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Decision-making techniques used by elected officials

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Politicians often make decisions that lead to contradictory outcomes from situations with seemingly similar circumstances and related factors. Recent examples include the U.S. reaction to the uprising in Iran contrasted with the call for the ousting of president Hosni Mubarak after the 18 Day Revolution in Egypt.

This frustrating reality, frequently based on perceived risks of publication of state secrets, has various far-reaching effects. Two effects of this reality include the loss of trust in government and government officials to do the right thing as well as the frequency of market fluctuations.

Lowi (1969) argued that “crisis decisions in foreign policy are made by an elite of formal officeholders “without a high level of consistency and predictability attached to those decisions (129).

Tversky & Kahneman (1974) introduced the three heuristics used when making decisions under uncertainty namely representativeness, availability and adjustment from an anchor.

Trust in government has been declining since the end of the Second World War. Helping the public understand which decision-making techniques are employed by the highest offices in government, will not only help improve the level of trust in government but will also have a positive effect on the economy. With this insight, the financial markets will be more equipped to sustain severe market fluctuations due to political uncertainty.

“Politics is morality”
- Theodore Lowi

Kahneman, Daniel & Tversky, Amos (1979)
“Prospect Theory: An Analysis of Decision under Risk” Econométrica 1979 47:2 p. 263-292


Tversky, Amos & Kahneman, Daniel (1974)