Business And Society

Fixing U.S. Politics

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Robert James

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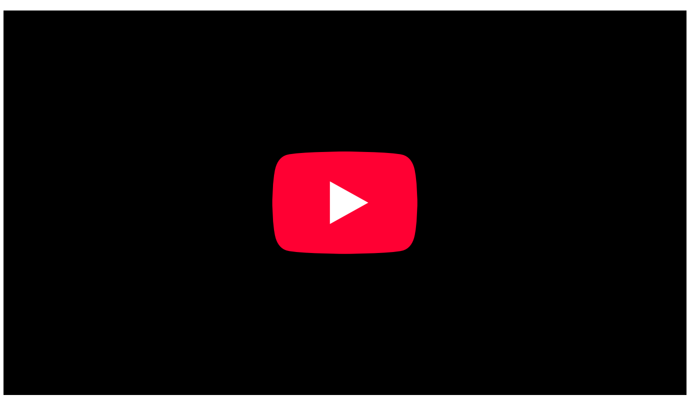
Amid the unprecedented partisanship and gridlock in Washington, DC, Congress appears locked in a permanent battle, incapable of delivering results. It seems to many Americans—and to the rest of the world—that our political system is so irrational and dysfunctional that it's beyond repair.

True, Republicans and Democrats recently passed major legislation aimed at stabilizing an economy ravaged by the effects of the Covid-19 pandemic. But this should not be mistaken for an encouraging sign about the political system itself. In fact, it reflects a familiar pattern: A semblance of bipartisanship emerges in a national crisis, when the two parties fear mutual-assured electoral destruction if they don't get something done. They agree on an emergency response and publicly tout their success even as they quietly agree to pass the cost on to future generations. When today's crisis subsides, Congress will return to business-as-usual political brinksmanship that fails to solve our many other current challenges and prevent future crises.

It doesn't have to be this way.



Powerful solutions—ones you may not be familiar with—exist and can be implemented within years, not decades. In our new book, *The Politics Industry: How Political Innovation Can Break*

Partisan Gridlock and Save Our Democracy, we discard the conventional understanding of U.S. politics. The problem is not specifically a politician problem, a policy problem, or a polarization problem: It is a systems problem. Far from being "broken," our political system is doing precisely what it's designed to do. It wasn't built to deliver results in the public interest or to foster policy innovation, nor does it demand accountability for failure to do so. Instead, most of the rules that shape day-to-day behavior and outcomes have been perversely optimized—or even expressly created—by and for the benefit of the entrenched duopoly at the center of our political system: the Democrats and the Republicans (and the actors surrounding them), what collectively we call the political-industrial complex.

Drawing on Katherine's groundbreaking development of *politics industry theory* and decades of business leadership, and Michael's seminal scholarship on competition, we've reached five key conclusions about the nature of U.S. politics and remedies for its dysfunctions:

- Although people tend to think of the American political system as a public institution based on high-minded principles and impartial structures and practices derived from the Constitution, it's not. Politics behaves according to the same kinds of incentives and forces that shape competition in any private industry.
- The dysfunctions of the politics industry are perpetuated by

  unhealthy competition and barriers to entry that secure the unhealthy competition and barriers to entry that secure the duopoly’s position regardless of results.

- Our political system will not correct itself. There are no countervailing forces or independent and empowered regulators to restore healthy competition.
- Certain strategic changes to the rules of the game in elections and legislating would alter incentives in ways that create healthy competition, innovation, and accountability.
- Business, in pursuing its short-term interests, has become a major participant in the political-industrial complex, exacerbating its dysfunction. The business community must reexamine its engagement model and throw its weight behind structural political innovation that would benefit both business and society in the long term.

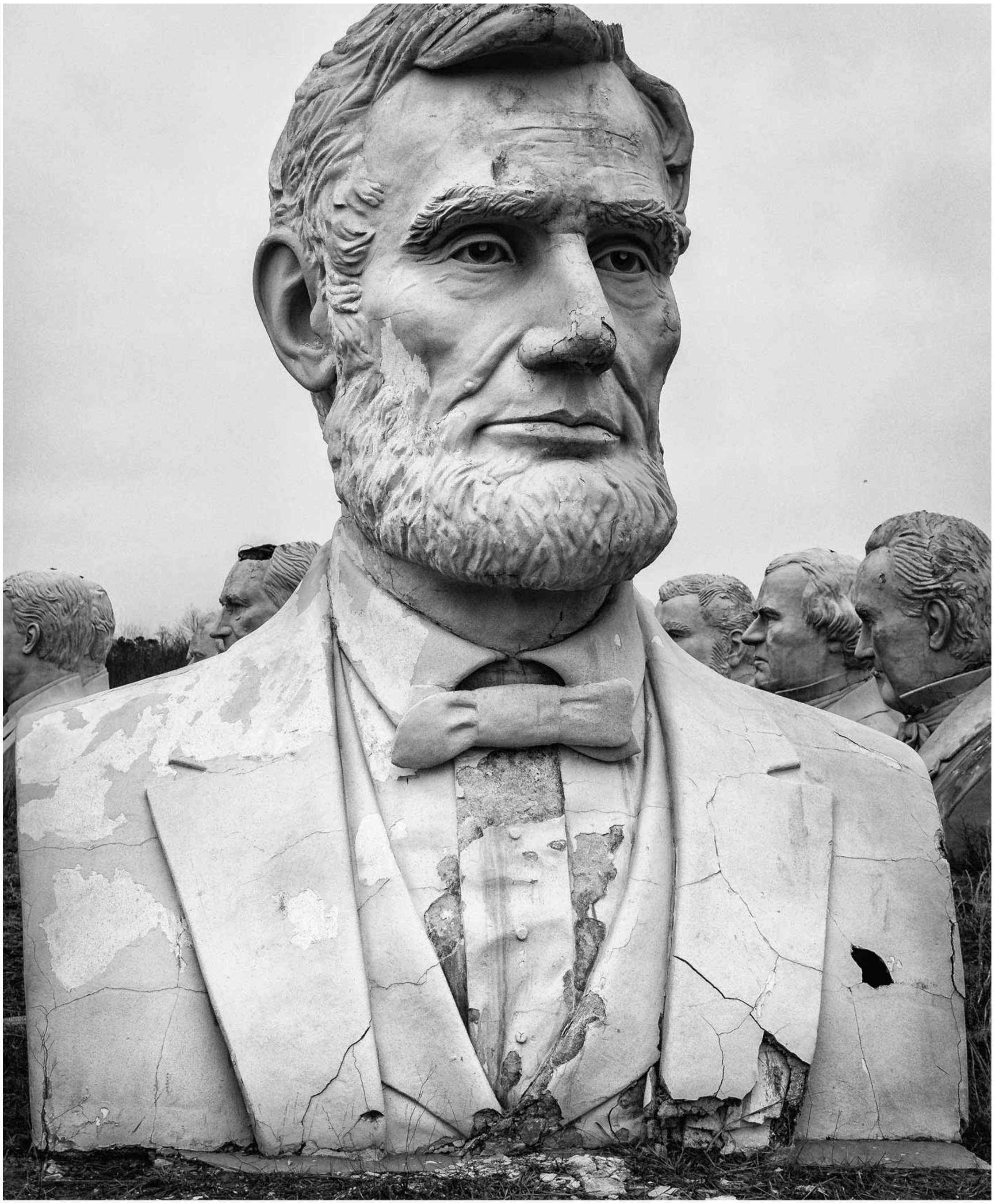
Unhealthy Competition

To examine how the current system works, we applied the Five Forces framework originally developed to explain industry structure and its effects on competition in for-profit industries. This framework illuminates the root causes of political dysfunction and points to the most powerful levers for transformation.

The politics industry is driven by the same five forces that shape competition in any industry: the nature and intensity of rivalry, the power of buyers, the power of suppliers, the threat of new entrants, and the pressure from substitutes that compete in new ways. The dynamic relationships among these forces determine the nature of industry competition, the value created by the industry, and who has the power to capture that value.

Healthy competition in an industry is a win-win. Rivals compete fiercely to better serve customer needs. Channels for reaching customers reinforce healthy competition by educating customers and pressuring rivals to produce better products and services. Suppliers compete to provide better inputs that allow rivals to improve their products and services. New entrants and substitutes promote innovation and shake up existing competition, as long as they are not held back by high barriers to entry. Customers have the power to penalize rivals for poor products and services by taking their business elsewhere. In healthy industries, the rivals do well as long as customers are satisfied.

We don’t have this sort of healthy competition in the politics industry—quite the opposite. Competition takes place on two key levels: competition to win elections and competition to pass (or block) legislation. Our elections and our legislating are drowning in unhealthy win-lose competition: The duopoly wins and the public interest loses. This tragic outcome results from the structure of the politics industry.



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Applying the Five Forces to politics reveals the key problems. The rivals (the Democrats and the Republicans) have entrenched their duopoly so that they do well even if the customers they should serve (citizens and voters) are profoundly dissatisfied. The rivals

differentiate themselves by dividing up voters according to ideological and partisan interests. They target mutually exclusive groups of partisans and special interests in order to minimize overlap of core customers. This division enhances customer loyalty and reduces accountability. Each competes to reinforce the division by demonizing the other side instead of delivering practical solutions that would most likely require compromise.

Channels (media coverage, advertising, direct voter engagement) and suppliers (candidates, lobbyists, voter-data shops) have been compromised and co-opted to serve the duopoly’s agenda. And most customers have very limited influence—in large part because substitutes and new entrants have been effectively blocked.

The barriers to entry facing new competitors (such as a new political party) or substitutes (such as independents) are colossal, and the duopoly cooperates to strengthen those barriers whenever possible. For example, to keep new entrants at bay, the duopoly created fundraising rules that allow a single donor to contribute $855,000 annually to a national political party (Democrats, Republicans, or both) but only $5,600 per election cycle—every two years—to an independent candidate committee.

No major new political party has emerged since 1854, when antislavery Whigs split off and formed the Republican Party. The Progressive Party (1912) and the Reform Party (1995) were both serious efforts, but they managed to elect only a few candidates and were disbanded within a decade. Despite widespread and

growing dissatisfaction with the existing parties, contemporary third parties continue to fare poorly, as do independents, even though more citizens identify as independent than as either Democrat or Republican.

The Machinery of Politics

In the politics industry, the greatest barriers to entry—and thus to good political results—are structures and practices that seem perfectly normal to us because “they’ve always been that way.” These include party primaries, plurality voting, and a partisan-controlled legislative process.

We use the terms “elections machinery” and “legislative machinery” to refer to specific norms, structures, and practices of the elections and legislative processes. Together, they deliver poor outcomes for citizens as reliably as well-oiled machines in a factory. To produce results that are in the public interest and to ensure accountability for those results, we need to redesign both the elections and the legislative machinery.

Elections machinery.

The two features of the elections machinery that are most to blame for today’s unhealthy competition are party primaries and plurality voting.

For more than 80% of U.S. House seats, the party primary is the only election that matters, because in the general election the seat is “safe” for one party regardless of who the candidate might be.

(For example, a Democrat is almost sure to win in most “blue ”

Massachusetts districts, and a Republican in most "red" Indiana districts.) Because the small proportion of voters who participate in congressional primaries (often well under 20% in midterms) tend to be more ideological than voters overall, the primary effectively forces candidates on both sides further from the center.

It is not, however, an ideological divide per se that creates the greatest problem for the country. It's how a party primary affects legislative behavior.

When members of Congress consider a bipartisan, compromise bill representing an effective solution to a major problem—unaffordable health care, a ballooning national debt, climate change—their top concern must be whether they will survive their next party primary if they vote yes. If they think that supporting the compromise bill will doom their chances—and on our biggest issues, on both sides, it almost always will—then the rational incentive to get reelected dictates that they vote no. This makes it virtually impossible for the two sides to come together to solve challenging problems. Party primaries create an "eye of the needle" through which no problem-solving politician can pass. Therefore, our political processes fail to deliver results that benefit the public interest. There's no accountability for this failure because there's no threat of new competition.

We have plurality voting to thank for the lack of new competitors. When the Founding Fathers designed our system, they had few examples of democratic elections to look to, so they borrowed the concept from Britain: The winner is the person who gets the most votes, but not necessarily a majority. For example, a candidate can win with 34% in a three-way race—meaning that 66% of the voters preferred someone else.

Almost 250 years later, it is clear that plurality voting is far from optimal. It creates the anticompetitive “spoiler effect,” in which a candidate unlikely to win pulls enough votes away from an ideologically similar candidate considered more likely to win. Votes for the long-shot candidate “spoil” the race for the stronger candidate—and thereby inadvertently contribute to the election of an ideological opponent. In any other large, attractive industry with this much customer dissatisfaction, new competitors would enter the market. That doesn’t happen in politics because the threat of the spoiler effect (and the related fear of “wasted votes”) suppresses both new competition and innovative policy ideas.

The Five Forces in the Politics Industry

U.S. politics functions not as a public institution but as a private industry, behaving according to the same kinds of incentives and forces that shape competition in any other industry.

Recall the vicious outcry from Democrats in the spring of 2019 when Starbucks's former CEO Howard Schultz announced he was considering an independent run for president. Democrats effectively squashed his bid, worried that he could pull enough votes away from the eventual Democratic nominee to hand the 2020 election to Donald Trump. Republicans would have responded the same way to any challenger they thought might siphon significant votes from Trump.

It doesn't matter whether you think Howard Schultz or any other potential challenger would make a great president or not. There's something inherently unhealthy about a system in which having more talented, successful people competing is seen as problematic.

Legislative machinery.

In the politics industry competition exists not only to win elections but also to craft and pass (or block) legislation. Should a candidate make it through a party primary, win at least a plurality in the general election, and head to Washington, a partisan legislative process awaits. Congressional lawmaking takes place under a powerful set of party-created rules that prioritize the interests of the political-industrial complex. Committee chairs and membership are controlled by party leaders, and the House speaker, who controls the legislative agenda, has the power to single-handedly block a vote on almost any bill for any reason—even those supported by a majority of the House.

The end product of this partisan legislative assembly line is ideological, unbalanced, and unsustainable laws passed by one party over the opposition of the other. Change in party control of Congress brings promises to "repeal and replace" rather than "implement and improve." More often, the result is gridlock and inaction. The alarming implication is that rather than reaching across the aisle to fix problems, it's often more politically valuable to leave divisive national problems unsolved—and continue to turn out the base on those ideological divides. This was not always the case.

Landmark legislation, such as civil rights and welfare reform, historically had bipartisan support; in recent years the few successful attempts at passing major legislation, such as the 2010 Affordable Care Act and the 2017 Tax Cuts and Jobs Act, have had none. Today, bipartisan action occurs only in a crisis when both sides can get something they want and tacitly agree to add the bill to the national debt.

With its stranglehold on the elections and legislative machinery, the politics industry takes the position that less competition is better for citizens (the customers). As a result of these corruptions of electoral and lawmaking rules, there is virtually no intersection between an elected official's acting in the public interest and a high likelihood of getting reelected.

How Competition Affects Results

In the current system, if our congresspeople do their jobs by acting in the public interest, they're likely to lose those jobs. Reengineering elections with final-five voting would incentivize elected officials to serve the public interest and hold them accountable for doing so.

Business leaders can recognize that this is irrational and indefensible even as they turn a blind eye to the role their own companies play, not only in passively perpetuating an unhealthy system but also in actively seeking to benefit from it. This must change. Our collective mindset must shift, and business must take a deep look at its role in politics today.

The Role of Business

The tentacles of the political-industrial complex reach deep into our business community, and vice versa. The intermingling of business and political interests over time can make it hard to distinguish whose interest is being served.

Current rules and customs empower corporations to participate heavily in politics in multiple ways, from lobbying and hiring former government officials to spending aimed at influencing elections and ballot initiatives. Many executives believe that these practices are natural, necessary, and profitable. However, our research and interactions with business leaders across the country reveal indications of a shift in attitudes. As expectations grow for companies to operate with a corporate purpose that benefits all stakeholders, business leaders are beginning to grapple with hard questions:

- Does business's involvement in politics improve the business environment or worsen it?
- Does business's involvement advance our democracy—and garner public support for our free-market economic system—or erode them both?

- Can business shift its involvement to promote long-term societal benefit without jeopardizing corporate interests?

Political involvement can benefit companies in the short term; this is often described as single-bottom-line thinking. But by enabling unhealthy political competition, companies are undermining the business environment over the long term, putting America's free-market economic system at risk.

What does business engagement in politics look like today? What is its impact, and how does it align with company interests and values? Let's examine the most common forms.

Lobbying.

At nearly $3 billion, spending by businesses accounted for 87% of total disclosed federal lobbying expenditures in 2019. Adding unreported "shadow lobbying" activities doubles that amount to $6 billion. Lobbying expenditures at the state level are also significant.

Companies are often richly rewarded for their spending. Consider the pharmaceutical industry's efforts during the opioid crisis. From the late 1990s to 2017, citizen groups spent a total of $4 million lobbying for tighter restrictions on the sale of addictive painkillers. Drugmakers, meanwhile, mounted a 50-state lobbying and elections strategy, spending more than $740 million to kill or weaken federal and state opioid regulations. As is often the case, much of this funding was channeled through industry associations and other third parties not subject to public reporting rules. Unfortunately, pharma's efforts succeeded. Corporate revenues soared, while more than 200,000 Americans died from opioid overdoses.

Hiring former government officials.

Almost half of all registered lobbyists are former government officials. Many of them are employed by companies that hire them directly, as corporate staff, or indirectly, via lobbying firms. And many more (about half) of the former government officials working as lobbyists have avoided registering as such, taking advantage of reporting loopholes put in place by the duopoly.

The prevalence of this hiring practice, often called the revolving door, indicates just how effective companies find it. And government officials are well aware that they may have opportunities to work as well-compensated lobbyists after they leave public service, so they seek to build good relationships with both companies and lobbying firms while still in office, which may influence their policy perspectives.

The infiltration of business interests into government also works in the reverse, when former lobbyists and business leaders receive government appointments. As of March 2019, more than 350 former lobbyists were working at all levels throughout the federal government. For example, a former coal industry lobbyist now heads the Environmental Protection Agency, and consistent with the corporate interests he championed as a lobbyist, he has moved to dramatically weaken two major climate change initiatives.

Spending on elections.

Business contributions to federal election campaigns in 2018 were estimated at $2.8 billion, a remarkable 66% of the total. To secure influence on both sides of the aisle, companies commonly support both parties' campaign organizations and candidates. Spending has historically been channeled through regulated corporate political action committees (PACs) that are subject to spending limits and disclosure requirements. Today companies increasingly give to third-party groups, such as business and trade associations, which can spend unlimited amounts to influence elections without having to disclose their donors. This funding, known as "dark money," totaled nearly $1 billion over the past decade, compared with $129 million in the decade previous. The U.S. Chamber of Commerce is the country's largest dark-money spender.

Influencing direct democracy.

Ballot initiatives at the state and local levels are designed to bypass politicians and place proposed legislation directly on the ballot for a vote. But even direct democracy, as it is often called, is not free from corporate political engagement.

A study of eight high-profile state ballot initiatives in 2016 found that corporations outspent nonbusiness entities by a 10-to-one margin. And a study of the 2018 election cycle found that of ballot measures attracting more than $5 million in spending, nearly nine out of 10 were decided in favor of the side with more money.

An example is California's 2016 Drug Price Relief Act, a ballot measure aimed at reducing U.S. prescription drug prices to match those paid by other countries for the same drug. While citizen groups raised $10 million in support of the act, drug companies spent more than $100 million opposing it. The measure was defeated.

Involving employees in political activities.

Many companies also encourage their employees to vote for and donate to company-favored candidates or causes. Others encourage them to write to members of Congress in support of company-favored legislation. In a national survey, about one-quarter of workers reported that their employer had contacted them on political matters, and other surveys have verified that such employer activity is common. Some companies hold mandatory employee meetings to promote their political views or provide voter guides on favored candidates or policies. One *Fortune* 500 company, for instance, encouraged its thousands of employees to take an at-home civics course that argues against government regulation and taxes. Other tactics include distributing political flyers in employees' paycheck envelopes and providing incentives such as recognition and preferred parking spots for employees who donate to the corporate PAC. However, a survey we did of the general public found that only 21% of respondents considered it acceptable for companies to influence employee voting and political donations.

Lack of transparency and governance.

At the same time, many companies don't disclose—or even

At the same time, many companies don't disclose—or even actively obscure—their corporate lobbying and election-related spending, making it hard to know which legislators and legislation they support or oppose and which regulations they hope to influence. Effective lobbying efforts and complicit legislators have kept disclosure off the table. In 2015, rules proposed by the SEC to increase transparency of political spending by public companies were scuttled after congressional Republicans intervened. Political spending is also often not subject to board oversight, which has led to many examples of company political spending that is inconsistent with stated company policies.

Impacts of the Current Model

To explore the current thinking of business leaders on political involvement, we conducted a survey in 2019 of 5,000 Harvard Business School alumni, many of whom are now in leadership roles. When asked about the overall impact of corporate engagement in politics, nearly half the respondents said it improved companies' results. But only 24% said it improved the political system (by, for example, providing needed information to government), and more than half said that business was degrading the political system by reinforcing partisanship and favoring corporate special interests. When asked whether business's engagement in politics improves public trust in business, 69% said it did not.

Our survey also revealed a surprisingly uneven understanding among respondents of their own companies' political practices. A significant percentage answered survey questions as "not applicable," "neither agree nor disagree," or "don't know." This seeming lack of awareness may reflect an unwritten "don't ask, don't tell" culture that some companies favor around lobbying practices and other political activities.

Eroding the business environment.

Companies' political involvement focuses primarily on influencing economic policies, regulations, and regulatory enforcement in ways that benefit particular industries, favor certain technologies, or advantage some companies over others. Special-interest efforts like these can boost profits but generally don't advance the public interest or improve the economy overall.

The politics industry has for decades failed to address major challenges in the U.S. business environment. For example, Congress has yet to create a plan to restore America's obsolete and inefficient physical infrastructure. There is still no coherent immigration policy, especially for skilled immigrants, who are crucial for business and have historically been a key to American competitiveness.

Distorting markets and undermining open competition.

Corporate lobbying on antitrust policy is damaging to healthy competition. In pursuit of vigorous competition, the United States has historically enacted the strictest antitrust standards in the world. Mergers and acquisitions in the same industry, which by definition reduce the number of competitors and usually the intensity of rivalry in an industry and thereby raise prices, have long received particular scrutiny.

In recent years, however, lax interpretation and enforcement of antitrust rules has resulted in an unprecedented number of industry mergers in the United States. Today, Europe is often seen as having stricter antitrust standards than the United States does, a stunning reversal that weakens a crucial U.S. advantage. Why have antitrust standards weakened? A major reason is business lobbying. A recent study found that when lobbying expenditures directed at the Department of Justice and the Federal Trade Commission double, the number of antitrust enforcement actions in a particular industry falls by 9%—a sizable effect according to researchers. Such lobbying nearly tripled from 1998 to 2008.

A prominent contemporary example of potential corporate influence over antitrust standards is in big tech, where the nation's largest technology companies—Facebook, Amazon, Apple, and Alphabet—are under antitrust investigation. Since 2008, those companies alone have spent more than $330 million on federal lobbying, with antitrust a major focus.

Eroding social performance.

Business has rarely thrown its weight and clout behind advancing the societal improvements our nation badly needs. Over the past 15 years, little substantial progress has been made on crucial social policy priorities such as quality public education, clean water and sanitation, reducing gun violence, improving housing, and others we discuss in the December 2019 Harvard Business School U.S. Competitiveness Report. By empowering partisanship and enabling obstacles to healthy competition, corporations have further undermined the performance of our political system. We may be approaching a turning point, however, as businesses increasingly share voters' frustration with the duopoly's failure to deliver sound policy.

In the absence of both independent regulation of the political-industrial complex and new competition, business is in a position to serve as a powerful force for meaningful change—by supporting, together with citizens, important innovations to the elections and legislative machinery and by reimagining its own role in the political system.

The Political Innovation Imperative

The Founders and Framers didn't pretend to know every detail about how our government would need to function. They took care, in our extraordinary Constitution, to provide for amendments and to delegate most of the power for elections machinery to the states and for legislative machinery to Congress. Thomas Jefferson observed the opportunity this created, writing that as circumstances change, our "institutions must advance also, and keep pace with the times."

Currently, most efforts to save our democracy revolve around a laundry list of reforms, from reducing money in politics to instituting term limits. We endorse some elements of the popular reform agenda, but many of its proposals either fail to address the root causes of systemic problems, or aren't viable, or both. Bottom line: They won't make a significant difference in the results the system delivers, so we must focus elsewhere.

Robert James

About the art: Robert James documented the remains of Presidents Park, a failed tourist attraction. The 43 crumbling busts of past presidents, each 18 to 20 feet tall, now stand on a family farm in Croaker, Virginia.

Effective innovation in politics must be both powerful and achievable. Powerful innovations are those that address the root causes of dysfunction and incentivize political actors to deliver results in the public interest. Achievable innovations are those that are uncompromisingly nonpartisan (no “reforms” that serve as Trojan horses for partisan advantage) and can be accomplished in years, not decades. Constitutional amendments, for example, don’t clear this bar.

The most powerful and achievable innovations for our political system involve reengineering the elections and legislative machinery.

Elections machinery innovation.

In order to create a problem-solving ethos in Congress, we propose a new approach for congressional elections: *Final-five voting,* which would (1) replace closed party primaries with open, nonpartisan primaries in which the top five finishers advance to the general election, and (2) replace plurality voting with ranked-choice voting in general elections.

In a *top-five primary,* voters no longer cast their ballots in either a Democratic primary or a Republican primary. Instead a single, nonpartisan primary is open to everyone, regardless of party registration (unlike the current rules in many states that limit participation in the primaries to registered party members). All candidates from any party, as well as independents, appear on the same ballot. The top five finishers, regardless of partisan affiliation, advance to the general election. Instead of one Democrat and one Republican facing off in a head-to-head matchup in November, as is common today, the general election becomes a contest between, say, three Republicans and two Democrats; or one Republican, a Democrat, and three independents; and so on. Top-five primaries create a new way of determining who gets to compete and set up a broader competitive field of candidates for the general election.

Ranked-choice voting is then instituted in the general election. With ranked choice, candidates must receive majority support to win an election. Imagine, for example, a hypothetical election between our Founding Fathers (and a Founding Mother). When you arrive at the polling station, you receive a ballot with the names of the up to five primary winners. As is the case today, you pick your favorite—say, Alexander Hamilton. But you may also make a second choice (Abigail Adams), and a third, fourth, and fifth choice (George Washington, Thomas Jefferson, and John Adams).

After the polls close, the first-place votes are counted. If one candidate receives more than 50% of the first-place votes (a true majority), the election is over. But suppose Alexander Hamilton gets only 33% and Abigail Adams gets 32%? In today's plurality voting system, Hamilton would win. But with ranked choice, the election isn't over yet. Because no candidate received a true majority, the candidate in last place—let's say it's Thomas Jefferson—is eliminated. But votes cast for Jefferson aren't wasted; they are automatically transferred to the Jefferson voters' second choice. If enough of his supporters chose George Washington second, the redistribution of those votes pushes Washington over the 50% threshold, making him the ultimate winner with the broadest popular support.

Ranked-choice voting may seem unfamiliar, but it is not a new idea. In 2002, Arizona Senator John McCain urged Alaskans to support a ballot measure to adopt the innovation in that state. The same year, Illinois state senator Barack Obama sponsored legislation to adopt ranked-choice voting in state and congressional primaries. Although both proposals were ahead of their time, and neither passed, the window for change is now opening.

The final-five voting model—the combination of top-five primaries and ranked-choice voting in general elections—eliminates the "eye of the needle" and "spoiler" problems we described earlier. Thus we believe it is the most promising and effective way to create incentives for legislators to work in the public interest and to open congressional election fields to new and dynamic competition—the threat of which will hold elected officials more accountable to voters for results.

Final-five voting is less about changing who gets elected and far more about changing the incentives governing the behavior of those in office. It's about the benefits of healthy competition in the marketplace for public policy.

Let's recall a powerful example from a presidential race. In 1992, Ross Perot ran for president on a debt-reduction platform. Although many remember Perot as a spoiler, analysis by noted data-science journalist Nate Silver suggests that Perot drew votes equally from both parties and therefore didn't affect the election result.

But his candidacy was not without impact. Some 19% of voters were willing to "waste their votes" on Perot because his message of fiscal responsibility resonated so deeply. And though that wasn't enough to send him to the White House, those votes significantly influenced public policy. Without competition for his 19% of the electorate, neither Democrats nor Republicans would have had the political incentive to deliver the four balanced budgets we saw during the Clinton administration. Electoral competition delivered policy results without even changing who won. And it's worth noting that we've never had a surplus since.

An Emerging Consensus

In 2019, we conducted a survey of Harvard Business School alumni and found overwhelming support for

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By creating healthy competition, final-five voting delivers the best of free markets—innovation, results, and accountability. Call it *free-market politics*. These electoral changes are achievable, through state legislation or ballot initiatives, in a matter of years. If just five states sent delegations elected through final-five voting to Washington we'd have 10 senators and (depending on which states adopted the changes) upwards of 50 representatives elected with new incentives to tackle problems even if many were returning incumbents. These members could serve as a new fulcrum—taking action, compromising, solving problems, and bucking a binary stranglehold on governing.

Once our elections are healthy, the next step is to replace the bloated and outdated rules, practices, and norms of lawmaking with a modern approach designed from the ground up to foster cross-partisan problem-solving.

Legislative machinery innovation.

Drawing on the time-honored management practice of zero-based budgeting (which requires that all expenses be justified on the basis of anticipated value, not historical precedent), we propose zero-based rule making. Put aside the Rules of the House of Representatives, the Standing Rules of the Senate, the Authority and Rules of Senate Committees, and more—all of which have been co-opted and weaponized over the decades to enable partisan control.

And put aside customs that create separate podiums, separate cloakrooms, and separate dining rooms for Democrats and Republicans and that seat the chamber according to party. Then start with a blank slate. This might seem like a tall order—near impossible given presumed constitutional requirements about how Congress runs. But in fact, just six short paragraphs in the Constitution are dedicated to how the House and Senate should work; the rest has been invented by the members over time. The House and the Senate rule books are hundreds of pages long, and many rules have been designed not to solve problems but to serve partisan power purposes. We need a new rule book, and to that end, we're engaged in early discussions with potential conveners for a commission on legislative machinery innovation.

Taken together, these critical innovations will inject healthy competition into the politics industry. Instead of the current perverse incentive structure, acting in the public interest will increase the likelihood of being reelected.

Business leaders should deploy their resources and influence to support these political innovations and, in parallel, reimagine business's own practices for political engagement.

Rewriting the Business Playbook

Efforts by business to play a positive and more visible role in society are growing rapidly. Companies and their CEOs, encouraged by major investors and leading business institutions, are beginning to adopt a corporate purpose that goes beyond maximizing shareholder value to benefit all stakeholders. They are doing more than merely reporting on environmental, social, and governance (ESG) standards, which has had limited impact, and are actually integrating social needs and challenges into core strategy—what we call *creating shared value.* Companies are recognizing that there need not necessarily be conflict between social impact and competitive advantage but, rather, a powerful synergy. *Fortune*'s annual list of Companies Changing the World provides leading examples.

The focus of business in addressing social needs thus far has been concentrated in such areas as reducing greenhouse gas emissions, improving employee health benefits, and, more recently, guaranteeing a living wage and improving training and career development for lower-income workers. These are welcome steps, but more must be done.

Are these winds of change, together with the failure of our democracy to solve many of our most important economic and social challenges, strong enough to fundamentally shift how business engages in politics? We think they must be. In the 2019 HBS alumni survey, we also posed a series of questions about how businesses should approach the political system going forward. Alumni said they supported changes that would strongly alter the playbook: spending less on lobbying and elections, ending the revolving door, and disclosing political spending. (In a survey of the general public, respondents expressed similar sentiments.) The questions and standards included in the alumni survey were by design simplistic and black-and-white, and will benefit from significant development to be useful in practice. Still, they hint at an emerging consensus on a new role for business in politics.

Breaking from traditional corporate political practices is sure to trigger some controversy, and we realize that it is far easier for executives to fill out a survey than to change behaviors. Nevertheless, the declining trust in business, the increasing desire of younger employees and managers to work for companies that play a positive role in society, and the embrace of corporate purpose create an opportune time. Encouraged by these survey results, our continued research, and conversations with business leaders, we call for a vigorous discussion of new voluntary standards for corporate engagement with politics and government. We are confident that more-refined standards would receive even higher levels of business support than those outlined in our initial survey, and we believe this endeavor will be welcomed by many key stakeholders.

CONCLUSION

The Covid-19 pandemic is unfolding as we write this, and the response must be of unprecedented scale. We must also not fail to learn our lesson from the political failures that preceded and accompanied the crisis. After the fact, expensive recovery efforts necessitated by devastating and preventable mistakes—and in the

case of Covid-19 an as-yet-unknown number of casualties—must not be the best we can do.

There is no greater threat to American economic competitiveness and social progress—no greater threat to the combination of free-market economies and liberal democracies that has delivered more human advancements than any other system—than our passive acceptance of a failed political system. Business leaders would not tolerate such performance in any of their organizations. Rather, they would diagnose the problem, design a solution, take action, and fix it. Business leaders, right alongside other citizens, can and must do the same for our politics. Now.

A version of this article appeared in the July–August 2020 issue of *Harvard Business Review.*

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