Greek Disease, Part 1 of Two Parts (Part 2 to Focus on Greece in Detail)

China/US/UK Halfway between Canada and Greece on the Road to Catching the Greek Disease; US Illness Caused by Unsustainable Spending; China Illness Caused by Graft, Corporate Fraud, and Bubble

Weekly CEO/Business Leader Poll
By COMPAS in *Canadian Business*
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1.0 Overview

The first part of a two part series on CEO/business leaders' assessments of the *Greek Disease* focuses on China and the U.S., giving some attention too to Canada and Greece. The second part, to be released next week, focuses in detail on Greece.

Since a year ago, the COMPAS panel of CEOs and business leaders has raised sharply its assessment of risks that China, the United States, and the United Kingdom will each face an economic crisis within the year. Panelists have even raised somewhat the probability of an economic crisis for Canada though Canada stands out from the group for having a very low probability of a crisis.

In their assessments of the causes of a potential economic crisis in the United States, panelists single out one overwhelming consideration—uncontrolled spending and borrowing. Their assessment of the causes of a potential crisis in China involves several factors—notably government corruption, fraud in corporate accounting, and a sectoral bubble waiting to burst.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine.

2.0 Details

Table 2.1 compares the perceived probabilities of a crisis in selected countries while tables 2.2 and 2.3 zero in on factors driving potential crises in China and the United States.

Table 2.1: (Q1) On a 100 point probability scale, what is the probability of an economic crisis within the year in each of the following countries?

	July 2011		May 2010	
	Mean	DNK	Mean	DNK
Greece	79	0	N/A	N/A
United States	48	0	29	6
United Kingdom	46	0	33	6
China	46	0	21	6
Canada	27	0	15	6
Portugal	N/A	N/A	58	6
Spain	N/A	N/A	53	6
Italy	N/A	N/A	48	6

Table 2.2: (Q2) Every country appears to have its own factors weighing down on its economy. In the particular case of the United States, which of the following is the single most important cause of economic uncertainty or risk? RANDOMIZE

	%
Unsustainable rises in government spending and borrowing	78
A sectoral bubble waiting to burst	8
Government run by bribery	5
Investor fear of fraud in corporate accounting	2
Business fear that future governments will overtax in the future	1
Turmoil in the streets	0
Don't know	6

Table 2.3: (Q3) How about the case of China? In the particular case of the United States, which of the following is the single most important cause of economic uncertainty or risk? RANDOMIZE

	%
Government run by bribery	27
Investor fear of fraud in corporate accounting	25
A sectoral bubble waiting to burst	21
Unsustainable rises in government spending and borrowing	11
Turmoil in the streets	7
Business fear that future governments will overtax in the future	1
Don’t know	8

The following verbatims provide a nuanced sense of panel opinion:

> The Greek crisis seems to be the first step in the Euro zone being restructured. The stronger currencies will not want to support the weaker ones, especially if the political will does not support the actions needed to get their economies into shape. This will likely mean that the Euro will drift upwards against the U.S. dollar and hamper exports, but the Euro zone will try and manage that over a period of time so that productivity gains can offset that increase. These actions could create greater trust in the Euro as against the U.S. dollar, which continues to be under pressure due to the size of the deficit and debt. Inflation also seems to be rearing its ugly head, placing pressure on interest rate and compounding the problems of all countries with high debt levels.

> Greece: turmoil in the Streets = widespread tax evasion Greece will "HAVE" to leave. This is not the same as "Greece will leave" and the distinction is important for the answer.

China with a boatload of bad loans - inflation increasing- housing bubble. USA an inept over lobbied government on its way to third world status - 15 years and they're there!

Citizens of countries like Greece and other European nations that tend to have socialist leanings need to realize that the TANSTAAFL principle applies. There's no free lunch.

In the U.S. the problem as I see [it] is not just "unsustainable rises in government spending and borrowing", it is an willingness to address the revenue shortfall needed to cover the expenses and entitlements. You need to pay for your schools, health care, pensions and infrastructure - deficit financing is a cancer we learned how to avoid in the 90s, the U.S. has not taken this step, yet. Dissimilarly, the Greece situation is about uncontrolled spending - but it has not failed yet, per se - it is shaky, but there is slow progress.

My understanding of Greece is a culture to cheating on taxes and income reporting. They should be thrown out of the EU. Why should the rest of the EU allow cheating, it could spread to become the culture of all of the EU.

The economic system is too geared to generate wealth by fiscal manipulation, as opposed to development of meeting global real needs by intensive research and well directed development.

Government corruption and bribery has become the single largest problem in the world. It has become a giant ponzi scheme doomed to failure. All the money at the top and not enough at the bottom and too many governments selling out their countries. We were very successful protecting our industries and now we just give it all away.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted June 30 – July 5, 2011. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=90 are deemed accurate to within approximate 10.4 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.