Why do we believe presidents have power over the economy?

Politics, President

The national economy is consistently on the mind of business owners and investors and finds prominence for everyone in four year intervals as we compare candidates and their respective platforms.

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The economichealthof the country is vital to our future, including the ability to fund liabilities while providing anenvironmentof prosperity for forthcoming generations. And just as pressing is our current ability to keep unemployment low, wages increasing, and inflation in a fertile range. So it is typical that we look to our commander-in-chief to command growth on our behalf. But if we view the idea of presidential power over the economy with a mindful eye, we notice the practical limitations of policy and recognize our belief in Oval Office omnipotence as illogical.

Historically, we assume direct causation between a president’s actions and economic growth. With big expectations we pledge allegiance to a candidate’s grand ideas and qualifications. We take sides in the ideological battle that matches government spending and higher taxation against smaller government and lower taxes.

This election cycle, each candidate again claims supremacy both through hyperbole and citing past presidents as evidence. Republicans tout Reagan, who averaged more than every month in office, and Democrats refer to Clinton, who averaged nearly during his administration.

confirms that our country’s economy has performed markedly better during Democratic presidencies. Admittedly, these statistics are striking at first.

However, whether claims are pure hype or indeed data-driven, there is a central realization that we must become aware of. Despite history, presidential causation on economic growth is a myth.

The cyclical nature of the economy is enough to weaken any claim of presidential control. Recognizing that growth has a human element, we know its trajectory will be imperfect. Misinterpretation of an economy's strengths and weaknesses, opportunities and threats (SWOT) should be expected.

Businesses consistently over and undervalue investment opportunity, and create volatility. Disparity in valuation techniques, dissimilargoalsand even the relative value of our currency all greatly influence the economy. Expansion and contraction are both inevitable and necessary.

Economic growth is centered on flawed human interaction, and by happenstance, presidents thrive or languish based on trends. There is almost nothing a candidate can do about it. Their fates are decided well before they take the oath of office. And the aforementioned data advertising the economic superiority of Democrat presidents; therefore, is rationally attributable to randomness.

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Consumer sentiment and the role of luck further the divide between presidential power and economic performance. What makes an economy grow is consumption. The population of the U. S. is past , and when those people are confident, they spend. How the consumer is feeling is by far what matters most, and what actually affects their mood has nothing to do with presidential policy.

Further, luck plays a major role and manifests in many ways. Whether the advent of a new product or service, the interconnectedness of global markets, or even a colder than normal winter, luck matters for growth. Simply, there are too many factors with potential to impact, making an economy ebb and flow regardless of who is president.

Establishing that our economy exists in an environment of cyclical disequilibrium, shifting sentiment and luck, we put to rest the myth of the economic president, and deliver our attention to something more perplexing - Why do we put so much faith in such foolish ideas like presidential-economic causation?

We live in a world almost entirely out of our control. We cannot govern the economic cycle any more than we can the weather.

So humans developed a brilliant, albeit destructive solution. Where little or no control exist, one substitutes familiarity - in the form of habits. That is, when control is not an option, we unconsciously cling to behavior that feels familiar. We have evolved our minds such that familiarity gives us the same mental satisfaction as control.

For example, we recognize the limitations of a president on economic growth but the illogical habit of putting our faith in one person feels better than admitting the truth. It happens in our businesses and lives, and we all know first-hand the famous saying about doing the same thing again and again while expecting different results. We literally trick ourselves, replacing control with the familiarity of habits. It turns out, we would rather suffer in familiarity than prosper in uncertainty.

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Fortunately, there is plenty of prosperity to be attained, but you cannot create equilibrium in an economy, a business or life without accepting what truly drives decision making. Once we see our habitual behaviors as nothing more than familiar crutches, we can stop struggling with the heaviness of our control issues and finally approach effective, sustainable objectivity
- including our vote.