

Greek Disease, Part 2 of Two Parts (Part 2 Focuses on Greece in Detail; Part 1 Compared U.S. and China)

**Greece Now Likely to Leave Euro;
Bailouts Had No Prospect of Success—Goodwill Gestures;
Turmoil in Streets and Excessive Spending the Main Barriers
to Recovery**

**Weekly CEO/Business Leader Poll
By COMPAS in *Canadian Business*
For Publication July 11, 2011**



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1.0 Overview

Greece is now likely to leave the European monetary union with currency devaluation becoming the main solution to the country's economic predicaments. That is now the majority view of the CEOs and business leaders on the COMPAS business panel—up from 42% a year ago to 61% today.

Bailouts from the IMF and European Union never had much real prospect of success, according to the overwhelming majority of panelists. Among the larger numbers of panelists who have been pessimistic about any success for a bailout, a majority nonetheless takes the view that the bailouts were a kind of *beau geste*, necessary as goodwill gestures. A minority insists that the bailouts ought never to have been offered.

In Greece today, the single most important factors in continuing economic uncertainty are turmoil in the streets and continued, excess spending by government.

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 displays panelists' views of the main factors contributing to economic uncertainty in Greece today. Table 2.2 identifies the main carriers to economic confidence while table 2.3 displays panelists' forecasts of whether Greece will continue to use the Euro.



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Table 2.1: (Q1) Every country appears to have its own factors weighing down on its economy. How about the case of Greece? In the particular case of the Greece, which of the following is the single most important cause of economic uncertainty or risk?
RANDOMIZE

	%
Turmoil in the streets	37
Unsustainable rises in government spending and borrowing	33
Business fear that future governments will overtax in the future	14
Government run by bribery	7
A sectoral bubble waiting to burst	3
Investor fear of fraud in corporate accounting	0
Don't know	7

*Table 2.2: (Q2) As you know, the bailout of Greece by Europe and the IMF failed to stem Greece's problem. In hindsight, which of the following opinions is closest to your own? **RANDOMIZE***

	%
The bailout had little chance of being successful but had to be offered as a goodwill gesture.	44
The bailout had no real chance of being successful and should not have been offered.	32
The bailout had a real chance of being successful.	13
Don't know	10



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Table 2.3: (Q3) On a 100 point scale, what is your estimate of the probability that Greece will have to leave the Euro and use its own currency to inflate its way out of problems?¹

	Mean	DNK
July 2011	61	2
May 2010	42	13

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!

¹ Wording in May 2010: (Q3) On a 100 point probability scale, what is the probability that Greece will be asked to leave the European Monetary Union within the next couple of years?



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



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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.

