

# Poll: Quick win is boost for business; recession lurks in long war, terror

From staff reports

Quick success for U.S. forces in Iraq could spell higher revenues for American businesses, but a protracted war or new terrorist attacks could cause corporate income to stagnate or shrink.

That's the opinion of chief financial officers polled this week by Duke's Fuqua School of Business and a professional organization for financial executives.

For the past seven years, Duke and Financial Executives International have queried CFOs' outlook for their companies and the economy each quarter. Their latest poll, to which 186 CFOs responded, included questions on how various war scenarios might color economic performance.

Eighty percent of the CFOs said a short war would mean higher revenues in the next 12 months, averaging 8 percent growth.

They split nearly evenly on the direction of revenues in a long war, canceling out any gain or decline. But if Iraq retaliates with weapons of mass destruction or large-scale terrorism, 76 percent said revenues would be flat or fall by an average of 8 percent.

Zero sales growth, the expectation in a long war, would spell a resumption of the recession, said Campbell Harvey, a professor in the Fuqua School of Business. And an 8 percent reduction could "lead to a severe economic contraction," he said.

The CFOs expect revenues to go up if the war is short, "because of all the pent-up capital demand," he said. "They've been holding off, even cutting back."

The CFOs were less optimistic generally about the prospects for the U.S. economy or their own companies' financial prospects than they were last quarter. Forty-five percent said they were less optimistic about the economy, compared with 15 percent last quarter, and 40 percent were less optimistic about their own company, compared with 23 percent last quarter.

"When you go from 15 percent to 45 percent over one quarter, that's quite a dramatic change," said Harvey, who teaches a class in global asset allocation, which examines managing geopolitical risk.

The number of CFOs predicting lower corporate sales in a worst-case war scenario has a margin of error of plus or minus 3 percent, Harvey said.

The CFOs polled were those who responded to a questionnaire sent electronically to many of Financial Executives International's 15,000 members across the United States and Canada, he said.