

**The Great Recession—  
Whom to Blame—U.S. Bankers and Congress, Not the Fed  
What to Do—Cut Business Taxes, Let Yuan Float;  
Opinion Divided about Interest Rates and U.K. Proposal for  
Bank Transaction Fees**

**BDO Dunwoody Weekly CEO/Business Leader Poll  
By COMPAS in *Canadian Business*  
For Publication November 16, 2009**



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## 1.0 Overview

In the setting of extensive debate and discussion among the G20, CEOs and business leaders on the COMPAS business panel were asked whom to blame for the Recession and what to do. As for blame, U.S. bankers earn much blame for reckless investments while Congress gets much blame for forcing financial institutions into making high risk mortgage loans. Fewer panelists are willing to lay fault at the feet of the U.S. Federal Reserve for allowing the emergence of a bubble as a result of persistently low interest rates.

As for remedies, panelists praise Washington for cutting business taxes and believe strongly that China should allow the Yuan to float to its true value. Opinion is less one-sided about

- ❑ the U.K. proposal for bank transaction fees (possibly a moderately good idea on average with polarized reactions), and
- ❑ about interest rates (probably not too low in Canada and the U.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 under sponsorship of BDO Dunwoody LLP.

## 2.0 Findings

Table 2a provides detailed findings with respect to how much panelists blame the U.S. financial institutions, Congress, and the U.S. Federal Reserve for the recession. Table 2b provides detailed findings on how panelists feel about a menu of potential remedies.



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*Table 2a: (Q2) There remains disagreement about who was primarily responsible in the United States for the real estate bubble and the vulnerability of mortgage holders. On a 7 point scale, to what extent was...*

	Mean	7	6	5	4	3	2	1	DNK
Major financial institutions for making investment decisions that were far too risky.	6.3	58	24	14	1	1	0	2	0
Congress for forcing financial institutions into making available mortgages to borrowers who did not have the capacity or profile (e.g. speculators) to assure reliable repayment.	5.5	37	21	15	11	3	5	5	4
The Federal Reserve responsible for allowing creation of the bubble as a result of interest rates that remained too low for too long.	4.3	13	14	23	16	14	11	7	3



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*Table 2b: (Q1) As you may know, there's a fair amount of discussion and debate about what the G20 should be doing in light of the recession. On a 7 point agreement scale where 7 means agree strongly and 1, disagree strongly, how much do you agree with each of the following opinions and current and proposed policies. RANDOMIZE*

	Mean	7	6	5	4	3	2	1	DNK
Pressure from the IMF, the U.S. and other countries for China to allow the Yuan to float and hence rise in value.	5.6	26	20	22	17	1	1	0	14
U.S. legislation expanding and extending tax cuts for businesses, especially small businesses.	5.3	17	31	28	13	4	2	4	3
Some are saying that the big U.S. financial institutions are even bigger than before the collapse, thereby increasing the risks associated with another potential collapse.	4.8	14	15	27	19	7	7	3	7
Finance Minister Flaherty's opposition, shared by the U.S., to a British proposal for a tax on daily bank transactions as a kind of deposit insurance program to pay for future bank collapses.	4.5	31	18	6	10	5	12	18	0
Some are saying that U.S. interest rates are too low with U.S. funds too readily available to fund purchases in the Third World, where there is now a risk of an asset bubble.	4.0	4	14	19	17	12	13	7	15
Some are saying that Canadian interest rates are too low and mortgages too readily available, fueling a potential real estate bubble.	3.5	5	10	16	22	12	20	16	0



The following verbatims provide a nuanced sense of panel opinion:

The main problem arose from financial institutions believing property values can still rise indefinitely even though our manufacturing is shrinking. This does not make sense and the FI's should be subject to the "buyer beware" caveat everybody else has to abide by. Their lack of knowledge and due diligence and unawareness of true opportunity is why high risk high reward small companies are almost extinct in the USA and Canada. Why should we support financial misjudgment while these same groups demand zero errors from borrowers?

The bubble exists because the U.S. has been borrowing WAY too much money, have too high a debt, and are living beyond their means for too long period. The U.S. cannot afford to raise interest rates, because they cannot afford to pay them.

We need to go back to smaller institutions that cannot drastically affect the economy when problems arise and rules and accountability that protect the people. Too much on the bottom. The rich nations got rich when there were duties that kept jobs at home. China, India, etc. are investing heavily in education and manufacturing. We need to do the same.

### **3.0 Methodology**

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted November 11-12, 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



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comparably sized general public studies. In studies of the general public, surveys of n=112 are deemed accurate to within approximate 10 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

