

# The Financial Psychology Of The Presidential Front-Runners And Its Impact On US Competitiveness

## Executive Summary

This White Paper examines the financial psychology of the three Presidential front-runners with the aim of assessing **what impact they will have on the US economy and US competitiveness.**

The approach used in the paper is based on a new set of behavioral finance tools developed by the Perth Leadership Institute. These measure the **propensity of a leader to create value and to utilize resources.** Where a leader creates more value than the resources used to achieve this, they create capital and they have a positive impact on US competitiveness.

The White Paper assesses all three front-runners on these criteria to make an assessment of their impact on US competitiveness. It looks at their **behavioral balance between value-creation and resource utilization** as measured by their resource distributive impact, essentially the same criterion.

**All three front-runners exhibit much greater behavioral focus on redistribution than on value creation. So the impact of all three is that they will have an adverse impact on US competitiveness over the longer-term.**

Of the three Clinton will have the least adverse impact, and there is even a (small) chance this could turn positive later in her term of office. McCain's impact will be negative as he has intensive policies and behaviors which are directed to redistribution, in this case to the military and exacerbated by his tax policies. Obama will have the most adverse impact on US competitiveness in the short-term but there is a slight chance that this could turn slightly positive later in his term under certain circumstances.

**Clinton:** Clinton will have a **somewhat negative impact on US competitiveness but she has repressed tendencies towards policy innovation** which could appear later in her term if she was comfortable enough politically to let this hang out. In that case her impact could turn slightly positive.

**McCain:** McCain's impact is **negative and is likely to be the most erratic of the three.** The sharp conflict between his two main behavioral financial tendencies, one to reduce spending without adding any policy value, and the other to pursue high resource utilization initiatives in the area of defense and foreign policy, will probably lead to sharp oscillations in his financial policies and impact and could possibly lead to very adverse impacts on the US competitive position.

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**Obama:** Behaviorally, **Obama should have the least adverse impact but his determined strategy over his career to seek agreement at the expense of performance will overwhelm this behavioral tendency and lead to the most adverse impact**. He may well have some behavioral tendencies to increase policy innovation but if so he has hidden them well and in any case he has less of them than Clinton (but not McCain). To the extent he does possess some of them, these could possibly reveal themselves later in his term when he feels confident enough that they will not weaken him politically, but in that case any positive impact would be minimal.

The White Paper recognizes that it raises complex behavioral issues that are unlikely to be resolved in a single paper. Its aim is to focus attention on an issue which has received little attention – the outcome of the election in terms of the future global leadership and competitive position of the US – and to relate the behavioral tendencies of the front-runners to show their possible impacts in this area. The Paper recognizes that, in practice, many scenarios are possible some of which could be responses to the issues raised in the Paper and some of which could be totally unrelated.