



MARCH 2, 2017
CHICAGO CHAPTER EVENT SUMMARY
NAVIGATING CHANGE: THE TRUMP ADMINISTRATION IMPACT
ON CORPORATE BOARDROOMS

Moderator: Steve Kaplan – Professor of Entrepreneurship & Finance, U of C Booth School; Visiting Professor Chair, U of C Law School; Director, Morningstar

Panelists: Austan Goolsbee – Professor of Economics, U of C Booth School; Economic Advisor, Federal Reserve Bank of NY; Former Chair, President Obama’s Council of Economic Advisors

Bill Osborn – Retired Chairman & CEO, Northern Trust Bank; Director, Abbot Labs, General Dynamics, Caterpillar Inc.

Kaplan used the first part of the morning’s program to elicit guidance from his panelists on the best ways for board members to govern given the expected regulatory, governance and legal climate under a Trump administration. Specific discussions included the panelists’ views on the possibility of a border adjustment tax, increased tariffs, and all-out trade wars, and the impact these events might have on different types of US corporations and industries. The second half of the program included questions from those in attendance.

The panelists spent some time discussing in particular the potential effect of tighter immigration policies. Osborn noted that more than 20% of Northwestern students come from outside the United States. He is concerned that we will lose access to the very talent we are training in this country, and he remains hopeful that Trump administration officials will recognize that they must help US companies protect their global employee base. Goolsbee discussed the impact that a move to an immigration system based on points (versus the current family system) might have on companies, noting that like all developed nations, the native-born population in the United States is shrinking. Both panelists bemoaned the emergence of economic nationalism in Trump’s early days in office. Goolsbee believes that most Americans benefit from and are in favor of free trade, and Osborn is particularly concerned about retaliation from China.

On the issue of changing financial regulations, Goolsbee believes Sarbanes-Oxley to be more onerous for financial companies than Dodd-Frank, but says the latter is on Trump’s radar because it was passed during the Obama administration. Osborn feels Dodd-Frank is overly burdensome for boards; he doesn’t mind the governance issues but is concerned that regulators have gone too far in pushing issues up to the director level, losing track of the board’s real role in corporate governance and control.

In general, Osborn reminded directors that corporations have a longer life cycle than political administrations. The United States remains a strong haven for investments, and Osborn believes that the world continues to hold US multinationals in high esteem, although is concerned that a lack of US interest in events outside our country could change that perception. On the issue of Trump’s propensity to use social media to target specific companies, Osborn urged directors to be “ready for the tweet.” Fight back with the truth, using outside sources for corroboration if necessary, and don’t overreact.

Goolsbee discussed the “angel” (i.e. lower corporate taxes) and the “devil” (i.e. trade wars) Trump, acknowledging that the President’s propensity to move back and forth between pro-business and anti-business policies and pronouncements can pose challenges for boards. Goolsbee also commented on Trump’s use of tweets and other forms of social media to attack specific businesses and industries. Speaking from a very specific public relations point of view, Goolsbee encouraged board members to remember that the half-life of a media story is very short; appear grateful to administration officials for “bringing this up,” and use previously created message statements to respond when necessary. In response to a question from a not-for-profit director about whether the Trump administration might eliminate tax deductibility for charitable donations, Goolsbee indicated he saw no national consensus building for such a change; while lower tax rates might affect the economics of tax deductibility for donations, he does not believe deductions will be eliminated.