Part 2 of Two Series on U.S. Economy—
Barriers to Recovery

Business Panelists Think about Economic Management Like Keynesians While Praising Harper and Condemning Obama

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

In their assessments of barriers to recovery for the U.S. economy and their economic forecasts, the CEOs and business leaders on the COMPAS business panel appear to think like Keynesian liberals and not Friedmanite conservatives while admiring Stephen Harper and condemning Barack Obama. Key findings:

- Like Keynesians, panelists perceive lower investments in education and R&D as high barriers to recovery of the U.S. economy;
- They also see less flexibility in capital markets as a significant barrier;
- Unlike Friedmanites, they do not see inflation and higher taxes as barriers;
- Unlike Friedmanites, who perceive monetary liquidity as a key factor in inflation, panelists do not apparently see the Federal Reserve's quantitative easings as inflationary, and they judge the probability of several years of inflation of 7% or higher as well under 50%;
- While seeming to embrace Keynes, the liberals' guiding spirit, more than Milton Friedman, the conservatives' guiding spirit, panelists nonetheless heap praise on Harper for his management of the economy while condemning Obama.

In a decade of COMPAS' performance scores on the perceived performance of public figures, almost no politicians have earned a score as high as Harper's or as low as Obama's.

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: The OECD and others have identified the following factors as essential for growth. Please check off which of these are likely to be important barriers to recovery and growth in the United States. RANDOMIZE[1]

	%
Lower investments in education and R&D	54
Less flexibility in capital markets	52
Economic regulation that impedes competition	43
Inflation	31
High taxes	31
Barriers to the flow of labour	31
Don't know	5

Table 2.2: In light of the increases in money supply (quantitative easing) in the U.S. and other advanced countries, on a 100 point probability scale, what is the probability the advanced countries will experience several years of annual inflation above, say, 7%?

MEAN	DNK
38	3

[1] Column may not add to 100 percent because respondents were allowed to select more than one response.

Table 2.3: On a 100 point performance scale, what score would you give each of the following for their economic management? RANDOMIZE

	MEAN
Prime Minister Harper	73
President Obama	42

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

> The U.S. will meet its debt; they will just print more money. S & P will downgrade in December, when there is no plan still! Some bucket head from Texas with a simplest plan, will spend a billion for the presidency. The middle class will be further screwed as the prospect for jobs will not be there. Obama great orator, not a leader. No balls! No push back. The top 3% will fund the Republican presidency, and their bidding.
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> The analogy here is the citizen who maxes out their credit card, pays only the interest because they can't afford anything more, then applies for an increase in credit limit with no foreseeable ability to pay down the principle. This is the road to bankruptcy. I think this is the point S & P is trying to make. Governments cannot continue along this road and expect to maintain their AAA credit rating. It simply doesn't work.
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> Many of the issues in the U.S. stem from their spending being so far beyond their means. Whether they fix this by cutting spending, raising taxes or, a bit of both doesn’t matter as long as they get some type of plan in place to deal with it. Business will adjust to whatever they settle on but not having a plan just creates fear and uncertainty. It’s really difficult for businesses to grow when they don’t have a

handle on where taxes and input costs are going. From an economic standpoint we need businesses to be focused on how to grow and in turn creating jobs but, with too much uncertainty business will have a tendency to shepherd their capital and the economy will stagnate. Unfortunately, after the debacle over raising the debt ceiling I don’t have a lot of hope that the Super Committee will be any more successful by Thanksgiving, leaving us still without a plan and putting us squarely back in the quagmire of uncertainty.

The U.S. debt is at an unsupportable level, the government does not have the ability to deal effectively with the debt. Money supply will continue to increase well beyond the inflation levels until value crashes, Other governments will continue trying to support a dollar with disastrous results. Only solution is a new world trading currency not controlled by U.S.

Prime Minister Harper is just following the path set by Paul Martin.

S & P at least took the discussion to a better level - whether the U.S. leadership will take this opportunity, or not, has yet to be decided.

Eventually we may have to differentiate between types of investment. For example if someone invests in new technology, the capital works to potentially generate wealth and repay debt. On the other hand, if we buy currency low and sell high, we have generated monetary return, but somebody somewhere has to supply "real" goods or services to generate the wealth extracted from the economy. We may eventually have to distinguish between "contributory" and "parasitic" investments, and increase taxes on returns based upon non wealth generation.

Just as a person who keeps getting credit cards to pay off their other credit cards comes to a breaking point sooner or later, so too do countries who practice the same thing.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted August 11 – 15, 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=95 are deemed accurate to within approximate 10.1 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.