Duke survey: CFOs seek balanced approach to 'fiscal cliff'

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Chief financial officers of U.S. businesses say going over the "fiscal cliff" will lead to dramatic slowdowns in hiring and business spending in 2013 and will continue to hurt firms for years to come, according to a new survey by Duke University and CFO magazine.

The quarterly Global Business Outlook survey of more than 900 CFOs also found that a large majority prefer a solution that pairs $1 of tax increases for every $2 of spending cuts, similar to the plan proposed by the deficit panel chaired by former University of North Carolina President Erskine Bowles and U.S. Sen. Alan Simpson.

"It is shocking that CFOs overwhelmingly support Simpson-Bowles, which includes tax rate hikes to raise revenues," John Graham, a professor of finance at Duke's Fuqua School of Business and director of the survey, said in a statement. "CFOs generally prefer less taxation across the board, so their willingness to accept tax increases is dramatic."

CFOs are very concerned about the possibility of the U.S. not finding a solution to the budget impasse.

More than 70 percent say they will reduce hiring if no solution is reached and the U.S. goes over the fiscal cliff. Another two-thirds indicate they will cut business spending.

"The survey offers strong evidence that capital spending will be slashed under a 'cliff' scenario," Campbell Harvey, a Fuqua finance professor and founding director of the survey, said in a statement. "CFOs would also cut spending and hiring under a 'kick the can down the road' scenario. Capital spending would be robust only under an approach like Simpson-Bowles."

CFOs indicate the damage brought on by the fiscal cliff would be long-lasting.

More than two-thirds say their firms will be worse off five years from now if Congress and President Barack Obama can't reach a deal by Jan. 1 to avoid a dramatic combination of spending cuts and tax increases. Fewer than 5 percent of U.S. CEOs think that going over the fiscal cliff is a desirable way to address the budget deficit.

Given the possibility that the U.S. will go over the fiscal cliff, CFOs in the U.S. were less optimistic about the economy than in previous quarters. Other concerns cited in the survey include weak consumer demand, the cost of health care and retaining skilled workers.

"These concerns have led to a continued erosion of optimism about the U.S. economy," Kate O'Sullivan, editorial director at CFO Magazine, said in a statement. "Optimism has fallen to 51 out of 100, down from 60 last spring, and even slightly below Europe. This is worrisome, because historically reduced optimism foretells slower economic activity over the next year."

Corporate plans are flat for domestic hiring, according to the survey, with only a meager 0.1 percent increase expected in the U.S. This implies a rising unemployment rate in 2013.

CFOs plan to increase capital spending by just 2.5 percent over the coming 12 months, down from 7.3 percent in the spring. This is the fourth consecutive quarter spending plans have declined.

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