

## **BUSINESS LEADERS SHOULD BE UNDER NO ILLUSION ABOUT TRUMP'S AGENDA TO OVERTHROW DEMOCRACY AND WHAT THAT MEANS FOR BUSINESS**

Much as business leaders may wish the choices facing voters in 2024 were different, the likely match-up will be between Joe Biden and Donald Trump, and the prospect that Trump could end up in the Oval Office presents a potential minefield for CEOs and companies alike. Business leaders may find the potential economic benefits of a Trump 2.0 administration to be appealing – lower taxes and less regulation – for both personal and corporate reasons, but as the recent [headline](#) from The Economist spelled out “Trump is winning. Business, beware” the landscape will be fraught, and the red lights should be flashing in corporate board rooms.

Admittedly, as in all things Trump, there is a risk in attempting to predict which policies an emboldened Trump would pursue given the fact that he has no fixed policy ideas of own, and is at best erratic and contradictory, and at worse dangerous. It may turn on whom he last spoke to, or he may, as he often has declared, think he is the smartest guy in the room and go with his own emotion-driven instincts. I have [outlined](#) what the Trump 2025 Revenge and Retribution Tour, with a whole new set of willing band members, could look like, including a litany of actions that fall foursquare under the heading of undermining democracy, but there are no assurances one way or the other. But therein lies another danger – business abhors uncertainty.

As recently catalogued by The Economist (“[Many CEOs fear a second Trump term would be worse than the first](#) - though they will only say so in private”), Trump could “shake up the economic framework on which American business has prospered for generations. The pillars of that plan of most immediate concern to corporate America are trade, immigration, the fiscal deficit and public debt, and clean energy.” I have added a few more to that litany that warrant consideration as well.

### **Reputational Risks**

Trump has always demanded loyalty, and Trump 2.0 would likely double down on those demands, fed by his constant need from affirmation. Now imagine that need for affirmation combined with his thirst for revenge and retribution. Also imagine then what that means for business leaders caught in Trump's sights, whether for photo ops, for being named to and participating in presidential advisory councils (recall Trump [disbanded](#) two advisory bodies as word spread that CEOs would step down over his Charlottesville remarks) or otherwise.

How will business leaders supporting Trump navigate the criticisms of stakeholders, including company employees, when they are associated with the twice-impeached, possibly convicted and maybe sentenced ex-president, found civilly liable and fined collectively by two separate juries \$88.3 million for sexual abuse (in common parlance outside the narrow definition of the New York penal law, to quote Judge Lewis Kaplan, raping) E. Jean Carroll? An ex-president found by at least one state Supreme Court (as well as by a number of leading constitutional law scholars, including conservatives) to have engaged in insurrection against the United States. An ex-president who attempted to prevent the peaceful transfer of power, who has engaged, and continues to engage, in a relentless campaign to convince Americans that he won the 2020

election by maintaining, against all evidence, that the election was stolen, and who has threatened to prosecute his political opponents and those who stood in his way.

This bill of particulars does not take into account what might happen on or after Inauguration Day, or any of the actions he may take between now and Election Day to propel himself to victory.

So, how then will business leaders be able to remain off Trump's radar screen and out of the line of fire? And, even if they succeed in staying out of the line of fire, how long will that last when they are confronted with inquiries from employees, the media or others as to where they stand. A "no comment" or "I act for the good of our shareholders" in the face of continued assaults on democracy are unlikely to suffice. The fallout in August 2017 from the Charlottesville remarks should stand as a cautionary tale as to what a Trump 2.0 landscape would look like for business leaders – to quote one such leader [cited](#) by the New York Times at the time, "There is continuing pressure on CEOs from customers, employees, shareholders and board members to take a position against what's going on and separate themselves from President Trump's councils. These executives cannot live with customers thinking they are in cahoots with someone who supports white supremacists or neo-Nazis."

### **Economic and Trade Policies**

Earlier this month, in an interview, Trump [said](#) he expected a recession this year and hoped it would happen before the election. As The Hill [noted](#), "this is an unprecedented strategy for a presidential candidate considering the implications of a bad economy on voters." But Trump does not care about consequences other than to himself.

The Economist [argues](#) that Trump's deficit-funded tax cuts for the rich and higher tariffs are unlikely to work as they did the last time around. In their words, "strong overall growth and low inflation masked the damage done by Mr. Trump's protectionism." Today, the United States faces a much tighter market, even as inflation comes down. With both higher forecasted deficits and debt levels relative to GDP, tax cuts would compel the Fed to raise interest rates further to offset the necessary stimulus. Rather than growth, we would have more inflation. This would increase the cost of corporate borrowing and the cost of servicing government debt. This by no means would sit well with CEOs, in view of the recent Conference Board [Policy Backgrounder](#) finding that US CEOs ranked the US national debt and deficits as the top geopolitical risks for 2024.

Then there is trade. As Graham Allison noted in his recent article in Foreign Affairs ("[Trump Is Already Reshaping Geopolitics](#)"), Trump

"is promising to impose a ten percent universal tariff on imports from all countries and to match countries that levy higher tariffs on American goods, promising "an eye for an eye, a tariff for a tariff." The cooperation pact with Asia-Pacific countries negotiated by the Biden administration – the Indo-Pacific Economic Framework for Prosperity – will, Trump says, be 'dead on day one.' For [Robert] Lighthizer [Trump's former USTR], China is the "lethal adversary" that will be the central target of protectionist U.S. trade measures. Beginning with the revocation of the "permanent normal trading relations" status China was granted in 2000 ahead of joining the World Trade Organization, Trump's goal will be

to ‘eliminate dependence on China in all critical areas,’ including electronics, steel, and pharmaceuticals.”

Would he also make good on a [threat](#) he reportedly raised regularly with aides to withdraw from the World Trade Organization, one of the many international organizations whose creation was championed by the United States.

And finally there is immigration. As FT columnist Rana Foroohar noted in her December analysis (“[US CEOs start to contemplate Trump, round 2](#)”), immigration consistently over the years has contributed to growth in America and, in recent years, has helped mitigate inflation. We all know what Trump thinks about immigration, even if “Building the Wall” [started out](#) as a mnemonic prompt dreamed up by two political consultants for Trump to talk about illegal immigration. And resurrecting travel bans, particularly if twinned with xenophobic comments targeting non-Americans is unlikely to bode well for tourism or business travel to the United States.

### **Climate Change**

Recall that Trump withdrew from the Paris climate agreement and domestically, according to a Washington Post [analysis](#), as his term was winding up Trump had “weakened or wiped out more than 125 rules and policies aimed at protecting the nation’s air, water and land, with 40 more rollbacks underway.” (An [analysis](#) by The New York Times found 112 environmental rules that were rolled back by the Trump administration.) So, we can likely count on derailment of government efforts to facilitate (in fact, accelerate) the transition to a sustainable economy, which has significant support in the business community.

Trump has campaigned on reversing the \$370 billion in tax credits and subsidies under the Inflation Reduction Act, notwithstanding that significant renewable energy investments under the legislation have flowed to red states. That reversal would likely require congressional acquiescence. Even if that is not possible, as Sarah Kessler and Vivienne Walt noted in their January 27 DealBook [newsletter](#), federal agencies under White House direction could still wreak havoc on the climate agenda without congressional action. Trump would likely withdraw once again from the Paris climate agreement. The broader assault on mitigation and adaptation efforts to fight climate change could severely exacerbate global warming.

Trump’s SEC almost certainly would reverse any mandated climate-related disclosure, creating a patchwork of disclosure among public companies, ranging from those that are subject to mandatory sustainability disclosure requirements under the extra-territorial provisions of EU legislation, or whose institutional investors demand such disclosure, to those who view such disclosure as a distraction or unnecessary. So much for achieving consistent, comparable, comprehensive and decision-useful climate-related disclosure to inform capital allocation.

On a more positive note, [America Is All In](#), a coalition of mayors, governors and other actors, has been championing a whole-of-society response to the climate crisis, and its efforts will undoubtedly continue. But what this means for businesses that have embraced, or intend to embrace, strategic and other efforts on a trajectory to net-zero when confronted with hostility to sustainability that flows from the White House remains to be seen.

## Foreign Policy

While Trump has been clearer when it comes to his domestic agenda (*see* my [briefing note](#) from December 2023), we can only guess, based on actions taken as well as actions reportedly avoided thanks to interventions by the adults in the room during his first administration and the likely lack of national security guardrails in a second administration, what his foreign policy might look like. The Middle East, Russia-Ukraine, China-Taiwan, North Korea and Iran will all likely dominate the foreign policy agenda of any administration in 2025, starting on Inauguration Day. Trump will likely throw NATO in as well, and no doubt, Putin will not be the only foreign leader for whom a Trump victory would be hugely beneficial – for Putin, though, it would be existential.

## The Rule of Law

As I outlined in my [briefing note](#) from January 2023, the business community has a fundamental interest in continuing to operate in a functioning democracy. This is axiomatic and should be beyond debate. I noted in particular:

- The rule of law is the necessary predicate for the protection of property rights, enforcement of contractual arrangements and the minimization of corruption and bribery. Without robust respect for the rule of law, a functioning court system and nonpartisan enforcement of the law, businesses would be hard pressed to feel confident in making long-term investments.
- Free markets depend on government accountability, and it is the institutions and mechanisms of democracy that are able to hold governments accountable.

## Lessons of History

Edward Luce pointed out in his recent FT column “[Wall Street's Bargain With Trump](#),” citing the example of early support for the era of order and progress ushered in by Benito Mussolini, that “[t]he 1930s should have buried the idea that business is a bulwark against autocracy.” Luce could have added the example from Adolf Hitler’s rise to power in Germany as well. Luce goes on to say that business leaders risk drawing the wrong lessons from the fact that the nation survived Trump’s first administration despite the warnings that he posed a threat to democracy – his “bark is worse than his bite,” or so goes the justification. However, he writes, this reasoning “suffers from a fatal flaw: America’s system remains intact because Trump was blocked from overturning it.” Trump has learned the lessons from the countless efforts throughout government (the “deep state”) to save the country from his worst impulses; this time, the guardrails will be gone.

Yes, from a business perspective, there are legitimate concerns with what a second Biden administration would mean for business, just as there are concerns generally with any Democratic administration. But with democracy hanging in the balance, these concerns should be viewed in perspective.

As always, there will be winners and losers, but in a second Trump administration, there likely will be different winners and losers, and winning may come at a price too great to justify. The not-so-distant memories of DeSantis’ war on Disney, Trump’s lashing out against Boeing,

General Motors and Goodyear, Trump's reported opposition to the AT&T-Time Warner deal and, most recently, Trump's warning to donors to the Haley campaign are reminders of the dangers posed when the instruments of power can be weaponized to carry out political vendettas. Taking Trump at his word, the first demonstration of that risk could be the declaration of martial law on Inauguration Day, or a series of arrests of political opponents, or the pardon of the January 6<sup>th</sup> insurrectionists – or all three. At this point, it will be too late for business to speak out, and business will be powerless to stop the dismantling of democracy.

### **Concluding Thoughts**

Recent media reports on where business leaders stand seem to fall into two categories. Some report that discussions with business leaders suggest that there are significant concerns about a second Trump term, but there also is a corresponding general disinclination to voice those concerns for fear of appearing partisan or for fear of incurring the wrath of Trump. A second group reports that business leaders believe that concerns about Trump are overblown – the nation survived the first Trump term and will do so again, should he win.

At the very least, standing firmly behind democracy should not be seen as a partisan statement. It is unfortunate that so few Republican leaders have distanced themselves from Trump's incendiary rhetoric, but that does not mean that respected voices (recall the stature of business leaders as highlighted, for example, by the [2023 Edelman Trust Barometer](#)) should remain silent. Similarly, any comparisons between a Biden second term and a Trump second term as if the 2024 election represents a normal electoral contest between two candidates with (widely or moderately) different policy positions, while glossing over the catalogue of threats to democracy that Trump poses as if they are inconsequential, is equally damaging. Similarly, projecting the impact of a Trump presidency based on customary measures, such as the impact on trade, on deficits, on the markets, on economic well-being is a mistake. Little of this will matter if Trump makes good on his threats of revenge and retribution. Little of this will matter if the rule of law is shredded.

With the looming threat of political violence as well as an administration bent on weaponizing the instruments of power for political retribution should Trump win, corporate boards should be asking management, from a risk oversight perspective, how they view the potential impact of the risk landscape on company strategy and prospects. Similarly, boards should be asking about the potential positive impacts, as well as the potential negative impacts, of corporate activity in relation to democracy. (I have addressed these in prior briefing notes, including my [briefing note](#) of January 2023 in which I set out a scorecard to measure corporate contributions to advancing democracy.)

And respected members of the business community should be asking themselves, just as we all should be asking ourselves, how will we feel the day after Election Day – did we do enough? Just as ensuring the survival of democracy should not be a partisan issue, neither should it be one that the business community distances itself from on the basis that it conflicts with the pursuit of

shareholder value, it is too sensitive or it is a partisan issue – history has shown that the erosion of democracy ultimately erodes business.

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*This briefing note is part of a series (see below) focused on the implications of a second Trump term or, in some cases, the implications of his second run at the presidency. The concerns raised are hypothetical only in the sense that, at least in the case of the first set of considerations, they manifest themselves only if Trump succeeds Joe Biden as president beginning January 20, 2025. And that risk is itself not hypothetical.*

[Normalization of political violence](#) (Jan. 2024)

[Weaponization of the military and the threat of martial law](#) (Jan. 2024)

[What do we mean when we say democracy is under threat](#) (Dec. 2023)

[The clash between the rule of law and political campaigning](#) (Dec. 2023)

[The warnings we are at risk of failing to hear, and heed](#) (Nov. 2023)

[The disqualification cases](#) (Nov. 2023)

[Global political risk - erosion of US democracy](#) (Jul. 2023)