Economist Intelligence Unit

The Economist

Risk and regulation:
A new era for capitalism

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A report from the Economist Intelligence Unit

Preface

Risk and regulation: A new era for capitalism examines the new business environment emerging from the financial crisis, and identifies trends business leaders expect to see in the next 12 months to five years. The report was sponsored by Dubai Holding. The Economist Intelligence Unit bears sole responsibility for the content of this report. The Economist Intelligence Unit's editorial team executed the online survey, conducted the interviews and wrote the report. The findings and views expressed in this report do not necessarily reflect the views of the sponsor. Michael Kapoor was the author of the report and Jason Sumner was the editor. Clint Witchalls also contributed to the project. The report is based on a survey of 418 global executives conducted in February and March 2009, as well as in-depth interviews with executives, analysts and other experts. We would like to thank all the executives who participated in the survey and interviews for their time and insight.

May 2009

"Capitalism is changing in fundamental ways. For many years to come, what's happening will affect the relationship between business and government, between taxpayers and the private sector, between employers and employees, between investors and companies. ... A new capitalism is likely to emerge from the rubble."

- Robert Peston, business editor, BBC

Executive summary

"Derivatives," said Warren Buffet, a renowned US investor, "are the financial equivalent of weapons of mass destruction." He has certainly been proved right, with failing banks around the world showing that opaque financial instruments cannot mask the effect of reckless lending. After a lull in which it seemed that the rest of the economy might just avoid the worst effects of the banking crisis that started in August 2007, consumer demand, manufacturing and trade have all fallen precipitously and the global economy is in the grip of the worst downturn since the 1930s. After close to 30 years of light-touch regulation, globalisation and free-market binges, during which some politicians claimed to have tamed the business cycle, many commentators have now suggested that capitalism itself is entering a new phase.

In this report, the Economist Intelligence Unit examines the views of the people who own and manage the world's businesses. Has capitalism changed, and if so, what might the new landscape look like? How will organisations adjust as a result of the crisis? Do business people support the actions taken to stem the crisis and do they favour expanding the government's remit beyond the banking sector? To answer these questions, we conducted a survey of more than 400 senior business people in companies around the world. We supplemented the findings with interviews with experts, analysts and executives, as well as analysis from our editorial team.

The most striking finding is that almost 60% of respondents agree that the current crisis has "fundamentally changed" capitalism. According to one respondent, "Much as the Great Depression did in the 1930s, this crisis will permanently change the way governments and businesses view the world." In summary, the survey respondents believe that there will be more government oversight, more economic nationalism, less risk-taking and slower growth. Decision-making within businesses will reflect a new reality, as frugal customers and state regulators hold sway. The respondents support emergency intervention in the banking sector, but their opinions are more conservative when it comes to further reform, such as outright nationalisation of other key industries, creating so-called bad banks that buy and ring-fence toxic debts, or limits on executive pay and bonuses.

The key findings from the research are highlighted below.

Capitalism has "fundamentally changed"

The long-held faith in free markets appears to be at an end, and Adam Smith's "invisible hand" appears to be malfunctioning. Nearly 60% of senior business executives agree that "the current crisis has

fundamentally changed capitalism". This view is supported by the experts we interviewed, many of whom suggest that the "spectre of depression", as Professor N. Craig Smith, INSEAD chair of ethics and social responsibility, puts it, will have long-lasting effects on the psychology of executives and consumers alike. "Previous recessions have been about a drop in aggregate demand," notes Naufel Vilcassim, professor of marketing at the London Business School. "They were seen as part of the general business cycle, and not seen as a major structural issue. There is now clearly a sense that something has gone wrong. The solution is not simply about boosting aggregate demand, but doing something structurally different." Business models have changed or will change for one-half of respondents. Mr Smith says this isn't surprising, and believes that some of the basic underpinnings of the system may be called into question. "For years, business schools have taught either implicitly, if not explicitly, shareholder value maximisation, and that's being called into question," he explains. "If they were following the model of shareholder value, how can this be happening?"

Executives want more regulation in the banking sector and beyond

Today, regulation is no longer seen as counter-productive meddling in otherwise perfect markets, but a prerequisite for a functioning global economy. Business people are not known for their affection for red tape, and usually balk at the idea of accepting more bureaucracy. Yet almost two-thirds (65%) of executives agree with the statement: "I am in favour of further bank regulation, even if the result is slower economic growth." It is a sign of just how much the global downturn has alarmed the business community.

It could be argued that executives are reflecting widespread popular anger at the banking industry, but their support for regulation is not limited to banks. Executives accept that in the new landscape, businesses of all stripes will have government looking over their shoulder. Three-quarters (77%) of respondents agree that business will need to accept more oversight because of problems in the banking system. Almost one-half of respondents favour more financial regulation in non-banking industries and a similar percentage favour new regulations that limit risk-taking across the entire private sector. These numbers would have been unthinkable even three years ago.

Regulators and customers will have more sway over business decision-making as a result of the crisis

Power centres are set to shift as well, with some stakeholders exerting more pressure than others. At the top of the influence list are regulators (64% of respondents say they will have more influence), followed by customers (57%). Executives are split on the likely influence of creditors (49% say they will have more influence, while 43% say there will be no effect) and shareholders (46% say they will have more influence, while 46% say there will be no effect). In contrast, employees, non-governmental organisations and trade unions will be left out in the cold, with large majorities believing their influence will wane or stay the same. Overall, more than 60% of respondents think they will have to work harder to maintain their companies' reputation with stakeholders. This concern over brand and reputation could be influencing decisions about public relations spending. The majority of respondents in our survey expect advertising, marketing and communication budgets to go up or remain unchanged during 2009.

Caution will prevail in the aftermath

Risk appetites will diminish in the next two years, and remain flat in the following two to five years. Respondents say that the hangover from this downturn will be longer than in the past, with 59% believing that economic growth will be harder to achieve in the next recovery.

"Higher regulation, coupled with a lower appetite for risk, will stall recovery efforts," notes one respondent. Gary Hopgood, business development director for Beckman Coulter International, a large healthcare manufacturing firm, comments: "Some investment decisions are being deferred until next year…Crucial things like infrastructure investment could get temporarily ignored. Government spending in some sectors, healthcare and research for example, could suffer as a consequence."

There is broad support for government measures taken so far to stem the crisis

Nearly 70% of respondents support government intervention in the banking sector such as buying shares and nationalisation. The majority of respondents also believe that governments' response to the downturn will have a long-term positive effect on their business. Only 17% think that the measures taken will have a negative effect on their long-term business prospects.

New world order

Our research reveals a global business community alarmed and chastened by the depth and severity of the downturn. The financial crisis has yet to reach an end, but the majority of executives in our survey already believe that capitalism itself has been transformed. Moreover, they believe that the current recession is not a blip and that there is unlikely to be a return to "practices of the past" when the upturn arrives—that is, loose monetary policy, risky lending and inflated asset prices. They also believe the world is in for a protracted hangover from the credit binge—59% say financial growth will be sluggish, even when the economy begins to turn around. The IMF agrees. In a recent study, the Fund examined 122 recessions in rich countries since 1960. In recessions brought on by financial crises, private investment usually continues to fall even after the lowest point in the downturn, and at the same time consumer spending grows more slowly compared to other recoveries. The study also concluded that recoveries in recessions affecting the entire globe last 50% longer.

Spirit of caution

Why is this downturn different from others? Many respondents believe simple economic fundamentals dictate the reason—less leverage plus less cash equals less growth. "To the business, that will make working capital funding harder to come by," says one respondent. Another comments: "Growth will be limited to what companies can support from internally generated cash."

Please indicate to what extent you agree or disagree with the following statements.
(% respondents)

However, many respondents offer more philosophical explanations. They believe that confidence at all levels, among consumers, managers and shareholders, has been battered. One respondent describes this process as “a spirit of caution” supplanting “a spirit of greed”. Another predicts that “psychological scars” from the banking collapse and fallout into the real economy will have profound effects on behaviour for years to come.

How might capitalism change if the spirit of caution prevails? The landscape, according to our survey, will be characterised by conservative banking and less liquidity, tighter regulation of financial services specifically and private enterprise in general, more protectionism and less risk taking.

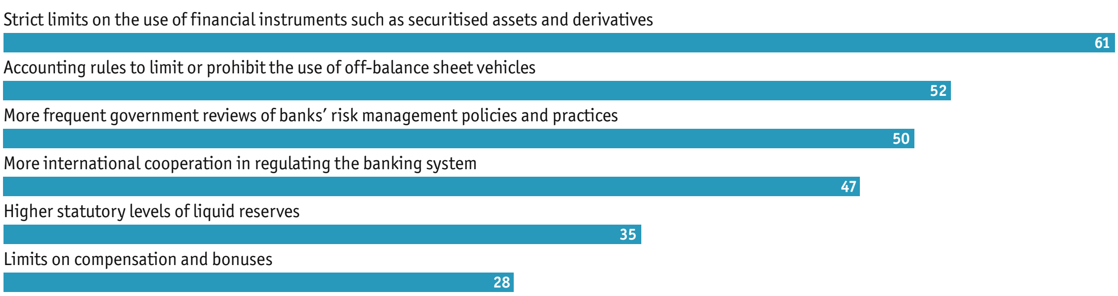
Back to basics—a return to ”old-fashioned” banks

Most survey respondents agree that once the rubble clears, banks that are not already under full or part state ownership will come in for tighter controls. The top three preferred priorities for regulation are strict limits on the use of financial instruments such as securitised assets and derivatives, accounting rules to limit or prohibit use of off-balance-sheet vehicles and more frequent risk reviews for banks.

“Banks will move forward by returning to the past,” says David Rhodes, a senior partner with Boston Consulting Group (BCG), and author of a recent report on the future of banking, *Living with New Realities*. “They will once again emphasise ‘old-fashioned’ products and practices, where the bias is to lend what gets taken in as deposits.” As a result, banks will compete more for retail deposits to provide a secure base for their own lending. They will concentrate on home markets, or a handful of international markets they can dominate. They will focus on their product strengths. Mr Rhodes adds that “securitisation will not die”, although he does expect it to be more tightly regulated and more transparent.

Are you in favour of further regulation of the banking sector?
(% respondents)

If you answered yes, what do you think should be the top three priorities for further regulating the banking sector? Select up to three.
(% respondents)



Julian Franks, professor of finance at the London Business School, also believes that securitisation will survive, but that financial derivatives trading must be ring-fenced from so-called simple banks that will lend to businesses and consumers. One version of Mr Franks's plan could leave financial derivatives completely unregulated. This would be controversial, but he contends that as long as these activities were transparent and did not contribute to the overall amount of risk in the system, the larger economy would be safe. "We'll regulate the simple banks and won't allow some of the activities in the derivatives market to infect them," he says.

For the foreseeable future, banks worldwide must concentrate on rebuilding not just their balance sheets but also public trust. Bank values have crashed by US$5.5trn from their pre-crisis peak, equivalent to 10% of global gross domestic product (GDP). Mr Rhodes believes this means the cost and availability of credit will remain relatively high for some time, and it will take a prolonged period of conservatism and safe banking to change that.

The visible hand—agreeing on bank regulations

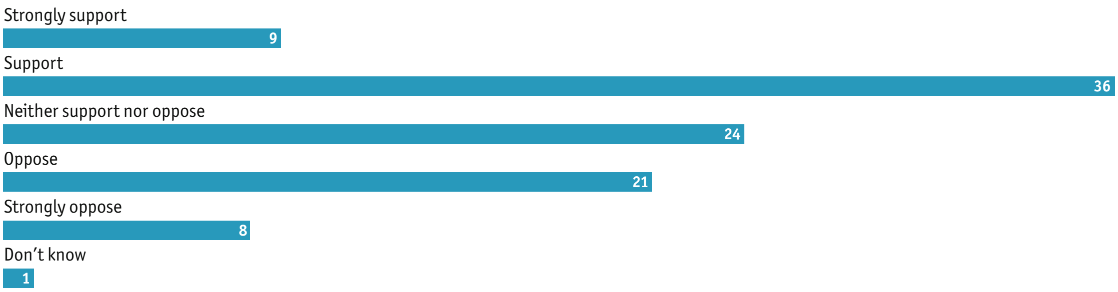
There is some consensus on the issues that future financial rules will cover, which was contained in the G20 communiqué issued in early April, including measures to co-ordinate national-level regulation of financial markets, expanding controls on hedge funds and derivatives, and rules on compensation and bonuses. "There is absolute consensus that the present crisis was rooted in banks, and a greater degree of banking regulation needs to be put in place," confirms David Sayer, global head of the retail banking practice at KPMG. He cautions that this consensus comes at the price of downplaying other causes such as the role of loose fiscal and monetary policy and massive Chinese surpluses that were reinvested in the West. "There is a risk that focusing on banking regulation as a lone panacea will not address other fundamental causes of the global recession," he says.

There also appears to be agreement on a handful of specific principles intended to tame the next bull economy. These include requiring increased capital reserves for banks, increased capital in relation to the size of trading books, reducing the "total gearing ratio" (how much banks are in debt), and limits on how much funding banks can raise from wholesale markets instead of deposits from consumers and businesses. The problem is that one agency or a collection of agencies working in tandem will need to have enough authority and independence to stop the economy from overheating. "Who's going to be responsible for switching the lights out when the party has started?" asks Mr Sayer. "Every time we have a long boom people believe there is a reason it's being sustained. That is why we have long booms. Someone is going to have to be given the authority to prick the bubble."

A domino effect?

Respondents seem to be rejecting the laissez-faire consensus that has governed relations between the state and the private sector for some three decades. There is strong support for more financial sector scrutiny, and almost one-half of survey respondents favour extending limits on financial speculation to non-banking industries. More remarkable is that executives in the survey are resigned to the inevitability of greater control over commerce in general. Three-quarters (77%) of respondents agree

Are you in favour of stronger financial regulation of industries, other than financial services?
(% respondents)



that business will need to accept more oversight as a result of the widespread failure of the banking system. "Business people want the predictability and the level playing field that regulation can provide, at least up to a point," explains Mr Smith of INSEAD.

Why do survey respondents think bank regulations will automatically lead to more encroachment elsewhere in the private sector? One interpretation is that executives in the survey believe that governments will somehow gain confidence and momentum by tightening controls on banks, laying the groundwork for more regulation elsewhere.

Or perhaps they look to the automotive industry and see a domino effect in which bail-outs and restrictions on one industry will lead to political interference in sector after sector. Politicians say they do not want to be in the car business, but in the US, the president, Barack Obama, has found himself firing the chief executive of GM, one of the country's largest carmakers, and has demanded that another ailing giant, Chrysler, pursue a merger with Fiat. The US, the UK and Germany, to name three examples, are pursuing a policy of consumer subsidies to prop up car sales that have collapsed by one-third globally.

Or maybe respondents believe the political winds have shifted, and that the public is more willing to support political parties that have long called for tightening regulations at all levels. Time will tell if survey respondents' assumptions are correct. Yet for the moment, few governments appear to have the appetite—or the budgets—to add to the list of rescued firms. And amassing the political capital to reform banking rules is likely to consume political energies for some time.

Global banking: And now for our next crisis...

Securitisation and other financial instruments certainly explain how the sub-prime problems were spread across the world, rather than simply driving a few reckless lenders to the wall. But while these financial instruments destroyed banks in the US and Europe, banks elsewhere initially suffered surprisingly light damage. Latin American and Asian banks have behaved cautiously since their own crises in recent decades: they bought few securitised loans and have avoided major problems. This is also the case in the Middle East, where governments often retain direct control over banks. Saudi Arabia, for example, simply banned their banks from dealing in derivatives they did not understand.

So far, the damage in these regions has been limited. Panamanian banks might be vulnerable because of their international focus, and investment banks across the Middle East face difficulties as a result of collapsing property prices. But direct damage from the US's sub-prime crisis was limited to a few individual institutions such as Gulf Bank, which suffered after buying a few too many US securities.

But the next wave of problems could engulf banks worldwide. As US and European banks strain under further bad debts generated by the recession, mounting economic problems will feed into problems at banks elsewhere.

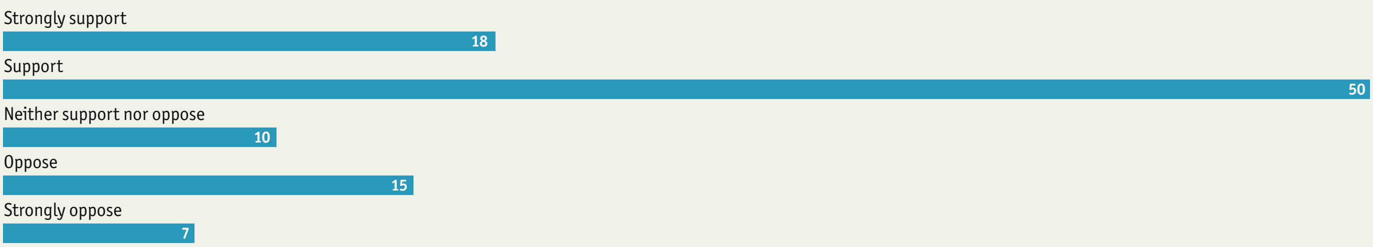
Drastic measures

There is strong backing (68%) for measures to shore up the banks, including nationalisation or buying shares. Support is even stronger among specialists, with 71% of financial services companies in accord and 77% of chief financial officers (CFOs). A majority of respondents believe the response to the downturn will help their business in the longer term, with only 17% expecting a negative impact.

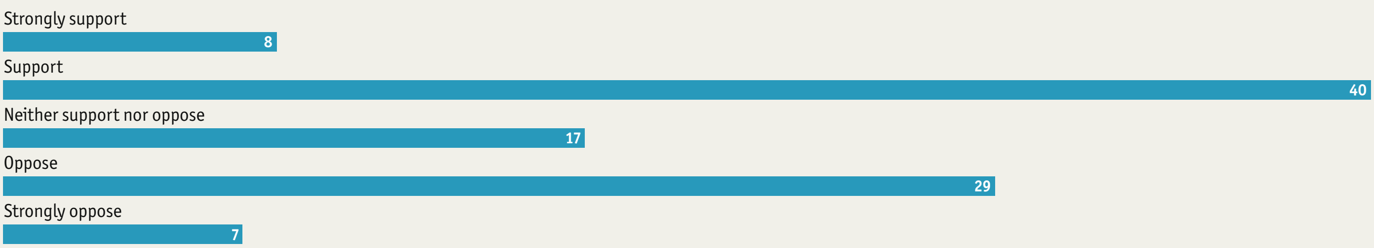
One-half (48%) of respondents say they support state aid for other failing industries. However, this is a lukewarm response compared with nearly 70% who are in favour of bank bail-outs. Their preferred remedies are more conservative too. Trade credit insurance and a government facility to buy corporate debt top the list.

When it comes to divesting from the banks, most respondents (55%) favour a slow sell-off as the economy picks up. More than one-quarter want the state to hold onto its stakes until it is clear the recession is over.

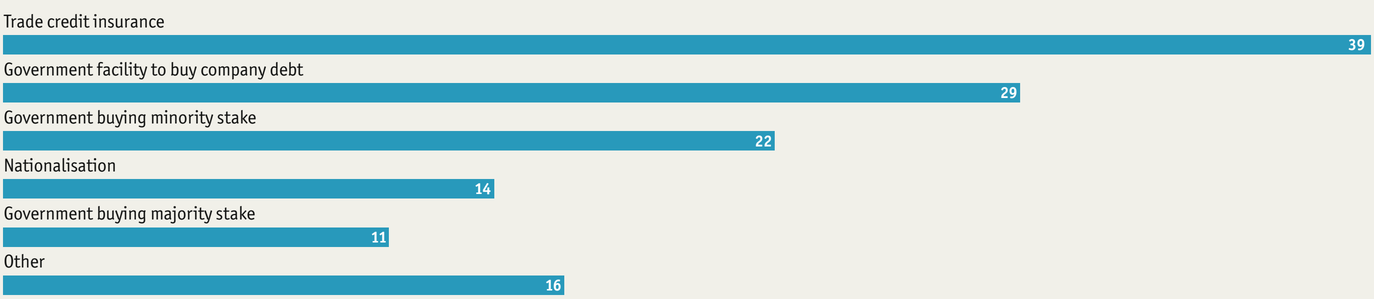
What is your overall opinion of the degree and scope of government intervention in the global banking sector so far (eg, buying shares, nationalisation)?
(% respondents)



Do you support government intervention (eg, buying shares, nationalisation) in troubled sectors other than the banking industry?
(% respondents)



Do you believe your industry should qualify for any of the following types of government intervention if it shows signs of having difficulties?
Please select all that apply.
(% respondents)



Their fears may be justified, however, when it comes to protectionism. On the face of it, politicians say they are against trade barriers. Mr Obama lauded open markets following the G20 summit. “We have rejected the protectionism that could deepen the crisis,” he declared. Yet 87% of survey respondents are convinced protectionism will rise, and already the World Bank has counted 47 trade-restricting steps by 17 of the G20 members, including the US, since November 2008. Tariffs have already risen too in several developing countries. In other words, domestic political realities may overshadow Mr Obama’s vision of freer international trade.

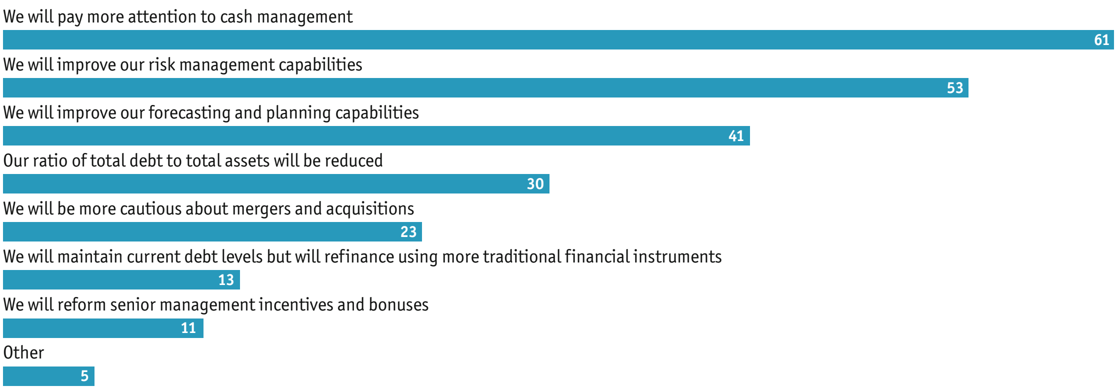
Changing the model

Businesses are being squeezed by a lack of liquidity from their banks on the one side, and a steep drop in consumer demand on the other. As a result, the executives in our survey foresee big changes in the way they run their businesses, with incremental adjustments in the near future and potentially more profound shifts in the long term.

The world may be entering a new era for capitalism, but, in the short term at least, one constant remains—cash is king. Cash management is the top priority for executives affected by the downturn, followed by improving risk management and forecasting. For financial services companies specifically, risk management is the top priority, with 70% (compared with 46% for non-financial services respondents) looking to improve.

Headcounts are being frozen or cut, and companies are postponing capital investment. In general, risk appetites will decrease in the next two years, then flatten out between two and five years hence. The only variance is when it comes to mergers and acquisitions (M&A)—only 23% of respondents say they will be more cautious when it comes to acquisitions. The rest may be holding off now, but perhaps see good deals on the horizon, when successful acquisitions could help to overcome slow organic growth.

Which of the following are the most important changes your company will make as a result of the economic downturn? Select up to three.
(% respondents)



Bright spots

Not all regions have been affected equally, and there are variations within markets. According to Ashraf Allam, managing director for the Middle East, Africa and Turkey for Amgen, a global biotechnology giant, companies in the region are in a holding pattern. “People are managing for the short term,” he says. “If you can commit to your revenue target, then you have authorisation to spend what is attached to that budget.” Some of the retrenchment is also driven by head offices that are located in regions where the recession has hit hard. For all of that, Mr Allam says, “People are still optimistic. Nobody is pulling out of the region. They are optimising their investments, but no one is saying they should get out.”

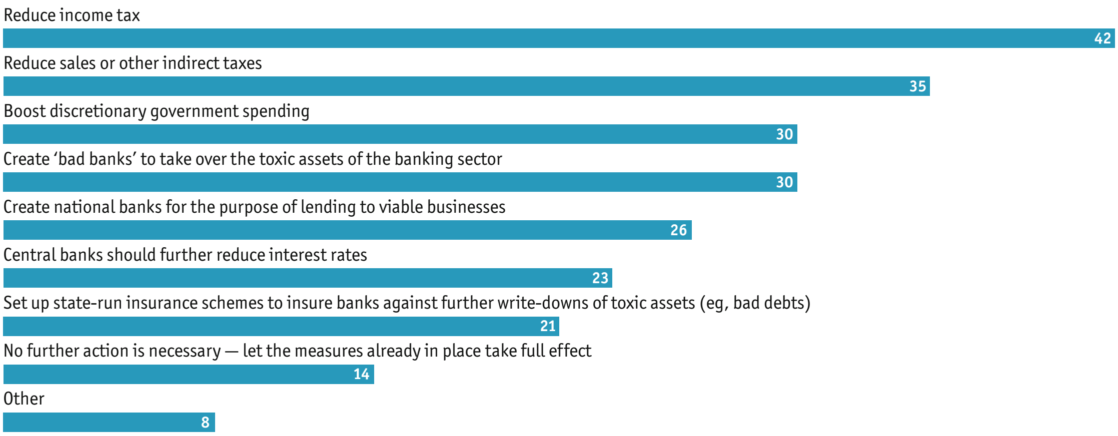
In Asia, Martin Fitzpatrick, Microsoft’s regional controller for South-east Asia, agrees there is a “genuine feeling of optimism” that local economies will bounce back quickly. He believes that their hopes are borne of volatile experience. “The boom-bust cycle seems to be more readily accepted as a regular part of the economic landscape,” he says. “I have grown used to the concept, this being my fourth cycle of boom and bust in less than ten years. Most companies and individuals seem to have effectively written off 2009 and are instead gearing up for a better 2010.”

Dried up at the source—finding liquidity

In Western economies, most experts believe pre-crisis liquidity levels will not return in the near future, and some believe it could very well be a protracted struggle. Unfortunately, there are few fallback options when crippled banks choose not to make loans to otherwise viable businesses. “What is the substitute for a bank?” asks Mr Franks of the London Business School. “I’m not sure I know the answer to that. Maybe companies will give more trade credit to each other, but that’s dangerous because I don’t know if it will work.”

According to our survey, companies expect to rely less on loans from now on, with one-half of respondents having reduced or with plans to reduce their bank dependence.

Of the following, what in your opinion is the best strategy for boosting the liquidity of businesses and consumers?
Please select all that apply.
(% respondents)



In parts of the world where liquidity shortages remain severe, Mr Franks puts forward two possible scenarios. First, “non-bank institutions” could step into the gap, but the risk is that these murky entities could be even less transparent and provide more expensive credit than the banks they are replacing. Second, the state could set up its own banks to loan directly to businesses. There is limited support for this option in our survey, with just over one-quarter of respondents favouring setting up nationally run loan institutions.

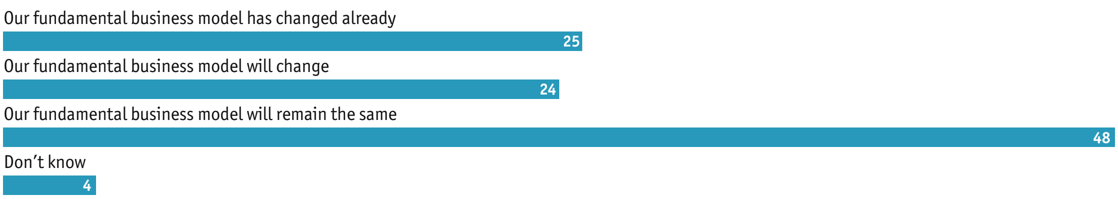
Governments have been reluctant to loan directly to businesses thus far, preferring intermediate measures, such as quantitative easing in the UK (that is, increasing the money supply), or the US government’s programme to buy corporate bonds. Mr Franks thinks that finding a sustainable approach is critical. If the problem is not resolved, insolvencies are almost certain to rise, exacerbating the downturn.

More than the usual cycle

The survey indicates something deeper is happening than the natural cash hoarding, risk avoidance and staff cutting that often happens in the downside of the business cycle. One-half of respondents say their business models have already changed or will change as a result of the recession. The trend is nearly as prevalent among non-financial services respondents, with 47% saying their business model has changed or will change.

Mr Smith of INSEAD is not surprised that companies are reconsidering their business models, given how much else has been called into question by the recession. He goes further. “In the future, we may need to reconsider one of the underpinnings of capitalism, the maximisation of shareholder value. For years, business schools have taught either implicitly, if not explicitly, shareholder value maximisation, and that’s being called into question. If they were following the model, how can this be happening?”

How has the current crisis affected your fundamental business model?
(% respondents)

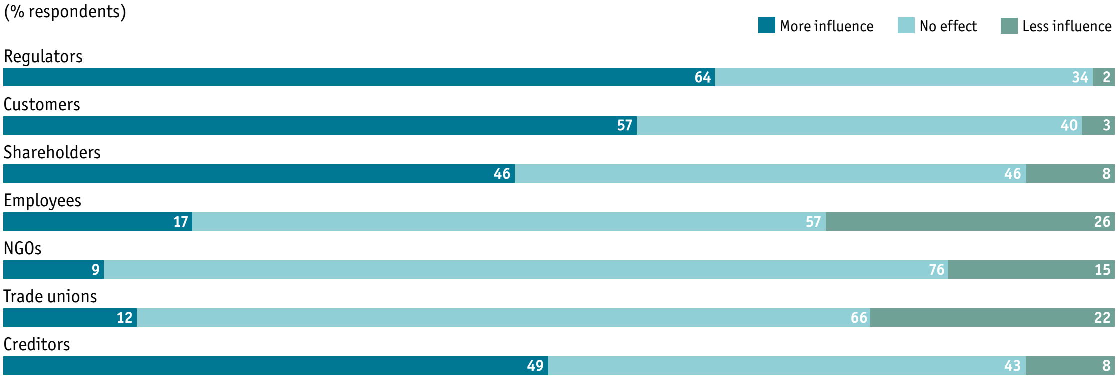


Enduring impacts—consumer power

When it comes to influencing decisions in the board room, customers will come out on top, according to our survey. Looking just at financial services companies, 84% say regulators will have more influence, compared with 56% for the rest.

According to Mr Vilcassim at London Business School, executives are right to put a premium on customers. “The speed of getting out of the recession will be about customer behaviour,” he notes. “The question is, what will be the enduring impact on consumers?”

As a result of the current downturn, do you think the following stakeholders have more or less influence over your company's decision-making?
(% respondents)



Sir Martin Sorrell, chief executive of the WPP Group, an advertising and marketing company, speaking to the BBC in March 2009, said he believes consumers will be less acquisitive and more responsible, and businesses must adjust to the new reality.

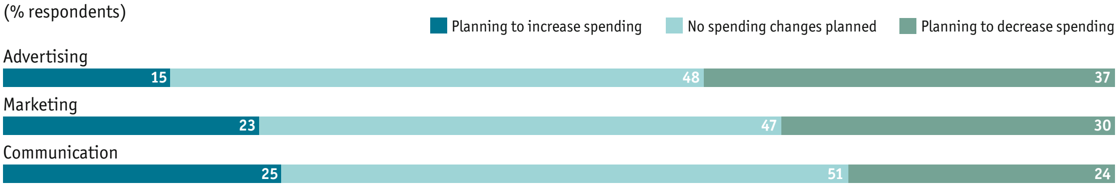
Mr Vilcassim notes that there is evidence to believe the shift will be for the long term. First, the factors that affect consumer spending, either consciously or unconsciously, are the expectation of future levels of income and the certainty of that income. Both have been rocked by the recession. Second, the consumption that is taking place has transitioned to value products because money is tight for many, and because those who have money to spend may not feel it is ethically right to spend it lavishly. "Each of those factors will be in operation for some time," says Mr Vilcassim.

Nick Foulkes, a social historian, author and journalist, writing in *Newsweek*, agreed: "On the most fundamental level, the very overt way in which we have used our possessions to demonstrate our status and communicate how we wish to be perceived by others is no longer regarded as acceptable."

Nevertheless, some high-end brands have done well—LVMH, a luxury goods maker that owns Louis Vuitton, saw sales rise by 4% in 2008 to €17.2bn. This is because it has focused on "core competencies", says Mr Foulkes. "Its current advertising campaign—featuring a Panama-hatted Sean Connery with a tropical island in the background and the strap line 'There are some journeys that turn into legends'—shows how, in difficult times, it is keen to stress its authenticity."

In our survey, respondents seem to understand the importance of maintaining PR spending during a downturn. Majorities intend to either increase their spending on advertising, marketing and communication, or keep pace, in 2009. Experts also predict that consumers' interest in green products and healthy foods will not diminish, but they will be looking for value for money. Marketing through

Is your company planning any changes to the amount of money it spends on advertising, marketing and communications in the next 12 months?
(% respondents)



social media will increase as well, as shoppers use websites to search for bargains.

In the meantime, many companies are trying to appeal to a broader range of customers—those with lots of cash and those without. The difficulty will be avoiding alienating one group at the expense of the other. For example, many high-end supermarkets have introduced value lines of merchandise, but are hoping to return to the luxury end of the market as soon as business picks up again. Retailers wary of damaging their reputation as purveyors of quality goods may not advertise price cutting. A clothing retailer could quietly replace US$200 jeans with a US$150 line and make up the costs somewhere else in the supply chain, observes Mr Vilcassim. As business recovers they can switch back with little fanfare. “The key challenge is to do that without diluting the brand,” says Mr Vilcassim. “That’s the trade-off they have to try to balance.”

"We do not want communism... the communist countries were the least happy in the world and also inefficient. But we do need a more humane brand of capitalism, based not only on better regulation but better values."

- Richard Layard, founder, London School of Economics, The Centre for Economic Performance

Conclusion

Within the past two years, many of the assumptions underpinning the global financial system have disappeared. The world is still in the midst of the economic fallout, but already the crisis has raised critical questions about the future.

- Did capitalism fail? Will theories such as "shareholder value maximisation" need a rethink? Or did the system "drift away from capitalism's most fundamental values," as the French president, Nicolas Sarkozy, wrote recently in the *Washington Post*.

- Is regulation enough? The "light touch" approach of the past clearly did not work. But what might replace it? Politicians who wrote the rules are implicated in this systemic failure too. In the US, for example, Congress encouraged risky mortgage lending through the giant underwriters Fannie Mae and Freddie Mac, and around the world loose monetary policy fed the boom. Moreover, regulators, as the saying goes, "legislate for the last crisis" and not the next one.

- Will governments resist protectionism? Most leaders pay lip service to open markets, but will domestic pressure force their hands?

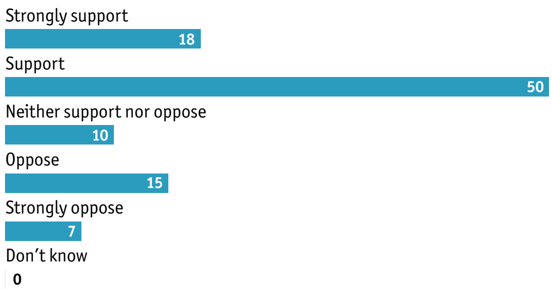
- When will liquidity return? How can industry thrive on the back of an uncertain, ailing financial infrastructure?

The executives we surveyed and experts we spoke to have weighed in, in one way or another, on all of these questions, and have suggested a number of possible scenarios. Light-touch regulations are likely to give way to tighter oversight at the national level, and could perhaps translate into support for a central global regulator to oversee the world's financial markets. Perhaps state-run banks will guarantee liquidity for businesses that were swept up in the destruction caused by financial derivatives. Or perhaps the world will see the emergence of "simple banks" that return to that once old-fashioned notion of making loans and collecting interest. The shareholder value maximisation model could expand to include a wider range of stakeholders. Consumers may become more frugal for the long term, not just through the current downturn.

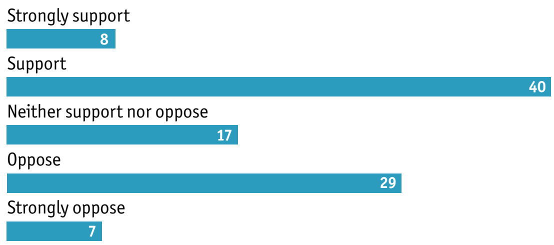
It is important to remember, however, that when respondents say the crisis has “fundamentally changed” capitalism, they did not say replace the system with something else, but improve upon it. There is no denying that their immediate vision of the future is gloomy, but in the midst of a downturn there is an opportunity to change things for the better.

Appendix: Survey results

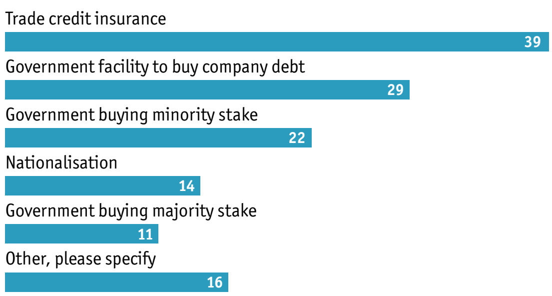
What is your overall opinion of the degree and scope of government intervention in the global banking sector so far (eg, buying shares, nationalisation)?
(% respondents)



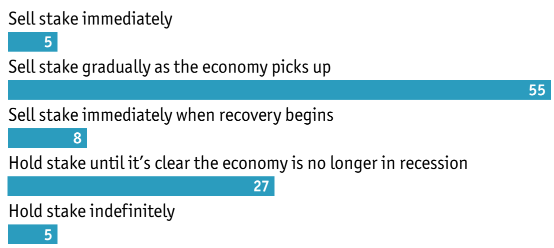
Do you support government intervention (eg, buying shares, nationalisation) in troubled sectors other than the banking industry?
(% respondents)



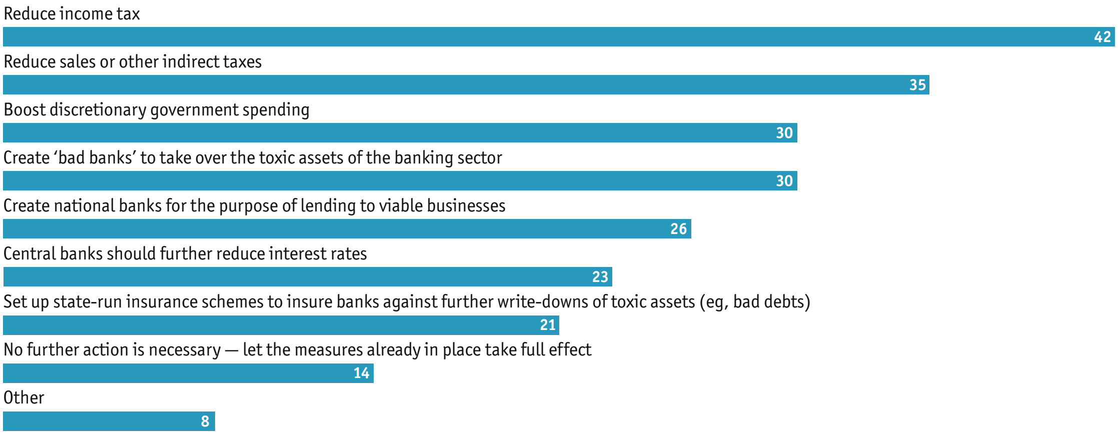
Do you believe your industry should qualify for any of the following types of government intervention if it shows signs of having difficulties? Please select all that apply.
(% respondents)



In general, what is the best approach for the government to divest itself from the banking industry and other industries?
(% respondents)

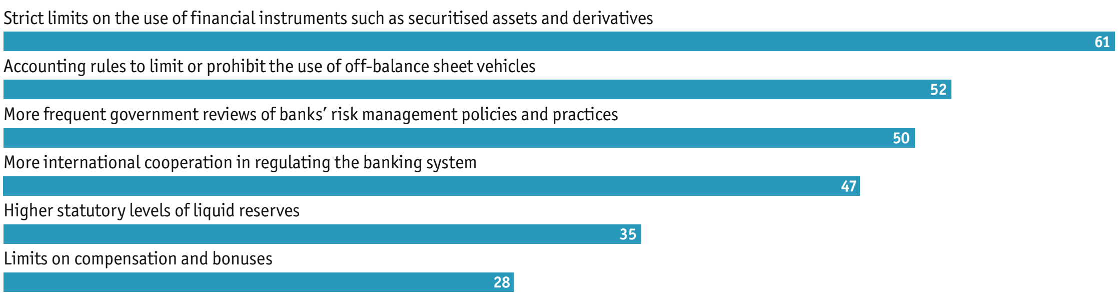


Of the following, what in your opinion is the best strategy for boosting the liquidity of businesses and consumers? Please select all that apply.
(% respondents)

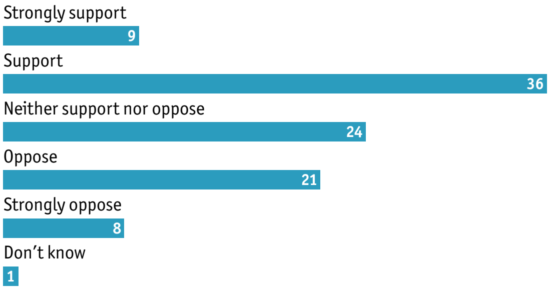


Are you in favour of further regulation of the banking sector?
(% respondents)

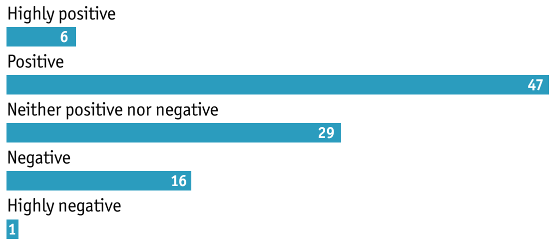
If you answered yes, what do you think should be the top three priorities for further regulating the banking sector? Select up to three.
(% respondents)



Are you in favour of stronger financial regulation of industries, other than financial services?
(% respondents)

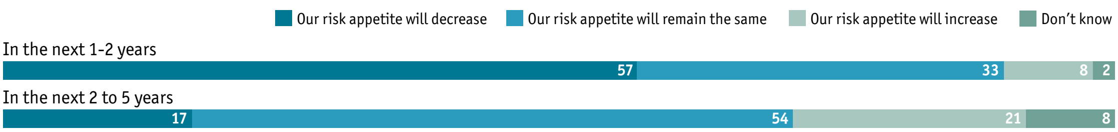


Thinking generally about governments’ responses to the credit crisis and downturn, what do you think the long-term (ie, 5-10 years) impact on your business will be?
(% respondents)

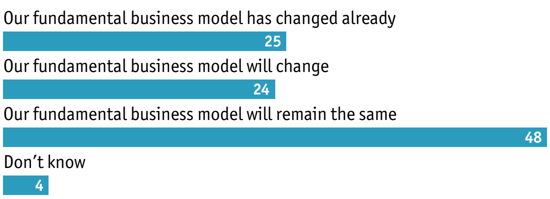


Please indicate to what extent you agree or disagree with the following statements.
(% respondents)

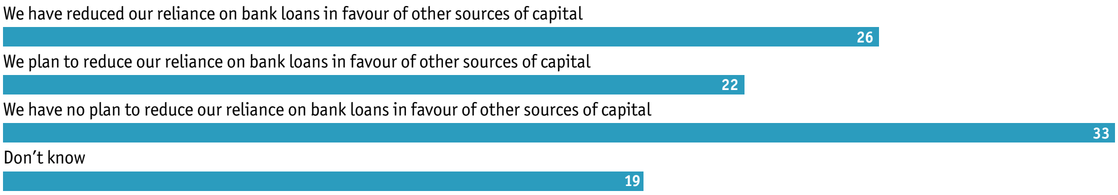
How has the current crisis affected your company’s risk appetite?
(% respondents)



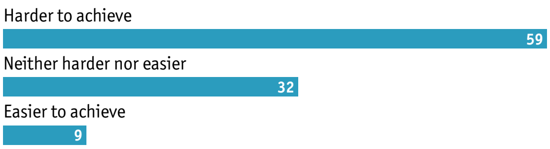
How has the current crisis affected your fundamental business model?
(% respondents)



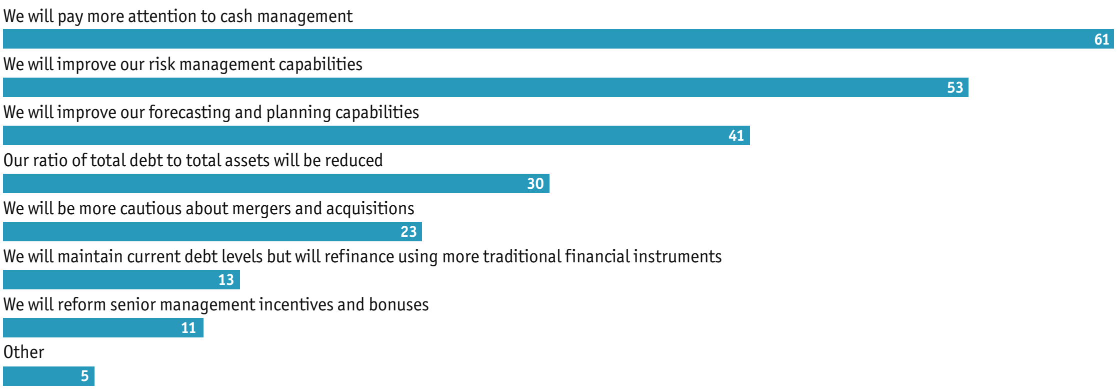
What steps has your company taken or plans to take to reduce its reliance on bank loans in favour of other sources of capital? Select up to three.
(% respondents)



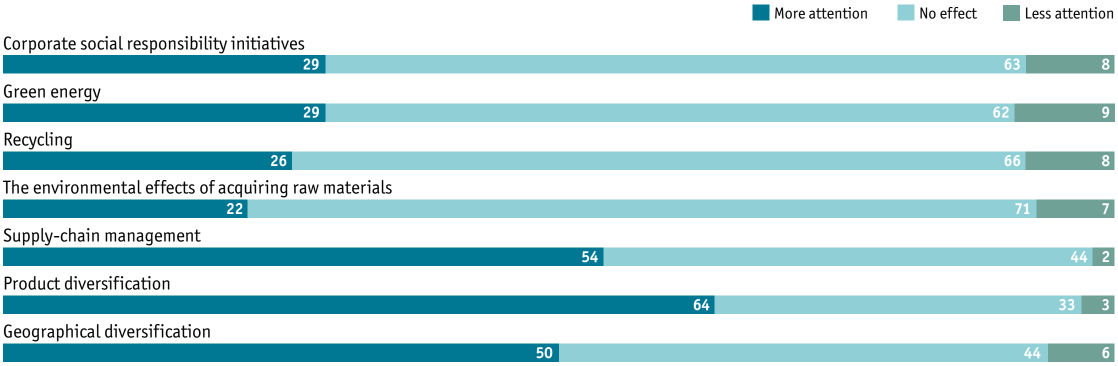
When economic recovery begins again, do you think growth will be easier or harder to achieve than it was before the 2008 downturn?
(% respondents)



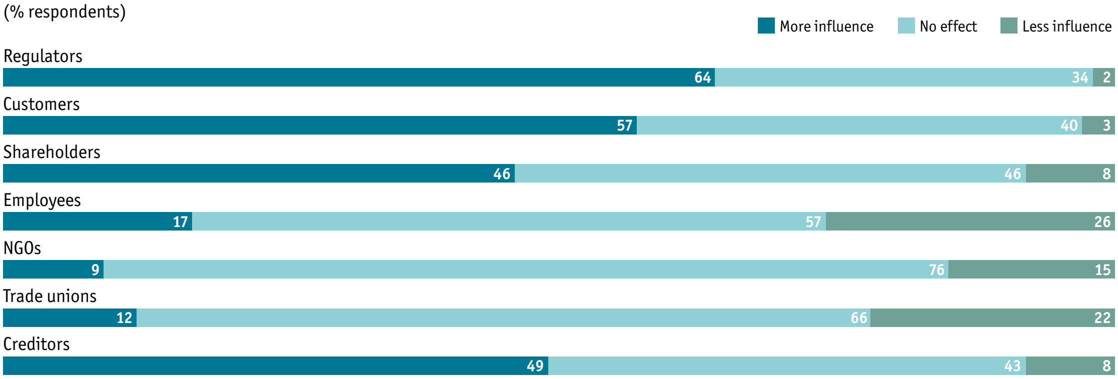
Which of the following are the most important changes your company will make as a result of the economic downturn? Select up to three.
(% respondents)



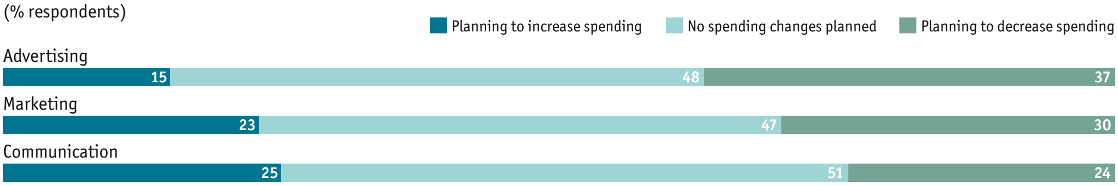
Do you think the crisis has changed, in the long term, the amount of attention your company will pay to the following issues?
(% respondents)



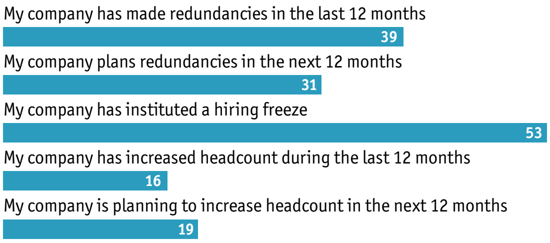
As a result of the current downturn, do you think the following stakeholders have more or less influence over your company's decision-making?
(% respondents)



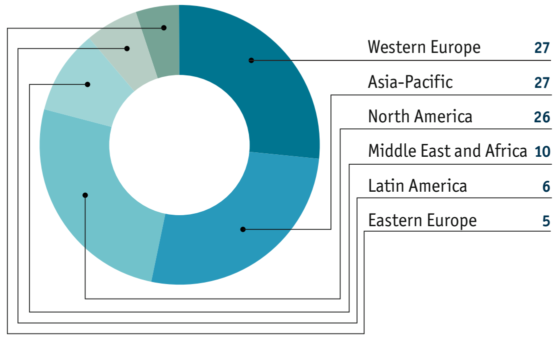
Is your company planning any changes to the amount of money it spends on advertising, marketing and communications in the next 12 months?
(% respondents)



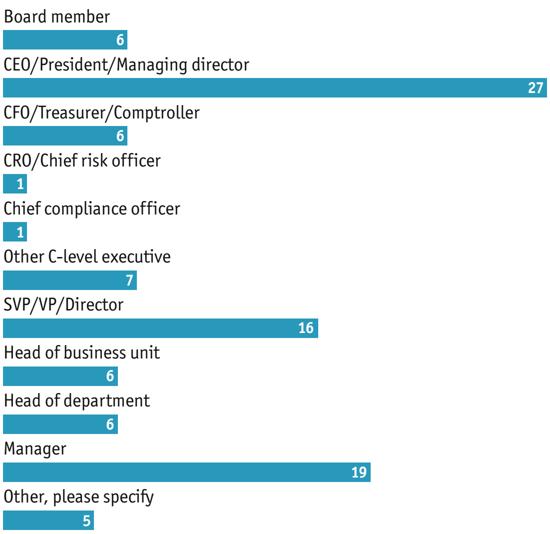
Has your company taken any of the following measures in response to the economic downturn?
Please select all that apply.
(% respondents)



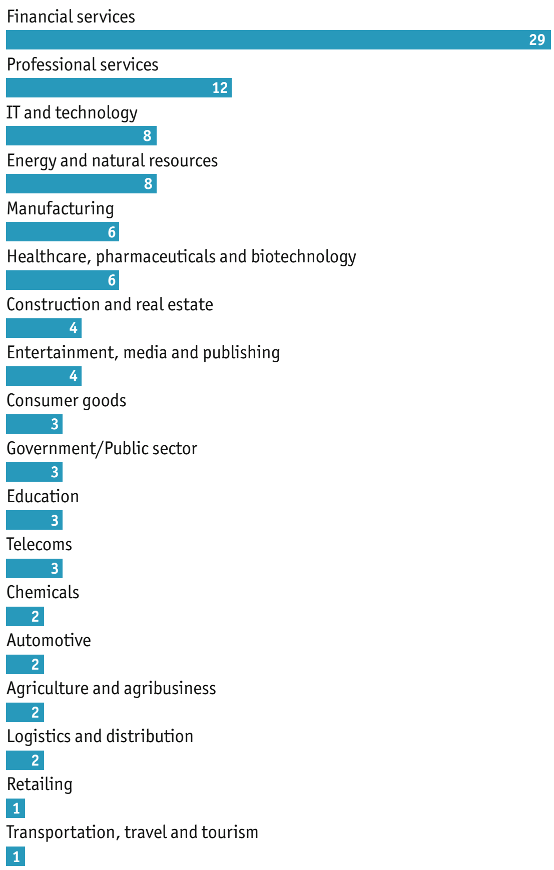
In which region are you personally based?
(% respondents)



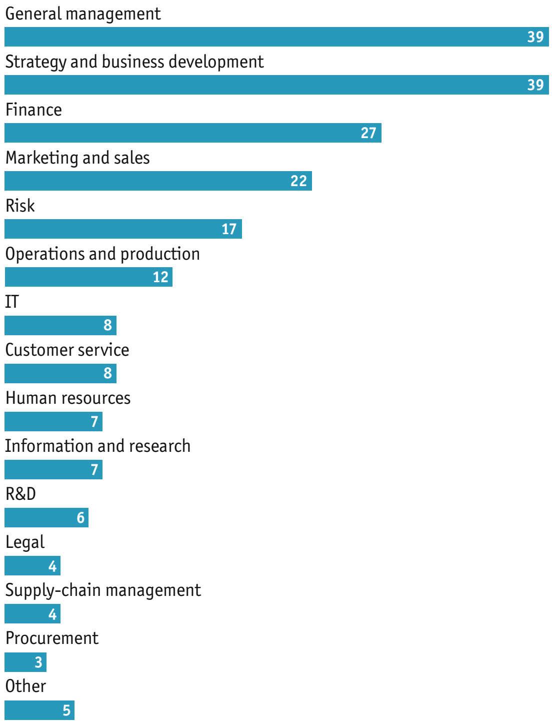
What is your title?
(% respondents)



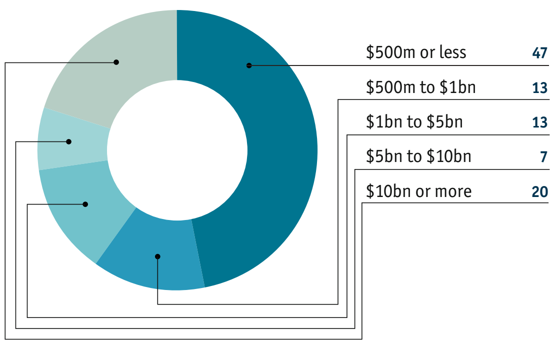
What is your primary industry?
(% respondents)



What are your main functional roles? Please choose no more than three functions.
(% respondents)



What is your organisation's global annual revenue in US dollars?
(% respondents)



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