Barack Obama's Democrats retain a narrower majority in the Senate.

Here are some companies that stand to win or lose under the new legislative lineup:

ENERGY

Republicans could seek to force Congress to back away from efforts to further regulate the chemicals used by energy companies to extract gas from natural gas shale properties.

The industry was relieved earlier this year when a measure to beef up regulations fell apart, but worries about poisoning groundwater have kept the issue at the forefront.

Besides Exxon Mobil Corp, which joined the shale boom with its \$27 billion purchase of XTO Energy, companies such as Chesapeake Energy Corp, Southwestern Energy Co and Range Resources Corp could benefit from the Republican gains.

Attempts to regulate carbon emissions, such as the already moribund "cap and trade" proposals, are unlikely to get through the Republican House. That would effectively leave the question of emission rules in the hands of the Environmental Protection Agency.



BUILDING BRIDGES: Obama toured the Stromberg Metal Works in Maryland, Oct 29, 2010 **REUTERS/JIM YOUNG**

Utilities that rely on coal, such as Duke Energy Corp, American Electric Power Co Inc and Southern Co will almost certainly find these rules more expensive than the measures Congress had been considering, according to Duke CEO James Rogers.

HEALTHCARE

Health insurers' stocks are poised to rise on Republican gains, even though Republicans are unlikely to achieve the full repeal of healthcare reform that many of

them have called for.

Analysts have said shares of companies like UnitedHealth Group Inc, WellPoint Inc and Aetna Inc could rise 5 percent to 15 percent within a month or two after the elections, depending on the Republicans' success.

However, some investors could unload shares immediately after the election to take profits and capitalize on a recent rise in the stocks.

Pharmaceutical stocks such as Pfizer Inc and Merck & Co Inc may also rally. Democrats have been seen as hostile to the industry's fortunes, so the reduction of their strength could lead to improving investor sentiment.

FINANCIAL REGULATION

Congress passed legislation in July, over nearly unanimous Republican opposition, to overhaul the financial system and set new rules for Wall Street. At the time, credit rating agencies such as Moody's Corp, Standard & Poor's and Fitch Ratings were seen as subject to greater liability, while large financial firms like Bank of America and Goldman Sachs were to be prohibited from proprietary trading.

Any attempt by Republicans to roll back financial regulation would face a veto by

President Obama. At most they might be able to modify parts of the bill, but it is not clear at this stage what they would be able to pass.

FOR-PROFIT EDUCATION

The Republican gains could reduce congressional scrutiny of the for-profit education sector, including companies such as Apollo Group, DeVry and ITT Educational Services.

Obama's Education Department has accused the sector of failing to educate students and leaving them heavily in debt.

Republican opponents argue that defaults on student loans and high dropout rates are common at all schools, not just for-profits.

But the companies' could come under pressure if Republicans are able to use their new clout to cut education spending.

RETAIL

Wal-Mart Stores Inc, the world's largest retailer, could breathe easier as the Republican majority in the House will probably put the final nail in the coffin of "card check" legislation, which could have

made it easier for workers to join unions.

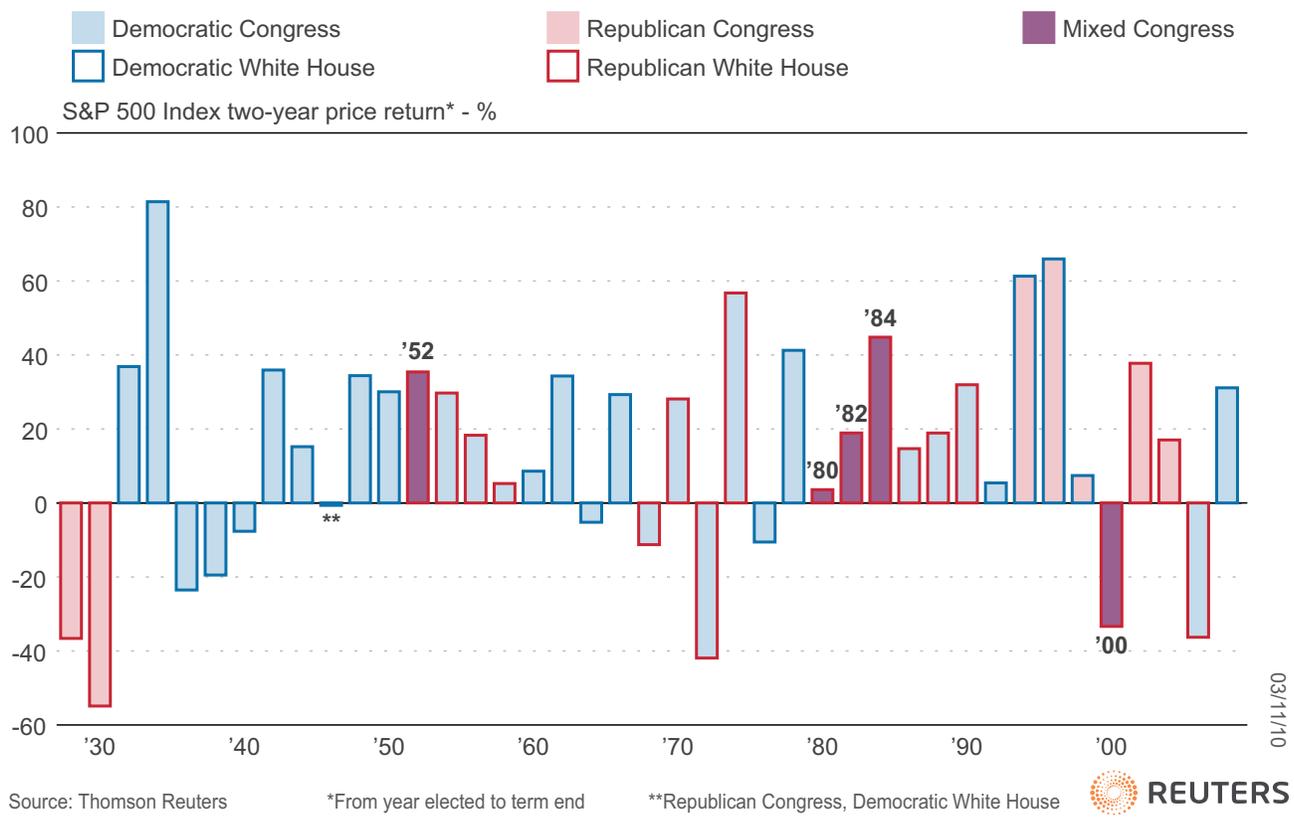
THE STOCK MARKET

The outcome of Tuesday's elections was considered to be priced into the markets ahead of the fact.

(Reporting by Matt Daily, Lewis Krauskopf, Susan Heavey, Rachelle Younglai, A.Ananthakshmi, Brad Dorfman and Ryan Vlastelica; Editing by Derek Caney and Tim Dobbyn)

Divided Congress and government, markets

Of the 41 Congresses going back to 1928, only five have featured divided chambers. The S&P 500 has risen over the course of four of those five divided Congresses, averaging 25.7 percent.



Reuters graphic/Van Tsui

COVER PHOTO: U.S. President Barack Obama attends a DNC Moving America Forward Rally at Cleveland State University in Ohio, October 31, 2010. REUTERS/LARRY DOWNING

FOR MORE INFORMATION CONTACT:

JIM IMPOCO,
 ENTERPRISE EDITOR, AMERICAS
 +1 646 223 8923
 jim.impoco@thomsonreuters.com

CLAUDIA PARSONS,
 DEPUTY ENTERPRISE EDITOR
 +1 646 223 6282
 claudia.parsons@thomsonreuters.com

CAREN BOHAN,
 WHITE HOUSE CORRESPONDENT
 +1 202 898 8300
 caren.bohan@thomsonreuters.com