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Fed's Bernanke Thinks He Knows More Than 97% of Company Executives

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NEW YORK (TheStreet) -- The Federal Reserve made a mistake today in launching QE3, the third round of quantitative easing. This is not just my opinion. It's what chief financial officers say.

In the Duke-CFO Survey released this week, we asked a key question: If borrowing costs were reduced by 50 basis points (an optimistic assessment of QE3), would you accelerate or increase your capital investment? A total of 647 of 667, or 97%, of company CFOs said "no."

We also asked why. Here I quote them directly (without changes to spelling or grammar).

1. We need increased growth.

"Forecasted sales will determine the justfication for increased investment plans much more than interest rates, which we feel will continue to be low for quite some time."

"We have been getting good rates so far but I need revenue to stay consistent to want to invest in projects -- we need the sales."

"We need to see reliable growth before we are willing to invest any further."

"The main driver of investment decisions for us is consumer demand and/or new products/new market entries. Borrowing costs in an important factor, but at current levels not a determinant one."

"We are currently in a holding pattern on capital investments regardless of rates until the overall economy recovers more."

"The investment plans are not tied to the interest rate, but rather to sales and profit."

2. Rates are already at historical lows.

"Currently financing capital additions in the 3% range. The desired yields on a project just won't be effected by couple points of interest cost one way or the other."

"Rates are already so historically low that there is not room to lower them enough to make a significant difference."

"The interest rate will not fluctuate that great to influence our decisions in this area. We already have exceptionally low financing available to us. Our weighted average interest rate on debt is currently the lowest in our history."

"We have a stated strategy and borrowing costs would likely not cause us to accelerate our plan."

"Rates already extremely low -- further reductions can only be minimal and will not drive investment decisions."

"Borrowing costs are already very low. Overall economy is weak not warranting any need for additional investment."

"Interests rates are low enough for investments to be made. However, near and mid term economic conditions do not allow for these decisions to be executed at this time."

3. Economic uncertainty and stricter regulatory climate.

"We need a better economic and regulatory climate. A decrease in interest rates is not what we need."

"Interest rates already at historic lows. It's not high interest rates that are holding us back, but uncertainty about federal policies and loss of financial wealth of our customers."

"Too much economic uncertainty -- want to be able to respond should the fiscal cliff scenario occur in the U.S."

"It is not interest rates but ROI and uncertainty."

Summary

It is amazing to me that all of the focus is on interest rates -- when these rates are at a 50-year low.

In order to make substantial progress on job creation, we need economic growth. The key to economic growth is capital investment. In a separate part of the survey, CFOs indicate a level of capital investment over the next 12 months that is insufficient to make a dent in the unemployment rate, currently at higher than 8%.

Even if QE3 is successful in lowering rates, the policy will fail to spur capital investment. While the Fed will spend $85 billion a month, the CFOs say they will have nothing to show for it.

	Number	Percent	95% CI
Concern about demand for our products	414	58.20%	± 3.6 %
Concern about unemployment and its impact on the economy	370	52.00%	± 3.7 %
Concern about government budget deficits	361	50.80%	± 3.7 %
Concern about the U.S. presidential election	361	50.80%	± 3.7 %
Concern about potential changes in U.S. tax policy	321	45.10%	± 3.7 %
Regulatory environment	248	34.90%	± 3.5 %
Global economic turmoil	232	32.60%	± 3.5 %
Concern about slowing growth in major emerging markets	199	28.00%	± 3.3 %
Concern about Federal Reserve policy	161	22.60%	± 3.1 %
Difficulty obtaining funds	112	15.80%	± 2.7 %
Other (please specify)	41	5.80%	± 1.7 %
Total	**2820**		

Number of Cases = 711
Number of Responses = 2820
Average Number Of Responses Per Case = 4.0
Number Of Cases With At Least One Response = 707
Response Percent = 99.4 %

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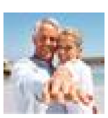
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