

Part I of Two Part Series on Economic Futures

The United States—Low U.S. Investment in U.S. Economy

**What's the Main Cause—Obama—Congressional Impasse
Who's Mainly at Fault—Previous High Spending Congresses**

**Weekly CEO/Business Leader Poll
By COMPAS in *Canadian Business*
For Publication July 18, 2011**



**COMPAS Inc.
Public Opinion and Customer Research
July 18, 2011**

1.0 Introduction

Following increasing evidence of cash rich American corporations sitting on their resources or investing abroad, COMPAS asked the business panel to pinpoint the main causes and assign blame.

The main causes are Washington paralysis, particularly failure of the White House and Congress to agree on spending cuts and the raising of the debt.

While laying blame at the feet of the Obama White House and Congressional Republicans, panelists lay even more blame at the feet of past, high spending Congresses.

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

Tables 2.1 and 2.2 display details of panelists’ views of key factors and assignment of blame with respect to the current economic situation in the U.S. Detailed comments follows.

Table 2.1: Cash rich U.S. corporations are tending to sit on their cash or invest it abroad. Please score each of the following as factors discouraging American business from making investments at home. Please use a 7 point scale where 7 means it’s a major reason for American business not to invest in the U.S. and 1, not a factor at all.

RANDOMIZE

	Mean	7	6	5	4	3	2	1	DNK
Concern about the ongoing failure of the White House and Congress to agree on spending cuts and the raising of the debt ceiling.	5.5	25	33	21	8	2	6	0	4
Anxiety about paralysis in Washington.	5.3	22	28	22	10	8	2	3	4
Uncertainty about future tax rates given unprecedented budget deficits.	5.3	20	32	20	13	3	5	1	5



	Mean	7	6	5	4	3	2	1	DNK
Fear of future health spending mandates from a new Obama health commission structured be beyond Congressional oversight or judicial review.	4.5	13	14	27	18	6	13	3	6
Fear of an anti-business culture in the Obama White House.	4.2	9	13	28	19	9	11	9	4

Table 2.2: On a 7 point blame scale where 7 means a lot of blame, how much blame for the impasse in Washington would you place on...

	Mean	7	6	5	4	3	2	1	DNK
Past Democratic and Republican Congresses for setting the U.S. on the road of living beyond its means.	6.2	54	24	12	5	2	0	1	2
The Congressional Republicans for playing politics.	5.7	35	26	20	7	6	4	0	2
The White House for failing to understanding the consequences of immense debt, high spending, and high taxes.	5.0	28	18	16	19	7	6	6	1
The Congressional Republicans for overstating the risks of high debt, high spending, and high taxes.	4.8	19	22	15	15	14	13	1	2
The White House for playing politics.	4.7	19	16	25	16	10	6	7	2

The following verbatim comments provide a nuanced sense of respondent opinion:

I hope the Premiers of Ontario, Quebec and the other high debt provinces have be[en] watching what's happening in Greece.



One hopes that provinces like Ontario and Quebec and others that may be tempted to follow the high debt road will realize that private sector production levels need to rise to generate tax revenues that can meet increased demand for services. To keep the market healthy, actual rates need to stay constant

The U.S. does not have a spending problem; it has a taxation and revenue problem. We pay far more taxes in Canada, perhaps unreasonably more, but we also have a reasonably sound economy. Neither party in the polarized U.S. political system will face the issues, perhaps because the extreme polarization makes pragmatic compromise less possible.

The flaws of policies and the mistakes of the past will surely test our future. A little success bought a lot of overhead!

This pursuit of the welfare state has to moderate. More encouragement given to people to look after themselves, help essentially for the needy. Less government regulation and taxation. Smaller government.

The fiscal structure in both the U.S. and Canada is not on solid grounds, but more so in the U.S. with their huge debt load and high deficits. The Canada federal government recognizes the basic problems, but the provinces seem to bury their heads in the sand, especially Ontario. The present Ontario government slides taxes through the back door and makes behind closed door deals with the unions to create "labour peace" and the handcuffed electorate have to wait for the next election to make a badly needed change. The U.S. is living off the Euro crises with funds seeking a home steering towards the U.S. dollar as that seems to be the best of a bad lot. The debt crises in the U.S. will be resolved but it seems that the current president will only be a one term one, especially if the Republicans can front an acceptable choice. After the many years of spend and spend, coupled with the recession, government finances are in poor shape. Unemployment remains high and while this is so, fewer people have money to spend while the unemployed draw on already overburdened government funds. The disparity between public workers and those in the private sector is growing which will result in a backlash due to the inevitable rise in taxes, much of which will go to public workers. The Central Bankers are in a conundrum and we are in for interesting times. Hopefully the fallout will not be overly severe.



Concord demise reflects the downward slide of the UK and the mess the country is in. Atlantis return will mark the technological image of the end of the USA we have known. Obama will rise in obscene 1 billion to be re-elected, in the 2012 folly of corrupt democratic elections. Money talks and BS walks, and 3% of the less needy will dictate how the rest of the 97% will need to do with less. No one has gone to jail for the mass greed within the U.S. financial system. I won't be around in 20 years, but it takes the U.S. that long to get back to where they were in 2007/08. Sad!

Healthcare industry will be forced to investigate lower cost alternatives presently avoided by mainstream medicine

Not spending cash-rich corporations and put the blame on White House and uncertainties is a myth that is good for political campaigns. The fact is these corporations have all politicians from right to left in their pockets and media also feeding these non-senses all the time. The profit record for big corporations for the last three years is a good indication that not only they did not suffer at all like the majority of ordinary U.S. citizens did, but also they did benefit the most from bailout funds.

We need to reign in benefits and expenses at the top and stop going to the people ever more or we will end up like Greece

I think the main reason American companies are investing outside the USA, and in particular China, is high tariffs to ship into China and low tariffs to ship into the States from China.

I think many American corporations are sitting on piles of cash because they have not found a good way to deploy that cash profitably in their own business and remain concerned about overpaying for an acquisition given an uncertain global macroeconomic environment.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted July 15 – 20, 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=98 are deemed accurate to within approximate 9.9 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.



*U.S. Budget Impasse Plus What to be Done in Canada: Part 1, Weekly
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