

**Dire Economic Predictions:
Most Agree—Meltdown to Outlast Most Forecasts;
Fewest Agree—Civil War Will Sweep Some Nations;
Most Favoured Name for Meltdown—“The Great Recession”**

BDO Dunwoody Weekly CEO/Business Leader Poll

By COMPAS in *Canadian Business*

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1.0 Introduction

The CEOs and business leaders on the COMPAS panel were asked to assess some recent forecasts about global economic conditions made by Harvard financial historian Niall Ferguson and others.

Very large majorities believe that some countries like Taiwan are experiencing Depression-like conditions and that the meltdown will last far longer than most predictions because this is no ordinary recession. "It's a crisis of excessive debt," in the words of Professor Ferguson.

Among a list of forecasts, the business panel is least agreed about, namely that the global economy is so de-stabilizing that this will lead to civil war in some countries.

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 under sponsorship of BDO Dunwoody LLP.

2.0 Findings

Table 2a displays the pattern of agreement among panelists with respect to a range of dire predictions while table 2b shows that the term, great recession, edges out recession, as their favourite moniker for the meltdown.

Panelists agree strongly that some countries are experiencing Depression-like conditions and that the meltdown will last longer than most predictions. Panelists agree, though to a lesser extent, that trade protectionism may re-emerge, Canada will be hit as hard as the United States, and oil exporting countries' sovereign funds will buy up assets at bargain prices.



Meltdown and Sovereign Funds
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Table 2a: (Q1) Harvard financial historian Niall Ferguson and other observers have been making some predictions recently. On a 7 point agreement scale where 1 means strongly disagree and 7, strongly agree, how much do you agree that...

	Mean	7	6	5	4	3	2	1	DNK
With a 45% plunge in exports, some countries like Taiwan are already in a depression.	5.1	13	31	26	12	6	7	0	6
The meltdown will last far longer than most predictions because this is no ordinary recession. "It's a crisis of excessive debt," in the words of Professor Ferguson.	4.9	15	23	30	11	10	8	2	0
There is a real danger that globalization will unravel and trade protectionism re-emerge.	4.9	8	30	32	14	8	4	3	0
Canada will be as hard hit as the United States because of the volume of our exports to the U.S.	4.5	12	18	21	18	19	10	2	0
The "sovereign" wealth funds of the oil exporting countries will end up buying major Canadian companies like Nova Chemicals at bargain basement prices.	4.5	10	18	28	10	15	10	4	6
The biggest economic downturns will be in Asia and Eastern Europe, not North America.	4.1	2	14	26	19	17	12	6	3
Some countries will de-stabilize and experience civil war.	3.9	8	10	21	16	18	19	6	2



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Table 2b: (Q2) Going beyond what Professor Ferguson and other observers have said, do you think that the current meltdown will ultimately be known as ...(in percent)

The Great Recession	41
A Recession	31
Another Great Depression	11
Other ¹	14
Don't know	3

The following verbatims provide a nuanced sense of panel opinion:

Depression and recession are simply euphemisms for what used to be called 'Panics'. Now that Depression needs a euphemism itself, doubtless we will come up with something soothing. But a rose by any other name still smells as sweet. And a depression by any other name still smells.

There were other factors involved with 'The Great Depression' and governments were much slower to react. This 'Depression' is more global, came on very quickly and governments are being more proactive, largely because of memories of the 'Great Depression'. Hate to think where we'd be if we hadn't had that earlier 'lesson'.

We should stop other countries from buying up our assets during these economic times or we will no longer control our destiny.

We are in a recession. It has the potential of being more severe than any in the memory of younger and middle aged

¹ Other titles include: a global depression, a memorable hiccup, great bailout, the great financial meltdown etc.



people. In any event, it seems to a necessary cycle to correct many excesses. Unfortunately in many countries, and in particular the USA, we are embracing a policy of " fix it right now syndrome " and let's do it with taxpayers money. Policy makers want to stimulate the economy by incurring massive government debt and have their citizens, already overburdened with debt, have easy access to more debt to enable them to spend their way out of this recession. This policy will only end in disaster and will result in shortening the time to the next and more severe downturn. By all means protect the weak and the helpless, but let the government, the corporations and the individuals pay for their recklessness. The economy will eventually recover as it always has and we all will be better off for that. There will be many more booms and busts before it is truly the fall of Roman Empire.

The western world is in a state of overproduction largely due to too much easy money and high wages often not justified. We are saturated with goods and services. Markets will not recover unless we can ignite consumerism in the underdeveloped world.

As with all economic cycles, talking up the economy does no harm as it instills some degree of hope. Also talking down the economy makes things happen without a great level of surprise. However, this slow down is deeper and broader than expected. Banks are being prudent and trying to conserve capital, just like individuals. The savings rate jump in the U.S. is a clear indication of slowing down expenses. That, in the medium term, is a good sign. Savings need to be invested. Perhaps not in equity markets but in more secure investments. That is good for governments (bonds) and banks (deposits). However you need income to be able to save. Jobs need to come back to achieve a faster growth cycle. That is what governments need to concentrate on. They should not bailout sick companies that have not learnt



from the past. Demand and supply will favour those that are innovative.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted February 25 – 27, 2009. 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=126 are deemed accurate to within approximate 8.8 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

