



WHITE PAPER

THE FINANCIAL PSYCHOLOGY OF THE PRESIDENTIAL FRONT-RUNNERS AND ITS IMPACT ON US COMPETITIVENESS

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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.

Obama: Behaviorally, **Obama should have the least adverse impact but his determined strategy over his career to seek agreement at the expense of**

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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.

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We Need Insights on Financial and Executive Behaviors to Better Assess Political Leaders

To Assess Their Financial and Competitive Impact

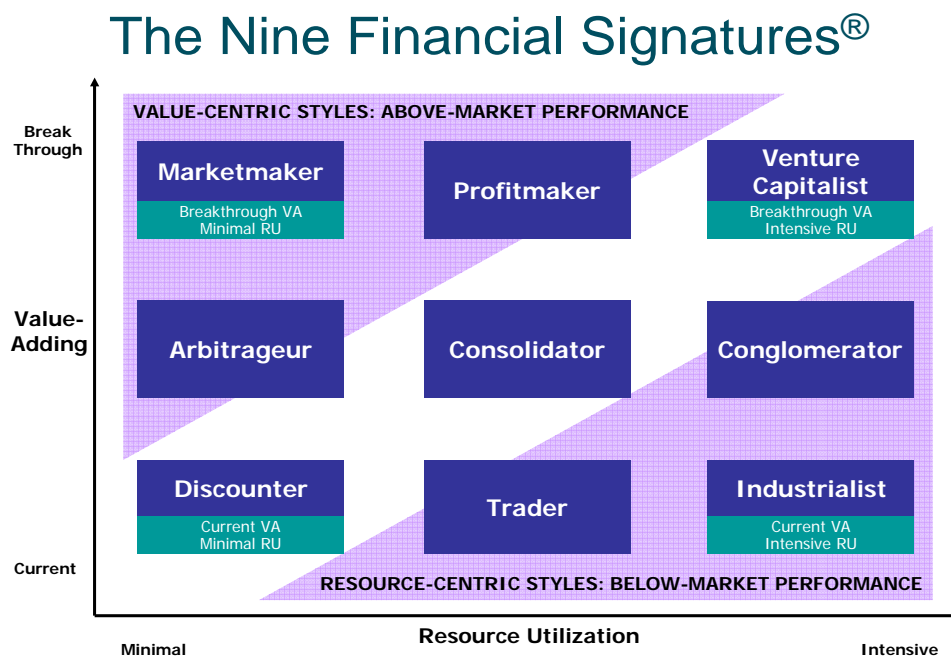
Perth has developed a set of constructs that enable it to assess:

- The dominant executive focus of leaders
- The strategic priorities that are important to them personally and with which they are most comfortable.
- Their impacts on financial outcome and competitiveness for the institutions they lead, which could include companies or countries.

We do not try to set out the entire theoretical behavioral finance framework here. Some of this can be found in the book by E. Ted Prince, of the Perth Leadership Institute entitled “The Three Financial Styles of Very Successful Leaders”¹ while other references are included in the bibliography.

The first main construct is the Financial Signature[®] of the leader, shown at Figure 1 The Nine Financial Signatures. There are nine possible financial signatures for any leader.

Figure 1 The Nine Financial Signatures



¹ McGraw Hill, New York, 2005

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Front-Runner Life Aspirations and Their Impact

The Mission mode examines two dimensions and where the candidates fall on each. These are:

Recognition Style – where they fall on the spectrum Individualist-Altruism. Individualist refers to a person who is mainly focused on strategies which benefit them more than others, altruists on strategies that benefit others more than themselves.

Vision Style – where they fall on the spectrum Short-Term Returns-Long-Term Vision. Shorter term means they are more focused on strategies which have a high probability of paying off in the short-term, even if the overall benefits are not so great. Long-term vision means that the strategies have a lower probability of paying off, but if they do will result in far greater benefits.

Recognition Style – Individualist/Altruist

On the Recognition spectrum, two of the three (Clinton and Obama) might appear to be socially very altruistic. Clinton went straight from Harvard Law School to work in the Children’s Defense Fund and has held many social advocacy roles since.² Obama’s childhood friends and teachers describe him as caring and very helpful with friends, protecting the smaller children when they fell down.³ His teacher recalls him writing an essay about how he wanted to be president when he grew up so that he could make everybody happy.⁴

However we cannot necessarily take these at face value. In the cases of Obama and Clinton, both were clearly motivated by political ambition at early ages. Their apparent altruism might have been motivated by ambition than by altruism. Clinton has been described as “steely”. Obama’s friends when he was young repeatedly assert that remedying racial issues was never an issue for him. Obama has clearly linked with real estate deals that benefited him personally, just as has Clinton during the Administration of her husband in the Whitewater case. Both Obama and Clinton seem to have enlisted social causes as a vehicle for their ambition:

“Their apparent altruism might have been motivated by ambition than by altruism.”

² <http://www.edwardsly.com/clinton.htm>

³ “The not-so-simple story of Barack Obama’s youth: Shaped by different worlds, an outsider found ways to fit in” <http://www.chicagotribune.com/news/politics/chi-070325obama-youth-story,1,4006113.story>

⁴ “The not-so-simple story of Barack Obama’s youth: Shaped by different worlds, an outsider found ways to fit in” <http://www.chicagotribune.com/news/politics/chi-070325obama-youth-story,1,4006113.story>

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“Leaders with a personality pattern such as Obama’s — ambitious and outgoing — are primarily concerned with issues of self-validation. Despite their strong belief in themselves, they enlist pragmatism as a strategy for ensuring their own success and political ambition.”⁵

Only with McCain can we say unambiguously that he never demonstrated strong outward signs of altruism when he was younger. McCain appears to be a strong Individualist, demonstrated by both his rebellious and dissenting nature.⁶

In all likelihood these three candidates are more on the Individualistic side with McCain being on the extreme, Clinton being a strong Individualist but not as extreme as McCain and Obama being somewhat less so.

Vision Style - Short-Term Returns/Long-Term Program Vision

Short-Term Returns leaders are focused on short term goals. Long term goals that do not have same kind of short term payoff will seem risky to this group. Program Vision

“We would expect to see constructive innovation in public policy initiatives in the resumes of the candidates, but instead we see the candidates using policies derivative of previously proposed solutions packaged so as to achieve political acceptability.”

leaders are focused on long term goals and the big picture, and they are willing to forego short term rewards in order to achieve this. In the economic context, Program Vision can be equated to the United States’ long term competitiveness and economic sustainability. Perhaps due to the structure of the electoral system, none of the three candidates show a strong propensity towards Program Vision in this sense. We would expect to see constructive innovation in public policy

initiatives in the resumes of the candidates, but instead we see the candidates using policies derivative of previously proposed solutions packaged so as to achieve political acceptability.

Again there are some cautions in this area. The lack of a clearly expressed long-term vision may not mean that the candidate does not have one. It may simply reflect a desire not to make it clear for political reasons and to keep options open and not to offend certain constituencies. What may appear to be a short-term orientation may be again a response to political facts on the ground. Notwithstanding this we may still make certain inferences from the backgrounds of the candidates and the extent to which they do not comment on certain issues at all.

⁵ Unit for Study of Personality in Politics Obama links
<http://www.csbsju.edu/uspp/Obama/Front.html>

⁶ Matt Welch, “Be Afraid of President McCain: The frightening mind of an authoritarian maverick” Reason Magazine, April 2007

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Clinton demonstrates high interest in policy but her policy implementations in Arkansas' education system were heavily based on previously proposed legislation and essentially only brought Arkansas up to speed with the rest of the country. However the HillaryCare plan of the 90s was very innovative in the context of that time. Her current platform on energy calls for a \$50 billion Strategic Energy Fund and \$20 billion for "Green Vehicle Bonds,"⁷ in some ways strikingly similar to HillaryCare – high innovation, high cost. Even though it failed, it provides a window into her thinking as to how she might act were she to get into the Oval Office (as President...) and what might be the outcome of these initiatives.

McCain appears to be oriented to the Shorter-Term end of the spectrum in his Mission Mode. In general, he has steered away from long term visions and issues. For example, in 1994 he fought to "abolish a minor congressional privilege—use of the parking lot closest to the main terminal at National Airport. He readily acknowledged this was "merely a symbol" of corruption, not an actual abuse of power.

"I meant only to recognize that people mistook such things for self-aggrandizement," he explained in *Worth the Fighting For*. "Every appearance that inadvertently exacerbates their distrust is a far more serious injury than it would be had we made other, more serious attempts to rekindle Americans' pride in their government."⁸

When McCain does refer to a vision it is more in the context of a preference that is for America to retain its leading place in the world or for taxes to be lower. But there have been numerous commentaries on his lack of a clearly expressed long-term vision in the foreign policy and economic areas, to mention but two.

"...there have been numerous commentaries on his [McCain's] lack of a clearly expressed long-term vision in the foreign policy and economic areas..."

In many ways Obama seems to resemble McCain on this spectrum. Similar to McCain he has never enunciated visions in the social policy, economic or foreign policy areas, instead focusing more on the need for change and a new way of doing things. However there is some evidence he might be avoiding talk of visions to keep his options open and not to offend key constituencies.

"He was a very provocative thinker. He would bring up worldly topics far beyond his years."⁹ Orme, a childhood friend from Punahou School in Hawaii.

⁷ <http://www.hillaryclinton.com/issues/energy/>

⁸ Matt Welch, "Be Afraid of President McCain: The Frightening Mind of an Authoritarian Maverick" Reason Magazine, April 2007

⁹ "The not-so-simple story of Barack Obama's youth: Shaped by different worlds, an outsider found ways to fit in" <http://www.chicagotribune.com/news/politics/chi-070325obama-youth-story,1,4006113.story>

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Of the three, Clinton seems to have been explicitly more focused on long-term visions. The epitome of this was her failed health care initiative in the Clinton Administration. Although it failed, her clear vision was health care for all Americans, a strategy she fought hard for but lost.

“Clinton’s personality pattern suggests that as president she would be more goal-directed, with a strong interest in solving policy problems effectively and accomplishing ideological objectives, and less interested in maintaining good relations among colleagues.”¹⁰

Of the three, McCain seems to be most focused at the short-term end of the spectrum, with Clinton somewhat (but not a lot) into the vision end and Obama somewhere in-between.

Front-Runner Thinking and Relationship Styles and Their Impacts

The Managing Mode has two axes:

Logic Style – Streetwise/Analytical; Streetwise leaders distrust logic and tend to use it only as a default check on Streetwise thinking methods. Analytical leaders trust logic and use facts and data and only use Streetwise methods (intuitive) as a default check on analytical approaches. Streetwise people have a certain level of intuition, or 'gut feeling', about the optimal course of action. Analytical people, on the other hand, need to collect and research all data available in order to feel comfortable moving forward.

Relationships – Introvert/Extrovert: Extroverts are more focused on relationships, whereas Introverts are more focused on things. Extroverts get their energy from other people, Introverts from themselves.

Logic Style

Once again there are some cautions in this area. Some Streetwise leaders go to extreme lengths to demonstrate that they are analytical so that observers do not fault them for not being logical and using data before acting. Analytical leaders often appear to consult with Streetwise people to show that they are not just being led by meaningless reams of data.

Clinton is demonstrably highly analytical. Her analytical nature is demonstrated by her widely observed conscientiousness and diligence.^{11 12} She is frequently described as

¹⁰ http://www.csbsju.edu/uspp/Obama/Clinton-Obama_London_3-3-2008.html

¹¹ <http://www.csbsju.edu/uspp/Obama/Front.html>

¹² Janet Hook, “Senate careers branch differently for Clinton, Obama”, Los Angeles Times, February 26, 2008

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calculating. Her work on the health policy initiative was strongly directed by large teams of analysts who pursued data to the exclusion of getting the right support, hence its failure. This is a well-known vulnerability of analytical leaders who tend to believe that if enough data is enlisted, that will be enough for it to mean that a strategy will be successful.

McCain appears to be Streetwise. This is often seen in leaders who are rebellious at school or in college, and who sometimes drop out. Their Streetwise nature leads then to distrust or dislike the academic methods they are being taught and McCain is infamous for his exploits at Military Academy which would almost certainly have resulted in his dismissal had it not been for the military contacts of his father, himself a distinguished military officer.

“...his [Obama’s] campaign clearly shows some impact of the analysis required to go into a Presidential campaign as an underdog and make strong inroads against established candidates.”

Obama is somewhat harder to read. He studied law, maybe evidence for being more analytical, although not strong or maybe not. He is not noted as a scholar or as analyst nor does he have any major cause about which he has obviously spent much time and energy in analyzing data. His response on tax issues seems to have been fairly fuzzy seeming to evidence a lack of analysis in this area. On the other hand, his

campaign clearly shows some impact of the analysis required to go into a Presidential campaign as an underdog and make strong inroads against established candidates. However on the whole he also appears to be on the Streetwise side of the ledger, just like his mother¹³.

Overall the only strong Analytical amongst the three appears to be Clinton; McCain seems to be a moderate Streetwise, Obama a Streetwise but probably somewhat less so than McCain.

Relationships

Introverts tend to focus their energy more towards ideas, and in the political field, policies.¹⁴ Herein lies one of the most intriguing outcomes of the US political campaign model which runs similarly to a popularity contest. Extroverted candidates almost always prevail due to their popularity and their superb competence in building great relationships.¹⁵ Introverts are more likely to have the solutions to complex policy issues but will less often prevail in a campaign because of their disinclination toward relationships.

¹³ Ripley, A., “The Story of Barack Obama’s Mother” Time, April 9, 2008, <http://www.time.com/time/nation/article/0,8599,1729524-7,00.html>

¹⁴ http://www.reformpartyct.org/CTCIC/feb08_08McCain.html

¹⁵ http://www.reformpartyct.org/CTCIC/feb08_08McCain.html

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One major caution too with introversion and extroversion. Just because a person appears to be outgoing, it does not follow that they are extroverted. And extroverts can and often do learn to mimic an introvert because of the stereotyping and perceived bias which they perceive towards extroverts. Many introverts do the same thing in reverse. So we have to be careful before simply ascribing leaders to one category or the other just based on popular accounts of their behaviors in this area.

Clinton is clearly a natural introvert although, over the years, she has learned to mimic an extrovert quite well, no doubt with the expert tutelage of her husband, himself an extreme extrovert. Clinton has been aware of the impact of her natural style on public appeal for many years and has learned some techniques to combat this but still lacks the natural charisma of either Obama or McCain. Clinton is also certainly more introverted than Obama or McCain.

“Clinton has been aware of the impact of her natural style on public appeal for many years and has learned some techniques to combat this...”

Obama is an interesting case. He showed classic signs of introversion as a child^{16 17} but has appeared to become more extroverted and charismatic with age,¹⁸ a 'learned extrovert'. Friends who know him well talk about a sometimes chilly manner¹⁹. So it appears that, naturally, he is actually an introvert, although only mildly so. He has changed over the years in order to increase his mastery of relationships, something that has unquestionably helped him further his political career. It is perhaps his natural introversion combined with his mastery of relationships and persuasion that makes him the most charismatic of the three candidates, by virtue of his thoughtful congeniality.

McCain has shown a high focus on relationships since he was young, at the expense of academic performance, at least in some instances.²⁰ So he is a strong extrovert.

While Clinton, who 'clearly delights in the law-making process',²¹ is more likely to focus on the policy issues and their solutions, Obama and McCain will be more inclined to inspire and draw voters to their cause by virtue of their charisma and perceived connection with voters, potentially at the expense of policy solutions.^{22 23}

¹⁶ <http://abcnews.go.com/GMA/story?id=2989722&page=1>

¹⁷ “The not-so-simple story of Barack Obama's youth: Shaped by different worlds, an outsider found ways to fit in” <http://www.chicagotribune.com/news/politics/chi-070325obama-youth-story,1,4006113.story>

¹⁸ Unit for Study of Personality in Politics Obama links
<http://www.csbsju.edu/uspp/Obama/Front.html>

¹⁹ “Latest Attacks Roil Democrats,” *Wall Street Journal*, April 21, 2008, p. A11

²⁰ Matt Welch, “Be Afraid of President McCain: The frightening mind of an authoritarian maverick” Reason Magazine, April 2007

²¹ Janet Hook, “Senate careers branch differently for Clinton, Obama”, Los Angeles Times, February 26, 2008

²² <http://www.csbsju.edu/uspp/Obama/Front.html>

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So, of the three candidates, one is a moderate introvert (Clinton), one is a mild introvert acting as an extrovert (Obama), and one is a strong extrovert (McCain). As we will show later, this has significant implications for their personal financial traits and natural center of behavioral gravity.

Front-Runner Professional Comfort Zones and Their Impact

In the Professional mode there are two axes. These are:

Customer/Voter Style – Policy/Promotion

The Customer/Voter style refers to where a leader naturally focuses and where they are most comfortable, the policy or the promotional sides.

Quality Style – Financial/Operational

The Quality style refers to the area of operating quality that the leader naturally is most comfortable with, either the cost-benefit or the operating quality side. Financially focused leaders tend to make sure they meet the bottom line target no matter what the loss in quality (or votes). Operationally based leaders will be more focused on quality and functionality than on making ends meet. As such, leaders at the operational end of the axis tend to use more resources than those at the financial end.

Customer/Voter Style – Policy/Promotion

McCain is strongly relationships focused, and this drives his choice of issues on which he makes a stand. He does this at the expense of policy positions, on which he is comparatively weak. So in the Professional Mode, McCain is a Client Fixer, who appeals to voters (the customers) through effective public relations techniques but doesn't necessarily deliver the technical prowess required to solve complex policy problems.

Clinton is much more focused on policy than she is on relationships and promotion. This was the strength of her professional partnership with her husband while he was President. He was able to focus on promoting and she focused on policy. It was her lack of promotional capability during her health care plan in the 90s that prevented her from

²³ http://www.csbsju.edu/uspp/Obama/Clinton-Obama_London_3-3-2008.html

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creating the alliances and support to bring such an ambitious and even visionary plan to fruition.

Obama is very promotional, effectively creating an expectation of visionary initiatives through his message of hope. Whether or not they will come to fruition is a story potentially waiting to be told, but his track record does not show implementation of any major policy initiatives. So at the moment we can only assume he is more relationship than policy oriented. However, as we have seen, as a natural introvert this may be something he does not do as a natural thing, but more as a deliberate strategy.

There is one intriguing possibility however. That is that Obama's apparent extroversion conceals a policy engineer mentality that is repressed for political reasons but could be let out once he is in a position that he does not need to get votes, i.e. he is in office and is firmly ensconced. While we do not see any external evidence for that, it is nonetheless consistent with his personality type and if it were true, would mean that he has more policy value-added upside than would appear at first blush.

Thus on the Customer/Voter style spectrum, Clinton is squarely on the Policy side, McCain is strongly on the Promotion side and Obama is somewhere in-between, naturally more like Clinton, but having made efforts over the years to increase his capability with relationships. Between the two it is likely that McCain is far more comfortable in this promotional role, being a natural extrovert, while Obama, as a natural introvert but learned extrovert is probably less comfortable albeit doing a job which is almost and maybe more than functionally equivalent to that being carried out by the real extrovert McCain.

Quality Style – Financial/Operational

All three candidates are operationally focused, and that is the way that the electoral process demands them to be. The electorate does not vote based on how much money a political figure saves by *not* directing funding their way. They vote on the basis of the quality and quantity of services the government provides to their sets of interests at the lowest possible rates of tax to them.

“All three candidatures are operationally focused, and that is the way that the electoral process demands them to be.”

Clinton is highly operationally focused which can be seen through her focus on a quality, universal health care system. But in contrast to McCain, she is very technically oriented, focusing on creating intricate solutions for complex problems.²⁴ Other than the purely political issues, it was the very high cost of the proposal that ultimately led to its demise.

²⁴ http://www.csbsju.edu/uspp/Obama/Clinton-Obama_London_3-3-2008.html

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McCain brands himself as fiscally conservative but has backed high-resource utilization initiatives in the deployment of government resources through a number of initiatives including his bailouts of the airlines after 9/11, and his recent proposed legislation requiring known sex offenders to report all email address to law enforcement officers.²⁵ Matt Welch describes McCain's initiatives as generally being in the pursuit of increased government power,²⁶ itself an affirmation that McCain is more focused on this aspect than on the resources required. This is most clearly reflected in his Iraq-at-all-costs policy which prioritizes projecting US power overseas largely irrespective of its cost.

Obama is also operationally focused. This lack of emphasis on and comfort with financial issues is reflected in his positions on tax matters which generally reflect a strong bias to redistributive policies even where this means increasing taxes (e.g. capital gains, employment taxes, etc.) and a somewhat fuzzy attitude when asked to discuss these issues, just like McCain.

It is notable that two of the three candidates, McCain and Obama have had no direct experience in running a for-profit organization. McCain has a wife who runs a for-profit company but is not directly involved in this and his background has been in the military, the very epitome of operational as opposed to financial priorities. Obama was a lawyer in a nonprofit for many years and has been focused on nonprofits in his professional background.

“McCain and Obama have had no direct experience in running a for-profit organization.”

Clinton is a somewhat different case. She started off in a nonprofit but as a lawyer for several years would have been involved in earnings and profitability issues. So she is probably the closest to the financial side of the spectrum, even though she is still mainly operational.

In sum Clinton is very operations focused as is Obama, and so is McCain but to a lesser extent.

Front-Runner Time and People Responsiveness and Their Impact

In the Leading mode there are two axes:

Delegation Style – Command/Consensus

²⁵ Matt Welch, “Be Afraid of President McCain: The frightening mind of an authoritarian maverick” Reason Magazine, April 2007

²⁶ Matt Welch, “Be Afraid of President McCain: The frightening mind of an authoritarian maverick” Reason Magazine, April 2007

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As the terms imply, this distinguishes between leaders who lead either by consensus or by command or somewhere in-between.

Reaction Style – Planning/Action

This particularly refers to the extent that a leader deliberates or acts rapidly in making decisions and carrying out policies.

Delegation Style – Command/Consensus

Clinton is well-known for her certainty of judgment and self-assuredness. A consummate politician and facilitator, she uses the art of consensus only where necessary to achieve her political objectives. Somewhat like McCain she is short-tempered and impatient to implement. She too is a command focused, as was seen during her stewardship of the White House as the Presidents wife, in both the health policy initiative and in the Travelgate issue, where she clearly took command.

It can also be assumed that McCain has a strong command style, even though it may be a stereotypical conclusion. McCain's military background is neither the only nor is it the strongest evidence in respect to his leadership mode. McCain prides himself on poking a stick in the eye of his fellow Republicans, which is the very antithesis of consensus within his own political network of supporters and fellow-travelers. He is impatient, with a widely remarked violent temper, which he has increasingly controlled with age. We equate his impatience and temper with a lack of comfort with consensus, albeit there can be no doubt as an experienced and consummate politician that he has learned many of the arts that would at least provide the image of being a consensus leader.

Obama has been known as a consensus builder throughout his political career, often building bipartisan support,²⁷ despite his strongly liberal voting record. Friends and observers who knew him when he was much younger and well before he entered politics note that he was always someone who was building bridges between different sides of a position. However he is no wall-flower. Reports from his younger days show that he was prepared to argue with the umpire, albeit politely and in way that was not discourteous.

“...these will have major impacts on their financial areas of comfort.”

So of the three front-runners, two, McCain and Clinton, are command oriented. McCain is likely to be much more command focused than Clinton. Obama is much more consensual. Once again, as we will show, these will have major impacts on their financial areas of comfort.

²⁷ Kaitlin Kovach, “Balance marks Obama's political career: Illinois senator focuses on family and public service” Marquette Tribune, February 19, 2008
<http://media.www.marquettetribune.org/media/storage/paper1130/news/2008/02/19/Election/Balance.Mark.s.Obamas.Political.Career-3213997-page2.shtml>

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Reaction Style – Planning/Action

Clinton, with her hard work and study of an issue, is very planning focused. She takes some time to come to a conclusion driven by a highly analytical style that wants to see all the data before making a decision. She will not jump quickly to a decision (despite her ad about what one would do at a 3 am telephone call).

McCain is quintessentially very action-focused and a Top Gun type in decision making. He is not naturally a planning type:

“John McCain barely does speeches. And he usually races through them head down, looking at the lectern, with a visible show of relief at the end.”

“What some voters would like to see, I suspect, is the old John McCain: the exciting, fast-moving candidate, who was heavy on reform and light on organization.”²⁸

“So, if Republicans went for McCain because he’s the “national security sheriff,” I think it’s the sheriff part they like, rather than the national security. It’s easy to see him moving down a dusty Main Street in a low crouch, hands ready to draw.”²⁹

McCain is infamous for having to flip flop because he takes a position before thinking about it much, and then has to flip back later.³⁰ So he is strongly on the action side of the Planning/Action spectrum.

“McCain is quintessentially very action-focused and a Top Gun type in decision making.”

On the contrary, Obama is planning focused, very similar to Clinton. He is also known to thoroughly study an issue that he takes up in the legislative process,³¹ which places him more towards a deliberative, planning approach rather than a shoot from the hip behavior.

Which Shows Their Executive Impact

²⁸ <http://www.politico.com/news/stories/0407/3483.html>

²⁹ <http://article.nationalreview.com/?q=YTIjYzkzZDExOWU4Yjc5N2RjYWZiNmQwYzFiZGM5MzE=>

³⁰ <http://www.atlanticfreepress.com/content/view/1469/81/>

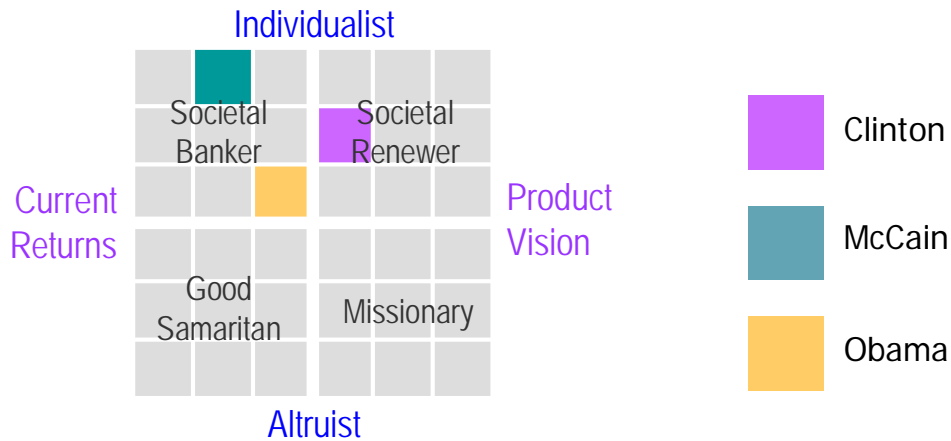
³¹ Kaitlin Kovach, “Balance marks Obama’s political career: Illinois senator focuses on family and public service” Marquette Tribune, February 19, 2008

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Mission Mode

Both McCain and Obama are Societal Bankers, focused more on the short-term, being more pragmatic and both being oriented to the Individualistic end of the Recognition spectrum. But McCain is fairly extreme compared with a much more balanced Societal Banker approach, Clinton is a mild Societal Renewer, having slightly repressed policy visions but still similar to the other two in her Individualistic bias.

Figure 3 Positions on the Mission Mode

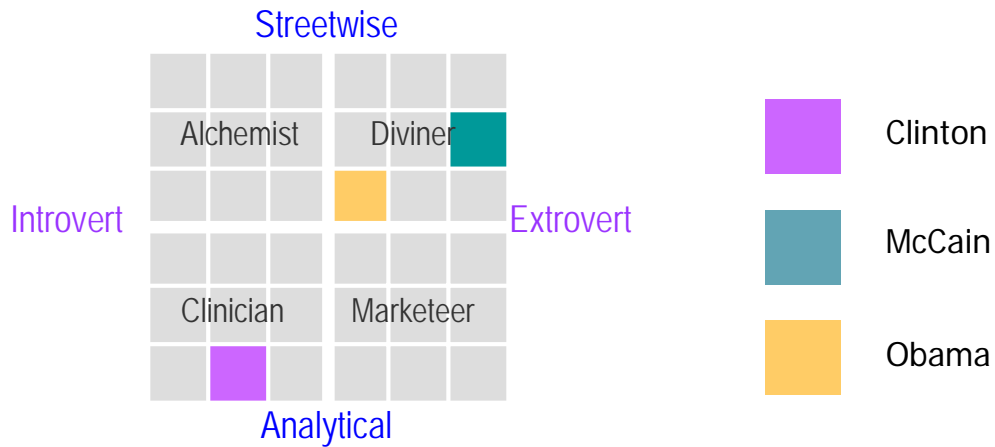


Managing Mode

In the Managing Mode, Clinton is a Clinician, an introverted, analytically inclined policy maven. Both McCain and Obama are Diviners, intuitive extroverted leaders focused more on relationships than policies with a strong bias towards intuitive rather than analytical approaches. However McCain is a strong Diviner with a strong bias towards the intuitive compared with Obama who is yet again fairly moderate and balanced on these two axes.

Figure 4 Positions on the Managing Mode

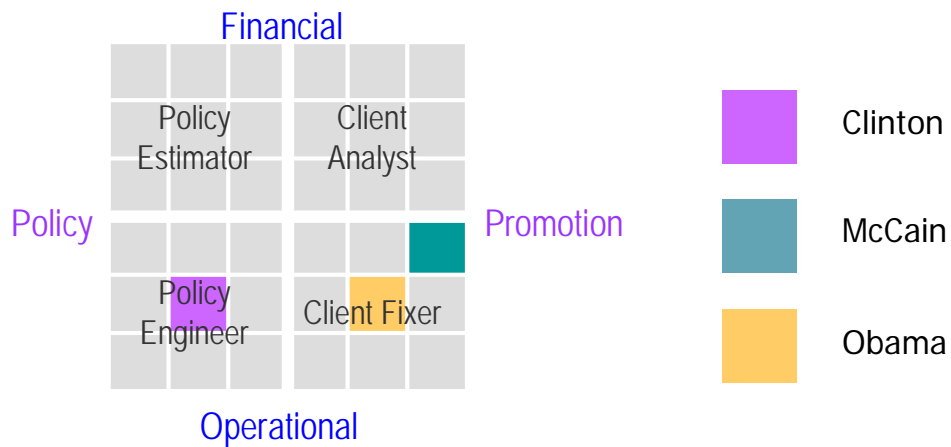
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Professional Mode

The three front-runners fall into the following buckets from the perspective of our leadership analysis: Clinton is a Policy Engineer, focused on the technical and policy details of public programs rather than on their financial implications and outcomes; McCain is a Client Fixer, more focused on giving back to constituents at the expense of policy or fiscal probity, as is Obama, although maybe somewhat less so.

Figure 5 Positions on the Professional Mode

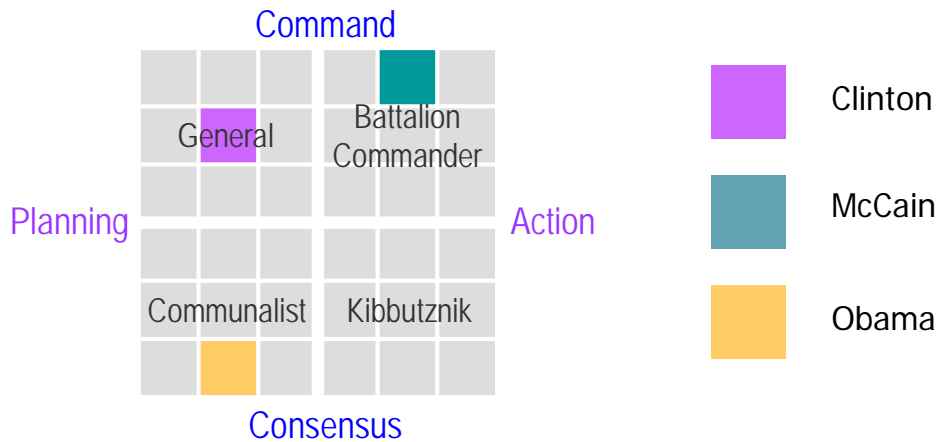


Leading Mode

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On this mode there are significant differences between the three leaders. Clinton is a General, command focused but with a deliberative planning style. McCain is a Battalion Commander, a fast action style coupled with a command focus; and Obama is a Communalist, a moderate consensual style which is mildly oriented to the planning rather than to the action side of the spectrum.

Figure 6 Positions on the Leading Mode



So of the three front-runners, McCain is the most action-oriented. Clinton and Obama are both planning focused. We have no data to show whether there is a difference between the two on this issue so will rate them as being equivalent in this area.

And Their Dominant Executive Behaviors

All of the behaviors reflected in the leadership outcome types of all four modes reflect the likely approaches by them in practice. However in practice, one of these four sets of behaviors will be dominant, impacting more decisions than the other three modes. The Perth Leadership Executive Outcome Model formally measures these to determine the mode which is dominant in order to be able to take the next step of identifying which will most strongly impact financial behaviors and outcomes.

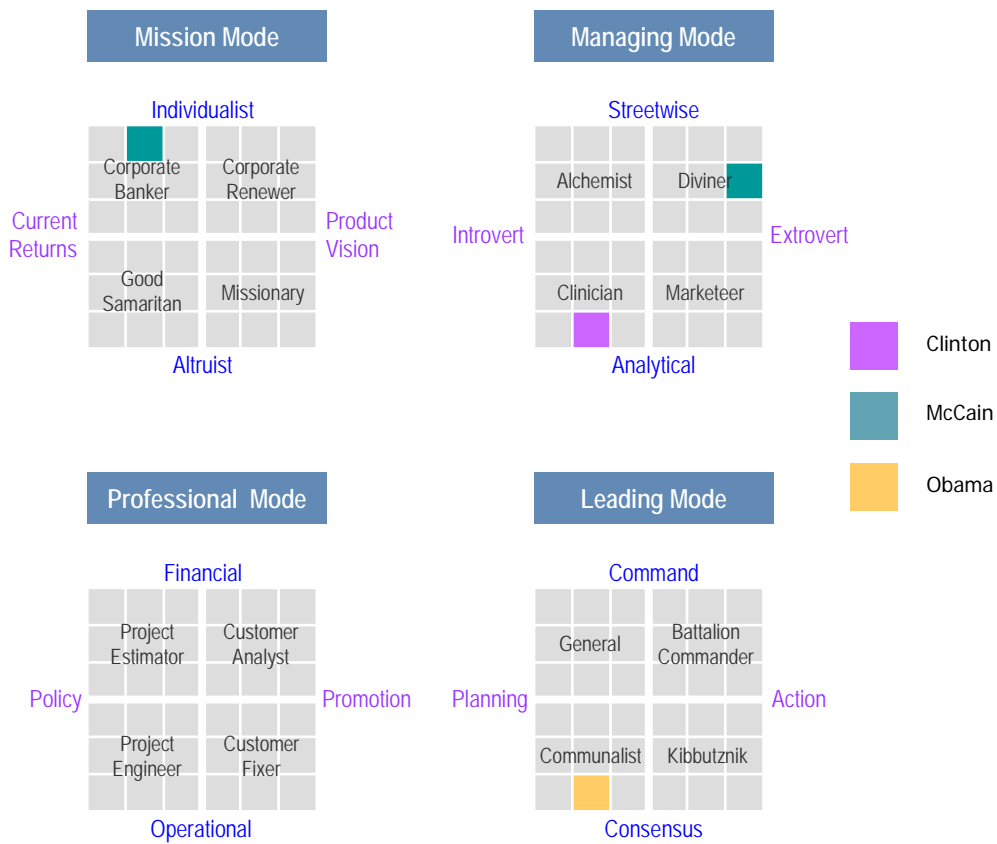
From these we can see that the likely dominant executive outcome type for each front-runner is as follows:

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Clinton Clinician
 McCain Societal Banker and Diviner (“double-dominant”)
 Obama Communalist

We can show the three front-runners on the same leadership cockpit and this will help us determine the dominant mode by identifying the behaviors that are the strongest (the ones that are furthest from the center of each mode). The completed leadership cockpit with all four modes of behavior for each front-runner is shown below.

Figure 7 Leadership Cockpit Positions of the Presidential Front-Runners



Armed with this information we can now turn to the issue of how this defines their personal financial traits that is the combination of financial behaviors which will impact on their financial decisions. These will inevitably shape US economic policy, and thus its global financial and leadership performance over the next few years.

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So That We Can Assess Their Financial Traits

We Can Link Executive Behaviors with Financial Impact

We have included details of the Financial Signature model at the Technical Appendix. This model underlies the analysis we are carrying out in this section. We have used the Leadership Outcome Model as a means to provide a platform on which to make inferences of the financial traits and the Financial Signature of the three front-runners. From this assessment, we can then move on to assess the likely areas of comfort in the financial arena for each of them and assess the impact of these traits on the US and even the global economy.

The Financial Signature measures the innate tendency of the front-runners to create societal capital. By that we mean to add overall value to the US economy, measured in traditional terms of GDP. We are not in this paper attempting to assess broader outcomes such as happiness, environmental impact and spiritual impacts. These are beyond the purview of this article and the underlying methodology.

The Financial Signature assesses and measures the propensity of a leader to create capital. It is normally used in the context of a particular company or group of companies. In this instance, it is being used to assess and measure the propensity of the leader to create, in net terms, societal capital. By this we mean to in create GDP per capita at a faster rate than the US' leading country peers and competitors.

“They are being assessed on the basis of whether or not they will increase GDP per capita in real terms, and in addition, in terms that result in faster growth than that of the US' main global competitors.”

In other words, it is not enough for these three leaders to increase GDP per capital in nominal terms. They are being assessed on the basis of whether or not they will increase GDP per capita in real terms, and in addition, in terms that result in faster growth than that of the US' main global competitors.

In order to do, the Financial Signature assesses each leader on the basis of two traits:

- Societal innovation – the propensity to add value
- Societal resource use – the propensity to use resources to a greater or to a lesser degree

Generally, over the longer-term it is better to be high on societal innovation and lower on resource use because this means the society is doing more with relatively less resources

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(even if their usage increases in an absolute sense). We showed the nine Financial Signatures at Figure 1 The Nine Financial Signatures.

But Must Take Critical Financial Behavioral Issues into Account

In assessing the Financial Signature and traits of the three leaders we need to focus on three critical issues. These are:

- Financial Signature and Mission
- Leadership agility
- Strength vs. flexibility

Financial Signature and Financial Mission: In the Technical Appendix we refer to two key concepts, namely Financial Mission and Financial Signature. Financial Signature is innate and embedded deep in a leader's personality. Financial Mission can be changed, and is the learned financial behavior of a leader. It may or may not be the same as the leader's Financial Signature. Also a Financial Mission may not necessarily be better. It may be different from the Financial Signature but actually represent a weakening or reduced propensity to create societal capital.

To the extent possible, we need to examine these issues also for each of the three front-runners so that we can see if they have managed to compensate for any vulnerabilities in the area of capital creation, and if so, whether or not this represents an improvement or otherwise.

Leadership agility: As part of this analysis we need to attempt to assess the leadership agility of the three leaders. By this we mean the extent to which they have become aware of their personal behavioral financial vulnerabilities and have moved, or will move, to compensate for them. This of course is not an easy thing to assess since it is will be impacted by the initiatives of the three contenders to persuade voters that they have high leadership agility and have compensated for any major leadership vulnerabilities. However it is difficult for most leaders to change their behavior and compensate for vulnerabilities so it is important to at least review this issue.

“...we need to examine these issues also for each of the three front-runners so that we can see if they have managed to compensate for any vulnerabilities in the area of capital creation, and if so, whether or not this represents an improvement or otherwise .”

Strength vs. Flexibility: Leadership agility is related to, but not the same as, the strength vs. flexibility issue. Leaders can be strong but still have high leadership agility. By flexibility we mean the perception that a leader moves in the direction of voter demand, even if he or she does not really believe it. This is not to say that such a move is bad or deceptive. It is just another way of assessing a candidate and to be able to use this

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construct to see how sustained a change in behavior might be to the extent that it impacts financial outcomes.

Clinton – Rationality Rather Than Relationships, Bit of a Dark Horse

Clinicians are introverted and analytical. Clinicians are, in the neutral sense of the word, calculating, which is a common descriptor for Clinton. She is extremely analytical and moderately introverted on the Leadership Cockpit.

Leaders who are highly analytical usually are major users of resources. Their analytical bent impels them to assess all the alternatives and to take steps to cater to all of the alternatives in their solutions and in their execution.

Introverted leaders tend, although not always, to be somewhat more innovative and to have more nuanced policies than those who are extroverted. This is because they spend less time with and are less comfortable in dealing with relationships. So their comfort level naturally gravitates towards adding value to policies rather than to adding value to relationships.

This means that Clinton is medium value-added and high resource utilization using the concepts of the Perth Financial Signature model. This makes her a Conglomerator in Financial Signature. Conglomerators are Resource-Centric, that is, they tend to consume capital over the long term. However, the Conglomerator tends to consume less capital than the other two Financial Signatures in the Resource Centric style – namely the Trader and the Industrialist.

However, she has changed her Financial Mission in the past. While in her husband was in the White House, we interpret her work on the health policy initiative as moving her towards a Venture Capitalist Financial Mission (high value-adding and high resource utilization, and breaking even over the long-term). The same is true of her energy policies mentioned earlier. While many may disagree with the original healthcare initiative from a policy standpoint, it was clearly unique and innovative. It also was going to cost a huge amount of money.

“Our Clinton thesis is that, while she is a capital-consumer, inside her there is an untamed Venture Capitalist waiting to spring out.”

A Venture Capitalist normally loses money although a portfolio of Venture Capitalists on average breaks even. Clinton’s HillaryCare initiative consumed capital, consistent with this Financial Mission.

Our Clinton thesis is that, while she is a capital-consumer, inside her there is an untamed Venture Capitalist waiting

to spring out. If this were to happen, it would result in the relatively more positive outcome of breaking even over the long term (neither creating nor consuming capital). This could occur if she were in office with good support and feeling fairly comfortable.

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In that case it is likely that the value-adding tendencies would come to the fore. She would likely undertake the same levels of innovation that she sought to implement through her health policy initiative but with higher political acumen due to the benefit of her previous experiences.

So Clinton could come up with unexpected and quite innovative policy initiatives. Most of these will fail and could lead to the sort of societal capital consumption that would have occurred had she been successful in getting the original health policy initiative off the ground. There is some chance that she has learned from her experiences but we cannot be sure, and her energy policy and education policy proposals hint that some of the behavioral issues that led to the HillaryCare failure are still present.

In her current Presidential run she seems to have moved back to her center of gravity as a Conglomerator, thus consuming more capital because of the consequent de-emphasizing of value-adding. However it is arguable that she will move back to a Venture Capitalist Financial Mission if she were in the White House. We say this because, as an introvert, value-adding is a higher priority for her than relationships and this will impel her in this direction. That is potentially a better outcome from a financial point of view although it is also much riskier.

“Clinton is actually a bit of a dark horse and the happier she is the more unpredictable she will be.”

Clinton’s changes in Financial Mission over time suggest she has relatively high leadership agility.

So our prediction is that, over the longer-term, Clinton will consume societal capital. Clinton is actually a bit of a dark horse and the happier she is the more unpredictable she will be. On the other hand, if she is relatively worried she will have relatively safe hands that will safely, gradually and predictably consume societal capital over the longer-term which is a negative outcome for the US economy in the long term.

McCain – Looks Like a Reformer, Highly Conflicted, Which Side is Up?

McCain actually has two dominating sets of behaviors, those of Societal Banker and Diviner (per the Leadership Cockpit). Unfortunately in his case they are also conflicting so the question is going to arise, which is the real McCain? The answer is both. The problem is that it will always be difficult even for McCain to figure out which one will dominate at any given point into time.

A Diviner is Extroverted and Streetwise. Typically they think intuitively and distrust logic, including financial logic. As a result they do not attempt to achieve big hits and are, instead, pragmatic and cautious avoiding the big hits as being improbable and risky. They also tend to conserve cash and are distrustful of grand programs. This is reflected

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nically in McCain's history, albeit somewhat checkered, as a fiscal hawk. So the Diviner in McCain will tend to go for reduction of resource use in government.

Societal Bankers are also focused on the short-term and are anti-visionary so top this extent the two sides of McCain are in sync. However the part of the Societal Banker that is not in sync is the highly Individualist side of McCain, which could be viewed as egocentrism, which tends to lead to high resource use, because here the resource use conflicts with deeply held Individualistic views, principally McCain's view of the US in the world and his intention to spend up to prove it.

We can expect that this conflict would be a key driver of a McCain presidency. On matters military and of defense he would be a fiscal dove and on other matters a hawk. However, inevitably, these two will come in conflict. It will lead to issues regarding how to prioritize tax cuts – his avowed policy – with paying for a war that he views as being key to his Presidency and the success of the US system.

So we can expect some severe oscillations in policy under a McCain presidency. The actual timing of any initiative would be impossible to determine since McCain is a Diviner and being Streetwise has a deep antipathy to programmatic and analysis-based action and plans.

“...we can expect some severe oscillations in policy under a McCain presidency.”

The conflict is best seen in McCain's Financial Mission. McCain actually has two. One is a Discounter, low value-adding and low resource utilization, with little or no orientation to policy innovation. The other is an Industrialist, low value-adding and high resource utilization. His Administration is likely to oscillate between the two, probably in an unpredictable manner. If McCain could give up one of the two positions he holds this would make things a lot more predictable. However he probably has relatively low leadership agility relative to the other two leaders.

“McCain's attitude toward individuals who choose paths he deems inappropriate is somewhere between inflexible and hostile.....”³²

McCain is clearly tenacious and this may reflect relatively low leadership agility. The sense is that he will tend to stick to his guns – literally – and that means the Industrialist outcome is far more likely than the Discounter outcome. On the strength vs. flexibility spectrum, McCain is clearly stronger in strength than flexibility.

Obama – Consummate Facilitator, But Agreement Has Huge Costs

³² Matt Welch, “Be Afraid of President McCain: The frightening mind of an authoritarian maverick” Reason Magazine, April 2007

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Communalists stand at the intersection of two axes. One is a planning, deliberative orientation. The other is a consensual approach. Communalists can either be moderate in nature, disciplined, cautious and very good listeners. They can also be extreme, slow, even lethargic in their decisions and actions and prone to listen so much that nothing ever gets done, or only the least-common denominator is achieved. Obama is a moderate Communalist, a very good listener, cautious, deliberative and, whilst not lightning fast, not slow either.

However, Obama presents an intriguing and complex picture. As we have already noted he is almost certainly an introvert and a learned extrovert. He has become an extrovert in order to increase his chances of winning political office and he has clearly done that very well. But what does that mean for Obama and the US?

Our take is that Obama may actually be more oriented to policy than appears to be the case. Talking about policies typecasts a political leader and gets them enemies. Better to focus on the relationships side as he has done than to stir up many nests of hornets talking about policy. As a natural introvert Obama probably thinks about policy a lot. It is simply that he has likely consigned it to the back of his mind so that he can focus on getting the relationships he needs to win.

“He [Obama] is not going to upset his supporters now but once in the White House there could be some surprises in store.”

Paradoxically this makes him more than a little similar to Clinton. The difference is that she has shown her inner Venture Capitalist while Obama has kept his hidden. But we do not think that Obama’s Financial Mission is Venture Capitalist. It is far more likely to be less value-adding than that – unlike Clinton we have not seen him touting unique visions with any detail or even at all.

Obama’s eschewing of program visions provides him with much more air cover to handle lots of difficult political situations which are more difficult for Clinton since she wears her policy heart on her sleeve. But just like Clinton, if Obama were in the White House we could expect some policy surprises, although almost certainly not as big as Clinton would give. He is not going to upset his supporters now but once in the White House there could be some surprises in store. Examples of leaders who adopted this type of strategy? Nasser; Gorbachev; Putin.

As a moderate Communalist, Obama is mildly value-adding, that is, he is not innovative but he is receptive to innovation. He is either medium or high resource utilization. This makes him either a Consolidator or a Conglomerator, so he will either be neutral financially or will consume capital, at least if he continues as he is now.

However if at some stage he threw off his civvies and donned the Superman cape as a policy innovator he could even turn into a Profitmaker, who actually creates capital, a rare feat for any political leader. We view this as being highly unlikely. What is more

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possible is Obama adopting a Financial Mission somewhere between Conglomerator and Venture Capitalist, which would be higher value-added. This would only happen after he achieved office, was firmly in place and then could afford to adopt policies unrelated to his campaign stance.

In the short-term we would expect Obama to be a prodigious consumer of capital as he paid his political dues and continued with his communalist strategy of consolidating and developing relationships which he will have to pay for out of the Federal purse. It would only be later than he could bloom as a quasi-Venture Capitalist and increase his value-adding, that is, his propensity to implement somewhat innovative policies. Even then he would not actually create capital, just not lose so much of it.

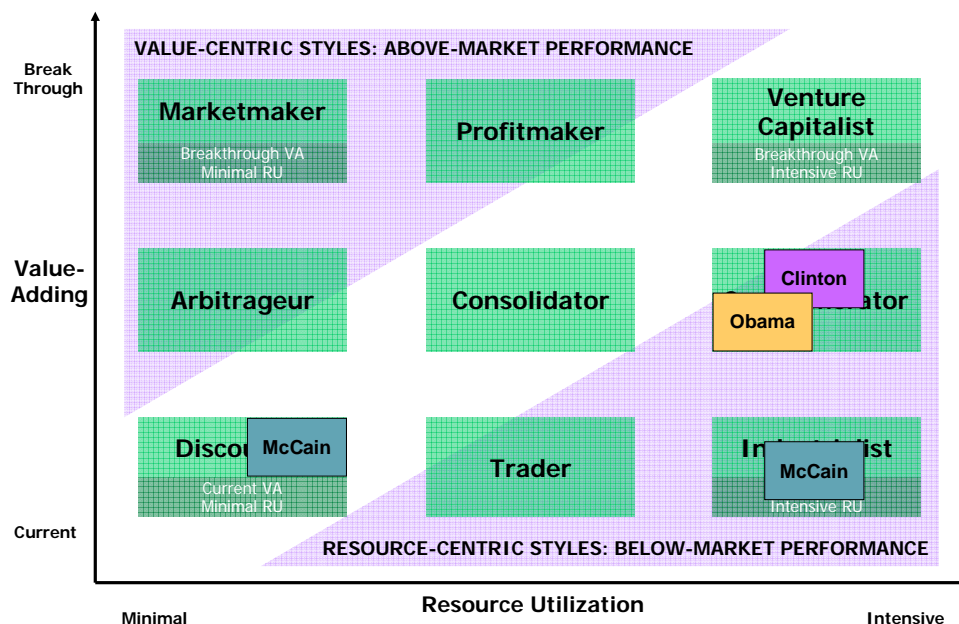
We think these things are possible because Obama has exhibited a high degree of leadership agility; e.g. as a grassroots leader, he has brought record-breaking numbers of young people into the political process through innovative means, such as cell phone texting. He has shown it through the way he has been able to mix naturally in diverse communities as he was growing up. Given this agility we think it would be quite possible for him to make some of the moves we have discussed above.

On the strength vs. flexibility axis Obama is very flexible and could well change his public stance on policy positions, even if he did not do so privately.

The Rub - All Three Consume Capital, But to Different Degrees

We can assign a Financial Signature to each of the three frontrunners.

Figure 8 The Financial Signatures of the Front-Runners



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There are major differences between the three. However first the similarities:

- None create capital
- All consume capital although McCain has a frugal side
- None is high on value-creation
- All are high on redistribution

The differences are more on the value-creation side for each of the three. There is a heavy redistributive bias that is not compensated for in any of the three by value-creation. That is, the resources expended through the redistributive tendencies of the three will not be offset by the capital they would create from their value-added tendencies.

Clinton is a Clinician and a Conglomerator who tends to consume societal capital but with some innate impetus to create more value-added. She has at least moderate leadership agility, and is somewhat on the flexible side of the strength/flexibility spectrum.

McCain is a conflicted Societal Banker with a much shorter-term focus. He is torn between two types of behaviors with dramatically different financial impacts. One is high resource utilization with capital consumption. The other is low resource utilization with low value-adding and a neutral but uninspiring zero-sum financial outcome. He has low-to-moderate leadership agility and on the strength/flexibility spectrum firmly leans towards strength. So it is unlikely he will ever resolve this conflict.

Of the three candidates, Obama is innately like to consume the least capital. But he also has the highest actual probability of consuming large amounts of it due to his Communalist leadership outcome type. He is the only one of the three whose financial behavior in practice goes backwards from what he is innately capable of. On the other hand he has the behavioral potential to break out of this mold and surprise us all, rather like Clinton, but then again, not to the same extent as she could.

McCain has the highest innate propensity to consume capital, but this coexists with a frugal side that has driven him to make a strong effort to compensate for this. His relatively lower leadership agility means that it is debatable whether or not his changes will have a sustained effect if he were in office.

In terms of their impact on US competitiveness, McCain potentially has the least adverse impact but has the greatest unpredictability due to his conflicted financial behaviors which will probably lead to a more adverse impact in practice. Obama is best equipped innately not to have much of an adverse impact but will probably have the most and can only break out of this if he gets to be comfortable in office with no chance of an upset and even then his chances of breaking out are not as

“...all of the three are likely to pursue policies that will perpetuate a declining trend.”

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good as those of Clinton. Clinton's impact will also be adverse but less so than the other two although she also has the behavioral potential to break out of the mold and do some risky things that go either way in terms of the US' competitive position.

For all three these outcomes are quite consistent with the US achieving continued growth in nominal and even real terms in the future. **It is just that, in relative terms (that is, compared with our global competitors), all of the three are likely to pursue policies that will perpetuate a declining trend, with Obama and McCain having the greatest decline impacts and Clinton somewhat less so.**

We predict that the type of decline will also vary with the candidate. Obama will preside over a relatively greater decline, McCain will have an erratic impact with a relatively steep decline punctuated by episodes of apparent renewal, and Clinton will drive a gentler decline with the possibility of an apparent revival with highly uncertain prospects later in her term.

Any one of the three could change the outcome by becoming aware of their financial traits and taking compensating behavioral action. If they did so, then outcomes could change. If they do not, then the above scenarios are the most likely outcomes.

Of the three we predict that Obama and Clinton are more likely to change their behaviors, with Clinton having the edge and therefore the likeliest to improve US competitiveness.

And Their Likely Impact on the US Economy and Its Competitiveness

Competitiveness Means Adding Value, Not Just Using Resources Wisely

We have examined the financial behaviors of the three front-runners. Before we assess their impacts on US competitiveness we must first of all specify the precise links between the two. We have identified two behavioral drivers of capital creation; value-adding and resource utilization behaviors. Basically value-adding behaviors must more than compensate for the resources used in creating value. Otherwise there will be a situation of capital consumption.

“The level of US capital creation is declining and this is starting to result in the capital created not being sufficient for reinvestment for further capital creation and for redistribution.”

In the past the US has created value through encouraging innovation via competition and utilizing various fiscal and regulatory

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methods to achieve this. Their impact has been to create innovative products and services which had outweighed the resources used in their creation. The additional capital created has been used for reinvestment in value-adding and for income redistribution.

Up until fairly recently in US history, the additional capital created by the US economy has been sufficient for reinvestment and for redistribution. However this situation is now in the process of changing. The level of US capital creation is declining and this is starting to result in the capital created not being sufficient for reinvestment for further capital creation and for redistribution. This is why the US dollar is declining at the same time that income redistribution has slowed down or even reversed itself.

There is only one solution: the US economy must reverse the course so that capital creation continues and can generate capital for reinvestment and for redistribution. To achieve this, the behaviors of our leaders – at all levels – must be value-adding and outweighing their propensity to utilize resources, at least in the longer-term.

Value-adding approaches include such strategies as fiscal policies that reward innovation and R&D, taxing mechanisms that encourage the incentive to innovate, launch new enterprises and encouraging reinvestment, including in social and not just in private infrastructure. If this does not occur, then the resources utilized for redistribution will crowd out investment for reinvestment and innovation.

“...we need to be sure that any short-term resource utilization policies are not at variance with the aims of encouraging innovation and individual incentives to create new products and services so that the US can ultimately create enough value-adding and capital to compete effectively globally..”

So we must examine the financial behaviors of the three front-runners in terms of their impacts in encouraging value-adding behaviors in the US generally such that they more than cover the costs used in reinvestment and redistribution.

This is not to say that a high level of resources used in the short-term may not lead to longer-term value adding behaviors in the economy. But we need to be sure that any

short-term resource utilization policies are not at variance with the aims of encouraging innovation and individual incentives to create new products and services so that the US can ultimately create enough value-adding and capital to compete effectively globally.

Clinton – A Little Value-Add, More Resources Used, Safest Choice by a Nose

Fiscal Impact: Other things being equal, Clinton is likely to have a negative fiscal impact because of her Conglomerator Financial Signature. However in the area of taxes her repressed Venture Capitalist Financial Mission could lead her to be somewhat innovative which could stimulate government revenues and reduce the negative fiscal

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impact. There is some chance that, later in her term in office, her Venture Capitalist mission will come to the fore as and if she gains political strength and momentum. In that case there is some chance that her fiscal impact could turn positive due to the more impactful initiatives she is inclined to take if she has can muster the political support.

Monetary Impact: As a Conglomerator Clinton will support reflationary policies that will increase the money supply and lead to greater spending leading to an inflationary bias and, later, higher interest rates. Shorter-term this will strengthen pressure on the dollar in the absence of countervailing factors.

Consumer Demand: A negative fiscal impact will stimulate consumer demand in the short-term and employment but again lead to inflationary pressure and pressure the dollar downwards.

Global Trade: Clinton's repressed value-added propensities will come out later in her term of office when it is safe to pursue global trade initiatives which will not be possible early in her term due to political pressure from her trade union constituencies. This will limit any gains from trade early in her term so any gains will only come later or after her term ends but could be positive.

Investment and Capital Flows: Capital flows and investment will be inhibited on the one hand by there being better investment alternatives elsewhere but offset by the attractiveness of the US as a low-cost economy with high political safety. Earlier in her term Clinton will do nothing substantive to alter the landscape due to her Conglomerator Financial Signature but she could make slightly substantive changes later which would improve the situation, albeit only marginally.

Environment; As a Conglomerator, Clinton will be inclined to spend up in this area, but without the countervailing benefits that would come from high value-adding environmental policies, at least in the short-term. That is, she will likely support environmental actions because she is moderate value-adding but they will not be value-adding enough to offset their costs, leading to a negative balance on the environmental account.

US Competitiveness: We do not see Clinton's value-adding behaviors and approaches offsetting her resource utilization. Her redistributive policies will result in a fiscal impact that will not lead to the creation of enough capital to offset them. There is some small chance that she could reverse this later in her term.

“The more likely outcome is that she [Clinton] sticks with a Conglomerator approach which will be fiscally negative, inflationary and will continue the pressure on the dollar in the shorter-term.”

So her impact will be overall neutral at best and more likely somewhat negative in the shorter-term. In the very best circumstances, which are somewhat unlikely, she could

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have a positive impact on competitiveness in the event that she has continuing political support and has strength in Congress. The more likely outcome is that she sticks with a Conglomerator approach which will be fiscally negative, inflationary and will continue the pressure on the dollar in the shorter-term. In the longer-term there is some chance, although not high, that she will lift her impact to neutral-to-uppish from negative.

McCain – Little Value-Add More than Offset by Heavy Resource Use: A Wild Card

Fiscal Impact: McCain's conflicted Financial Signatures of Societal Banker and Diviner lead to him having Industrialist and Discounter Financial Signatures, which are in strong conflict in the area of resource utilization (but not value-added where both are low). He will oscillate between, on the one hand, attempting to be fiscally tight and on the other, adding resources to foreign policy and defense initiatives. It is unlikely he will be able to get Congress to respect his fiscal moderation and his lack of value-added will result in him not being able to raise revenues through innovative tax or other mechanisms. This means that he will end up being high spending due to his foreign policy programs. Thus we will see continued deterioration in the fiscal position, punctuated by dramatic but essentially token initiatives to lower government spending, which will have some sporadic successes but will generally be a failure.

Monetary Impact: McCain's Industrialist Financial Mission on its own will result in increasing the money supply and inflation. However his Discounter Financial Mission will lead him to attempt to cut the money supply through pressure on the Fed. This is likely to lead to some wrangling between the Executive and monetary authorities where McCain is unlikely to back down, leading to some interesting conflict between an independent Fed and a frustrated but tenacious McCain, leading to yet more uncertainty about the dollar.

Consumer Demand: The negative fiscal impact will have less impact on demand (which will therefore be lower than otherwise) since much of the money will be spent overseas, although enough will be spent on defense industries in the US to have some reflationary impact, albeit less than that of the other two front-runners.

Global Trade: McCain will be positive on opening up global trade further but his Discounter Financial Signature will lead him to implement this in the least beneficial way possible by focusing on short-term rather than on long-term gains. His Industrialist Financial Signature will occasionally lead him to undertake special and expensive initiatives with allies as a means to support his expansionist view

“The result may well be a wash in financial terms and maybe still slightly negative in terms of US competitiveness.”

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of the US' role overseas. The result may well be a wash in financial terms and maybe still slightly negative in terms of US competitiveness.

Investment and Capital Flows: McCain will support open immigration policies that will increase capital flows and investment as long as they will not cost the US too much. This will have a major impact in increasing US competitiveness, in the absence of other policies, which will probably negate these effects to a large degree.

Environment; McCain's backing of strong environmental action might be regarded as reflecting a policy-innovative approach. We have a different interpretation. His approach has been directly at variance with that of the Republican party and thus attractive to an extreme Individualist as representing yet another opportunity to show dissent. In addition the Kyoto Protocol represents a high resource utilization approach consistent with an Industrialist Financial Signature. We believe that McCain will be highly conflicted on this issue, his Industrialist Financial Mission driving him to use extensive resources on it and his Discounter mission to spend very little or nothing. As President he does not need to dissent and he will be inclined to under-spend. This will eventually be adverse to the US' competitive position.

US Competitiveness: This is complicated because of McCain's conflicted Financial Signatures. McCain shows little in the way of value-adding behaviors except for possible tax incentives which will, in any case, be more likely to be used for consumption than for innovation. His resource utilization is very high due to his military focus and his negative fiscal outlook.

The relatively positive impacts of some his Discounter strategies will be more than offset by his Industrialist policies. The result will either be mildly or strongly negative depending on the precise circumstances.

Obama – Best Raw Material, Most Adverse Impact, Just Might Improve

Fiscal Impact: Obama innately has the propensity to have the least negative fiscal impact of the front-runners because of his Financial Signature that is near that of Consolidator. However his Financial Mission of Conglomerator or Industrialist, due to his Consensus qualities, which actually represents a significant deterioration in financial impact over his innate Financial Signature, will result in his fiscal impact actually becoming more negative during the period of his term especially short-term. However there is a chance that he could break out of the mold later in the term due to his behavioral tendencies towards adding value. This will only happen if he can do it without compromising his own political position.

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Monetary Impact: Obama's Financial Mission of Conglomerator/Industrialist will drive a reflationary impact and an expanding money supply leading to an inflationary bias in the shorter-term and higher interest rates in the longer-term.

Consumer Demand: Demand and employment will improve under Obama in the early term of his office due to high government expenditures on social, employment and housing programs which he will spearhead but to the detriment of the fiscal situation which will increase government borrowing and lead to increased interest rates later in his term of office. This will result in slower demand later in his term due to later higher interest rates.

“...slower demand later in his [Obama's] term due to later higher interest rates.”

Global Trade: Obama has indicated that he will oppose free-trade agreements. This is consistent with his Consensus approach and Conglomerator Financial Signature. This will reduce gains from trade albeit it may reduce income inequality. This will have a negative impact on US competitiveness.

Investment and Capital Flows: Obama has indicated that he will oppose more immigration and tighten up on it. This is consistent with his Conglomerator Financial Signature. This will lead to lower capital flows although it will reduce income inequality. It will reduce US competitiveness.

Environment: We can expect Obama to increase spending on the environment quite significantly as a Conglomerator. It is unlikely that there will be enough value-added in his policies to increase financial benefits to the level of the expenses. This will reduce US competitiveness.

US Competitiveness: Obama has the highest negative fiscal impact without any obvious countervailing value-adding impacts through tax, innovation strategies or other approaches to create societal capital.

Overall quite negative in the short-term, in the longer-term uncertain but some small chance of an improvement although probably less than Clinton. Obama will consume capital heavily without compensating levels of innovative polices or programs to produce countervailing value-adding which could reduce the highly negative financial impacts. There is a slight chance he could do better later in his term, but this cannot be counted on.

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Technical Appendix: Model of Financial Behaviors and Agility

The Perth Leadership Outcome Model includes a number of categories and terms that together make up the overall model. All of these categories have formal linkages with each other. The main categories of the model are:

- Leadership Outcome Types
- Financial Signature
- Financial Mission
- Leadership Agility
- Financial Impact
- Valuation Impact

In what follows we will show the model as it applies to the private sector. In the context of the public sector the model and concepts are exactly the same but some terms are changed to better reflect the terminology of that area.

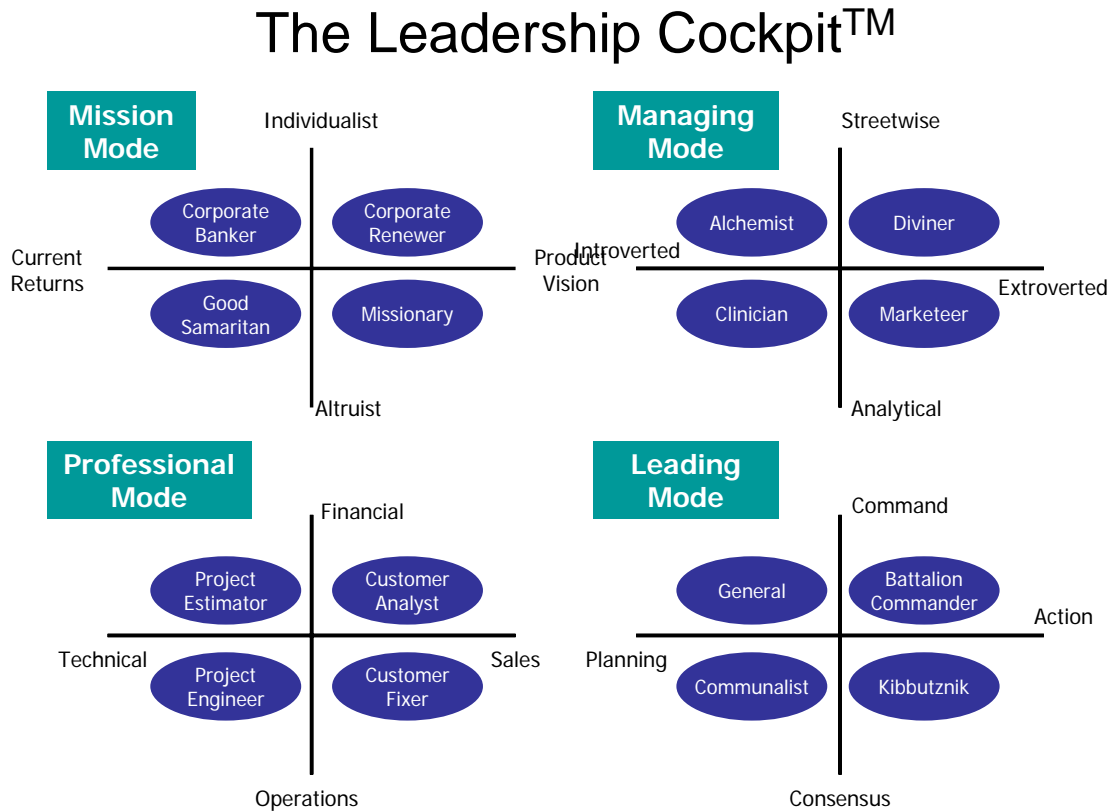
Leadership Outcome Types

All managers possess characteristics which directly impact professional and business outcomes. Once we measure these characteristics we can infer their financial impact in strictly financial terms. These managerial characteristics can be organized as a model of Leadership Outcome Types (LOTs). Each of the LOTs has characteristic business outcomes and is linked with financial behaviors with predictable financial impacts. There are 16 LOTs. Once we know the LOT of a leader or manager, we can predict his or her business impacts and outcomes and their financial impact in terms that can be measured using normal accounting approaches. We show these 16 types at

Figure 9 The 16 Leadership Outcome Types.

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Figure 9 The 16 Leadership Outcome Types

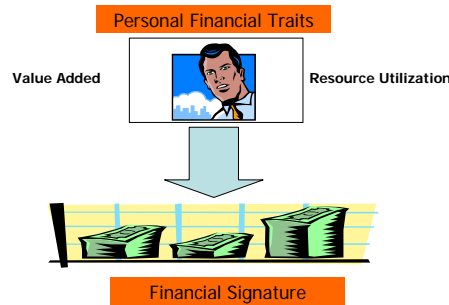


Financial Signature

Every individual and manager has Personal Financial Traits (PFTs). These are characteristic to an individual and form the basis for prediction of their financial impact and their impact on an organizations valuation. The PFTs are comprised of two drivers, their propensity to add value to a product or service and their propensity to utilize resources more or less efficiently. Together these PFTs lead to a leader's propensity to create or to consume capital which is termed their Financial Signature.

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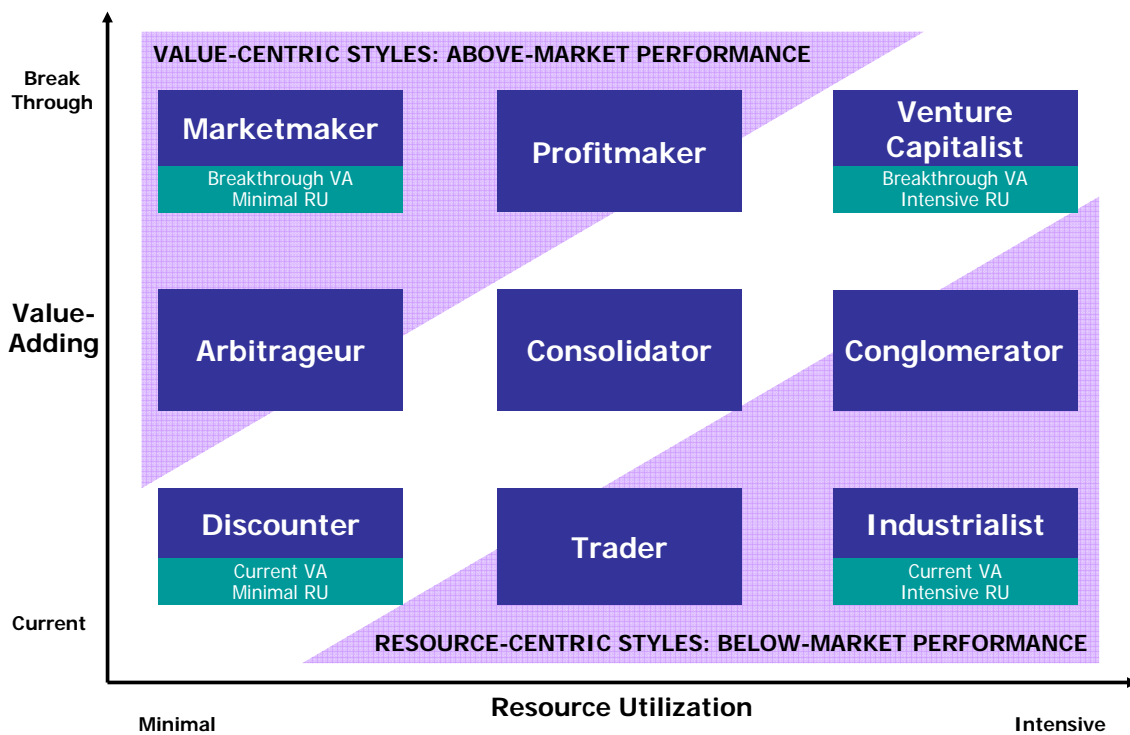
Figure 10 Personal Financial Traits and Financial Signature



Overall there are nine Financial Signatures. Each of these has different and characteristic ways of approaching the creation of value as we show at Figure 11 The Nine Financial Signatures.

Figure 11 The Nine Financial Signatures

The Nine Financial Signatures®



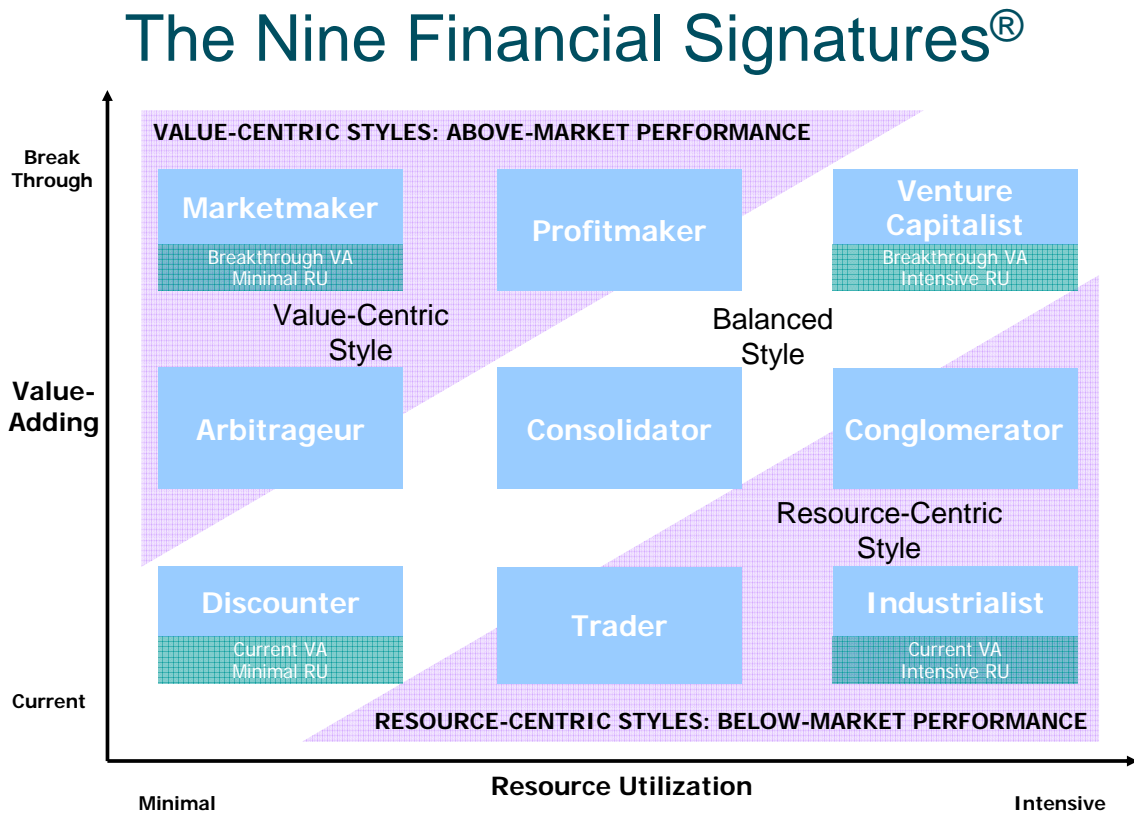
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Financial Mission

At the level of an enterprise, these nine financial approaches are called the Financial Mission of the organization. Of the nine Financial Missions, three will create capital relative to their competitors, three will consume capital relative to their competitors and three will neither create nor consume capital. Creating capital will generally result in profit and consuming capital will generally result in a loss over the long-term. We show this at Figure 12 Market Impact and Financial Mission.

Most leaders will have a propensity to consume capital and only a small minority will naturally possess the behavioral capability to create capital, a capability we term being Value-Centric. Most leaders are Resource-Centric – i.e. they consume capital – or they are balanced – that is they neither create nor consume capital.

Figure 12 Market Impact and Financial Mission

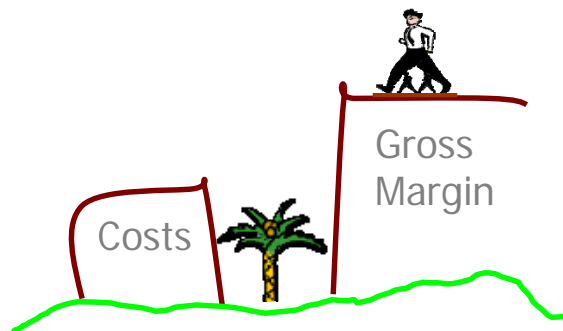


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Financial Impact

We can measure the impact of the Financial Signature by using gross margin as a proxy for the propensity to add value and indirect expenses as a proxy for the resource utilization propensity. Where value-adding, if the propensity to innovate to a greater or lesser degree is greater than resource utilization, then there is a behavioral propensity to create capital. In the case where the resource utilization propensity is lower than the propensity to add value, then there is a behavioral propensity to consume capital.

Figure 13 Financial Impact of Financial Signature

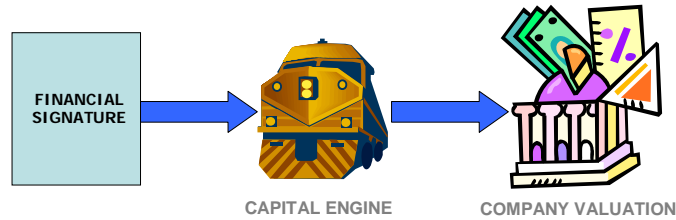


Valuation Impact

When a manager systematically creates capital, it will lead over the longer-term to the enterprise increasing in value. In the opposite case where over the longer-term the leader consumes capital, then the enterprise will consume capital and therefore lose value. Thus Financial Signature has a direct relationship with the creation or the consumption of value and thus market valuation of an organization.

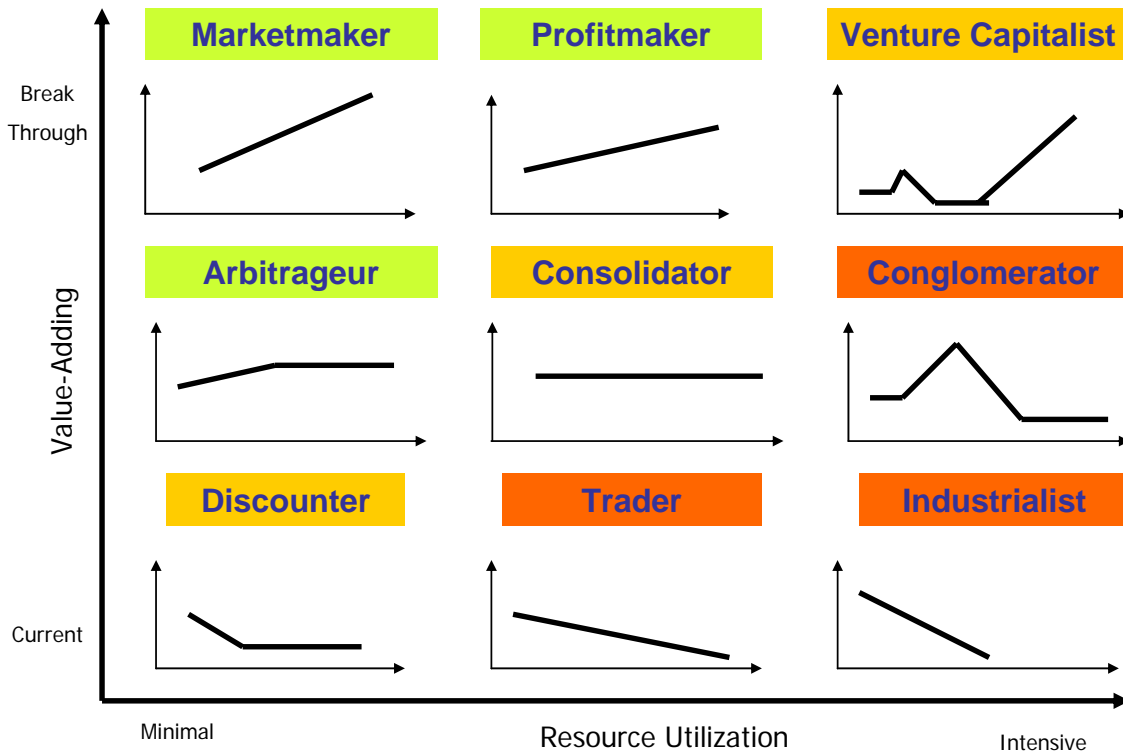
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Figure 14 Financial Signature and Valuation Outcome



Each Financial Signature has a characteristic valuation outcome which derives logically from the relationship between the behavioral propensities to add value and to use resources. These valuation outcomes will range from fast rising valuations to fast declining valuations as we show at Figure 15 The Nine Valuation Trajectories.

Figure 15 The Nine Valuation Trajectories



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Since most leaders are Resource Centric or Balanced it follows that most leaders will have a valuation outcome that either results in value declining relative to competitors, or at best not increasing relative to them. Most leaders therefore have a neutral or negative valuation outcome and this will be predicted by their Financial Signature.

Leadership Agility

If a leader is not aware or does not become aware of his or her Financial Signature, then it is very likely that their financial outcome will be represented by one of the characteristic valuation trajectories since they do not possess the awareness of their financial vulnerability and thus have no way to prevent the outcome. However if the leader becomes aware of his or her behaviors, either from their own knowledge, through advice or mentoring, or even coercion, then they can avoid the characteristic outcome associated with their Financial Signature.

The likelihood that a leader will fall into the behavioral trap of their Financial Signature is predicted by their leadership agility or mental agility. Leaders with high leadership agility will be able to avoid the valuation trajectory represented by their Financial Signature if they have sufficient agility to be able to become aware of their behavioral vulnerabilities and act on this information, even if it is uncomfortable for them.

Thus in order to predict the financial impact of a leader, we need to understand two issues. The first is their Financial Signature; the second is their leadership agility. Even if their Financial Signature is Resource-Centric, if they possess high leadership agility, they can avoid the capital consumption normally associated with this Financial Signature. However even if they possess a Value-Centric Financial Signature but they have low leadership agility, they will not be able to perform at an optimum level since their lack of agility will lead them to apply Value-Centric approaches, even when these might be sub-optimal which may sometimes be the case.

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