Middle-age—The Sweet Spot for Fiscal Leadership

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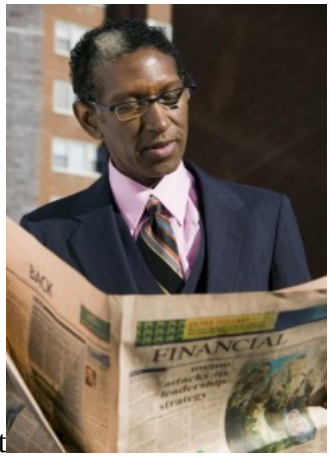
Many of the most influential financial decision makers in our society—from business to politics— happen to be those in middle-age. The average age of Fortune 500 chief executive officers and chief financial officers is around the mid-fifties. Historically, the average appointment age of Federal Reserve Chairs and National Economic Council Directors is also in the 50s. The number is not an artifact of averaging; all current members of the Council of Economic Advisors and half of the National Economic Council members are fifty-something.

Is there some sort 

of peak of financial reason in the 50s? Recent research in economics, psychology, and neuroscience suggests that there may be.

Gregory R. Samanez-Larkin, who studies decision-making across adulthood, points to a Brookings analysis of financial mistakes across a range of credit behaviors. The paper identified the age around where mistakes are minimized as 53.

The authors of that paper presented a model of how financial decision-making performance may be influenced by divergent changes in cognitive abilities over adulthood. The idea is that the youngest and oldest decision makers make mistakes for different reasons. The young are cognitively robust but inexperienced; the elders can draw on a lifetime of experience but are limited in some fluid cognitive abilities. The peak in middle age is at a sweet spot where individuals have not suffered much fluid decline but also have decades of life experience.

We are currently at a unique moment in human history where demographic changes are and will continue to drastically alter the profile of decision makers in the global population. These changes highlight the challenges (e.g., rising entitlement costs) but also opportunities of a graying population.

Read more about this topic in *Observer*, the monthly magazine of the Association for Psychological Science.