

**Business Panel Concurs with Fraser Institute Report Saying
Infrastructure Spending Did Little for the Economy;
Panelists Reject Heavy Spending as Cure for Economy's Ills,
Attribute Harper Budget to Pressure from Public, G8, and
Opposition Parties**

**BDO Dunwoody Weekly CEO/Business Leader Poll
By COMPAS in *Canadian Business*
For Publication April 19, 2010**



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1.0 Overview

“Damned if you do, damned if you don't,” observed one member of the COMPAS business panel. This perspective may well capture panel opinion of how the federal government committed monies for infrastructure in an effort to combat the economic slowdown.

Members of the panel were asked for their opinions of federal actions to combat the recession in light of a Fraser Institute report on the subject. Panelists are united to an unusual extent in concurring with a Fraser study asserting that tax cuts greatly outperform spending increases as a way of encouraging economic growth, as shown in table 2a.

Panelists also agree, although to a lesser extent, that “the Government of Canada’s infrastructure spending has made no significant contribution to the recovery of our economy, which is recovering for entirely different reasons,” as shown in table 2b.

Respondents were asked to what extent they concurred with each of several possible explanations for the federal government’s infrastructure spending commitments. The top three reasons, in their view, are the public’s intense desire for the government to do something, pressure from all the other G8 governments to coordinate massive spending, and the fact that the Harper government is a minority government, as shown in table 3c.

The least persuasive reason in a list of six such reasons is the view that the Harper government believed that infrastructure spending would be key to recovery. Fewer than 50% of panelists take the view that the Harper government actually believed that the infrastructure budget would do much good.

Less than a majority believe that massive spending by the Federal Government was essential to help Canada get through the economic crisis, as shown in table 2d. Meanwhile, a two-thirds majority believe that “the Government of Canada should have budgetted a smaller amount since massive spending can be harmful in the long run.”



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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 Details

The detailed quantitative findings appear in tables 2a to d. Extensive verbatim comments follow the tables.

Table 2a: (Q1) The Fraser Institute released a recent report on the federal government's Infrastructure spending. On a 7 point agreement scale where 1 means disagree strongly and 7, agree strongly, how much do you agree with the Fraser Institute overview of research by economists showing that governments in general contribute far more to economic growth by cuts in taxes than by increases in spending?

Mean	7	6	5	4	3	2	1	DNK
5.7	30	31	16	11	4	1	2	6

Table 2b: (Q2) On the same 7 point agreement scale, how much do you agree with the Fraser Institute's conclusion that the Government of Canada's infrastructure spending has made no significant contribution to the recovery of our economy, which is recovering for entirely different reasons.

Mean	7	6	5	4	3	2	1	DNK
5.0	18	24	21	14	14	5	2	2



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Table 3c: (Q3) Turning to a different aspect of the issue, please indicate how much each of the following factors helps explain why the Harper government embraced a high level of Infrastructure spending. Please use a 7 point scale where 1 means not a factor explaining the government infrastructure spending and 7, a major factor. RANDOMIZE

	Mean	7	6	5	4	3	2	1	DNK
The public's intense desire for the government to do something	6.0	32	43	16	5	3	1	0	0
Pressure from all the other G8 governments to coordinate massive spending	5.3	18	31	30	11	5	4	3	0
The fact that the Harper government is a minority government	5.3	23	31	21	12	5	6	2	1
Opposition parties in the House of Commons	4.6	14	18	26	14	10	8	8	2
Pressure from the media	4.5	10	22	23	23	6	7	8	0
The Harper government believed that infrastructure spending would be key	4.4	12	16	20	26	10	8	7	0

Table 2d: (Q4) Let's now turn to the Federal Government's stimulus plan. On a 7-point agreement scale where 7 means agree strongly and 1 the opposite, how much do you agree with the following statements?

	Mean	7	6	5	4	3	2	1	DNK
The Government of Canada should have budgeted a smaller amount since massive spending can be harmful in the long run	5.0	16	29	23	12	12	8	0	1



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	Mean	7	6	5	4	3	2	1	DNK
The massive spending by the Federal Government was essential to help Canada get through the economic crisis	3.8	4	10	23	22	18	10	12	0

The following verbatims provide a nuanced sense of panel opinion:

A few points: The spending program was important to the psychology of the Canadian consumer, regardless of its actual effect. Some of the program probably should have been cancelled sooner, as it takes 9 to 12 months to get them off the ground and actually have an impact on economic activity

Damned if you do, damned if you don't.

Governments are notorious for their misguided notion that they can affect the economy in a positive way. The government should stay away from picking winners and losers with stimulus packages. Governments should level the playing field, reduce red tape and reduce taxes, then get out of the way. Government does not know nor have they ever created jobs other than government jobs. A government's role is to ensure that business practices are above board, protective of the consumer and provide very serious penalties for contraventions. A healthy private sector that must abide by principled practices is the absolute best thing possible. That is where jobs are created, minimum wage legislation becomes irrelevant, world class competitiveness is achieved and there is enough money generated to fund the basic government programs actually needed.

Hind sight is always 20/20



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In my own life I have never been able to spend myself rich. While the spending has helped those who actually got the work, I don't know of a single person who benefited, although the debt left behind will be equally shared by all.

Infrastructure spending per se likely has had little if any direct positive impact on our economy, however it was politically necessary and likely also had a positive psychological impact that in turn has led to some of the more positive economic impacts pointed to by the Frazer Institute study.

It has been my view that to have had employment is far more beneficial to government coffers than infrastructure spending. Large projects require large pieces of equipment and few people. Giving support to small businesses to keep employing staff through tax breaks and/or subsidies would have created more taxable income and continuing spending by consumers with the GST and other business tax spinoffs and fewer people using EI programs. Instead we have high unemployment, lower taxes at the personal and business levels and a continuing malaise within the economy. Any upturn will be off the already low post recession levels, which means that Canada needs to get out of that hole first before we can say we have restored the pre recession tax levels and, on top of that, we have far greater debt levels and a far greater interest burden once the interest rates go up. We are also facing inflation increases that will be of great concern in the coming quarters and years.

It's time to stop spending now, and balance the budget!
Enough with spending my children's future for today.

Missed some key points, in my opinion. Two questions: why spend to stimulate, and if so, why spend on Infrastructure. Government spending is a drop in the bucket compared to impact by for example, small business, consumer spending, etc. The key benefit of the stimulus package was



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psychological, in the sense of increasing overall confidence and getting folks to not panic and keep moving forward.

Why Infrastructure: It could be initiated quickly (although not as quickly as hoped); it's fantastic value for taxpayers to spend on infrastructure when prices are down; and something that perhaps is little understood outside of the construction industry.

Spending should have been more selective based on geographic needs, and focused on projects that pledged job creation beyond project timeframes.

The government was not able to spend the money at the rate at which would be necessary to provide the advertised stimulus. Governments are not set up to do this. Carefully structured tax cuts would do more to stimulate the economy than any inefficient government program.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted April 12 – 13, 2010. 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=111 are deemed accurate to within approximate 9.3 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

