

MEMO Published July 26, 2026 · 6 minute read

The High Cost of Political Dysfunction

Tonya Williams



America's increasingly volatile politics aren't just bad for democracy—they're bad for the economy, and that is something every American should care about.

The latest report from the International Chamber of Commerce and Oxford Economics estimates that policy uncertainty erased \$202 billion in business investment in 2025, stifling investment growth to a mere 0.4%—far below its potential. If current volatility intensifies through 2026, the report warns, losses could nearly double to \$380 billion. Similarly, the Conference Board's C-Suite Outlook 2026 revealed that 43% of top U.S. CEOs rank policy uncertainty as the leading threat to their business, while the NFIB's Small Business Uncertainty Index has climbed well above its historical average.

For business leaders, the signal is unmistakable: political volatility is no longer background noise or a temporary cultural sideshow. It is a material operating risk created by erratic policy, chaotic governance, and an increasingly unstable public decision-making environment.

In my previous article, [The Political Tax](#), I argued that today's impulsive and disruptive style of governing imposes a hidden and compounding cost on businesses through higher risk premiums, defensive legal costs, extensive contingency planning, stalled capital expenditures, and avoidable project delays.

Despite clear economic warning signs, the outlook is troubling. The political incentives driving this dysfunction show no signs of abating, and there is little reason to expect elections alone to change the underlying structural dynamics in the near term. On the contrary, recent electoral victories, favorable judicial rulings, congressional acquiescence, and the normalization of political retaliation have reinforced a damaging cycle of disruption and escalating risk. For the business community, the result is an operating environment increasingly defined by institutional decay and systemic uncertainty; the opposite of what companies need to invest, hire, build, and scale with confidence.

Repairing the operating environment will not be accomplished with a slightly lower corporate tax rate, a marginal regulatory adjustment, a one-off transactional fix, or a more aggressive lobbying strategy. The answer is a different governing model, which is why business leaders should take moderate governance seriously and do more to create incentives for leaders to govern in ways that encourage business certainty and regulatory stability.

Moderate governance isn't a midpoint between loud ideological positions or a cautious, conflict-averse personality trait; it is a discipline rooted in lawful action, predictable rules, and accountability. This approach manages economic complexity and hard tradeoffs without pretending they are simple or destabilizing the operating environment. It's a model

that stands in contrast to political extremes on the left and right, both of which manufacture their own distinct forms of business risk and force false choices.

In North Carolina, Governor Roy Cooper helped restore the state's business reputation, overseeing a period in which the state was repeatedly ranked among the nation's top places for business, while making workforce development, clean energy, and advanced manufacturing a core part of its economic strategy. In Colorado, Governor Jared Polis has paired a pro-innovation, pro-growth agenda with practical governance and fiscal discipline to make the state more competitive for entrepreneurs, workers, and employers. These are the results of serious, execution-minded governance that businesses can recognize.

Their records, along with those of Governor Josh Shapiro in Pennsylvania, Governor Andy Beshear in Kentucky, and other results-oriented Democratic governors and state leaders, show how a center-left coalition can deliver the governing model businesses need: pro-growth, institutionally serious, economically literate, and capable of turning public commitments into reliable execution. It is a both/and model: supporting capitalism with balanced, well-designed guardrails; recognizing that markets drive jobs, wages, innovation, investment, and middle-class opportunity; and insisting on rules that preserve competition, protect consumers, expand worker opportunity, and sustain public trust.

It's a framework business leaders understand instinctively. They know that the hardest decisions are rarely binary. Corporate leadership requires balancing growth and risk, innovation and compliance, speed and durability, and shareholder returns and stakeholder trust.

Both/and management is also what the "indispensable middle" of the country wants from its government. This politically decisive group of voters, who decide competitive elections, is asking for leaders who will fight for the right things, understand real life, tell the truth, and get results. They want safety and fairness, affordability and investment, clean energy and reliability, border security and workable labor pathways, innovation and guardrails.

At its core, moderate governance is an exercise in structural risk mitigation. Moderation offers business leaders something more valuable than temporary favor, a transactional win, or empty pro-business slogans. It offers a dependable, lower-volatility operating system that protects investment horizons and reduces defensive costs that divert capital and attention from growth.

Many business leaders argue that markets adapt to any political environment. That is true—but only to a point. While businesses can adapt to policy, they can't adapt to chaos. Successful navigation requires transparent and consistent rules and processes. It becomes far more costly when politics is personalized, punitive, and unstable. When risk is systemic,

transactional problem-solving through access to mercurial decision-makers—a form of fealty often rationalized as fiduciary responsibility—is unreliable and unwise. It exposes corporate leaders to legal and reputational risk while leaving smaller firms, workers, and consumers vulnerable to the cost of instability.

Silence is no longer a neutral, risk-free strategy. Supporting moderate governance does not require business leaders to become partisan activists, nor does it demand that they endorse every center-left policy. However, it does require them to recognize that the quality of governance is now part of the business risk environment.

A governing coalition that can reliably produce stable conditions necessary for long-term growth will not materialize on its own. Major employers, investors, industry leaders, and economic institutions must make serious execution-oriented governance a strategic priority.

This means rejecting a politics that turns every funding stream, permit, government contract, and enforcement decision into a litmus test for loyalty. It means lending credibility, attention, and resources to leaders and coalitions willing to prioritize competence, implementation, and long-term stability over performative disruption. It means evaluating candidates on execution capacity, not party brand alone.

In a moment when uncertainty itself has become a material cost, execution-oriented moderate governance is a fiscally responsible and sensible corrective response to the political dysfunction now raising transaction costs, increasing contingency spending, delaying investment, and distorting capital allocation.

For business leaders focused on long-term value, the choice is increasingly practical: continue spending immense resources trying to adapt to a broken, high-volatility operating system, or help build one designed to lower risk. The essential prerequisite is saying publicly what many already say privately: political volatility has a cost, and that cost is rising.

