

August 2, 2021

Power, Influence, and Leadership in Geopolitics

Xi Jinping. Donald Trump. Vladimir Putin. Ronald Reagan. Nelson Mandela. When it comes to understanding geopolitics, most of us probably focus on the powerful, visionary leaders who can drive events forward toward their goals. But few of us really try to think systematically about the characteristics that make a leader successful or the tactics he or she can use to shape the world. This report offers a framework for assessing foreign leaders' power and prospects, based on a recent book on the science of influence. We show some of the ways we analyze political leaders' ability to affect the geopolitical environment and, therefore, global investment prospects. The concepts discussed may even be useful in other aspects of life, from marketing to career development or personal relationships.

The Seven Sources of Influence

The analytical framework we describe is based on [*Influence: The Psychology of Persuasion*](#),¹ by [Robert B. Cialdini, Ph.D.](#), a professor at Arizona State University. When it was first published in 1984, this classic focused on six sources of persuasion that could be especially useful to marketers. According to Cialdini, these sources of influence are rooted so deeply in human psychology and evolution that they can prompt a desired behavior almost

automatically or instinctively. In the new and expanded version published this year, Cialdini adds a seventh source of persuasion that speaks to today's hyper-politicized and tribalized societies. While the book remains highly relevant to sales professionals, we think Cialdini's seven sources of influence are just as useful for understanding how a political leader can "sell" his or her agenda to a nation or to other foreign leaders.

The following are Cialdini's seven sources of influence, along with some examples highlighting how they can appear in national politics and international relations:

Authority. For Cialdini, one key source of influence is "authority." That may seem obvious, but he stresses some important nuances behind the idea. He notes, for example, that influence can stem from being "an authority," meaning someone seen to have unique knowledge, credibility, and trustworthiness on an issue (which probably explains why so many of us hang our college diploma on our office wall). In contrast, he notes that influence can also come from being "in authority," meaning someone who has influence based on their formal position within an organization. In today's populist, anti-elitist political arena, we think "in authority" could also include someone skilled in using the informal tactics of interpersonal power. These tactics can be relatively soft and subtle (for instance, ensuring a negotiation or conflict happens only in a location where you have status), but they can also be raw and harsh, such as richly rewarding one's followers while punishing one's enemies.

¹ Cialdini, Robert B. (2021). *Influence: The Psychology of Persuasion*. New and expanded ed. New York, NY: HarperCollins.

- **Example:** The broad influence that comes from being formally in authority was probably best expressed by Teddy Roosevelt in his description of the U.S. presidency as a “bully pulpit.” Whatever the formal powers a president may have, he or she also has the visibility and command of attention that comes with such a high office.
- **Example:** In France, far-right leader Marine Le Pen has long had a public following because of her anti-immigrant, Euro-skeptic views, even though the highest office she has won is a seat in parliament. [Recognizing how much more influence she would have if she was ever successful in winning the presidency, centrist parties have allied against her in a “republican front,” under which they tactically vote against her and her party in order to keep them out of formal power.](#)
- **Example:** Even after winning the formal powers of the presidency, Donald Trump gained exceptional influence over the Republican Party through hard-ball tactics like attempting to destroy the reputation and position of all rivals, taking steps to monopolize media attention, and controlling public debate.² Trump’s success in exercising informal, interpersonal power is so great that he still holds sway over Republicans

² Many of Trump’s political tactics echo those described in: Greene, Robert. (1998). *The 48 Laws of Power*. New York, NY: Penguin. Many of these tactics were famously advocated in the 16th century by the Italian political theorist Niccolo Machiavelli in his book *The Prince*. They are also discussed in the following: Galbraith, John Kenneth. (1983). *The Anatomy of Power*. New York, NY: Houghton Mifflin Harcourt. Yet another interesting take on interpersonal power tactics can be found in an [analysis of the HBO series *Game of Thrones*](#) on the YouTube channel “Charisma on Command.”

despite losing the presidency in the November elections.

Liking. For Cialdini, a second source of influence is simply “being liked.” But what makes a person likable? Cialdini lays out several factors, such as having an attractive outward persona reflecting traits such as strength, competence, confidence, authenticity, and independence (he even cites a study of Canadian elections showing that physically attractive candidates receive many more votes than less-attractive candidates). Other possible factors include having similarities with the person you’re trying to influence, offering compliments, embarking on cooperative projects together, and being associated with other attractive people, ideas, or causes (which explains the power of the celebrity influencer). Within this category, we would probably also add the trait of charisma (that combination of power, presence, and warmth is laid out by Oliva Fox Cabane in *The Charisma Myth*³).

- **Example:** The U.S. as a country has long benefited from being liked for its commitment to freedom, prosperity, opportunity, and justice. The country’s “soft power” is a key source of its overall influence in the world. Just as important, some U.S. political leaders have also deliberately cultivated a likeable persona to serve them in their quest for global influence. Following the rough-and-tumble “America First” agenda pushed by former President Trump, President Biden is now actively cultivating his image as a loyal, supportive ally who shares the values and aspirations of other Western leaders.
- **Example:** Switzerland has actively built a reputation for “niceness” by staying

³ Cabane, Oliva Fox. (2012). *The Charisma Myth: How Anyone Can Master the Art and Science of Personal Magnetism*. New York, NY: Penguin.

neutral during two world wars, being non-threatening toward its neighbors, and acting even-handedly in foreign affairs. Switzerland's even-handedness has made it a go-to country to serve as interlocutor between feuding nations that have no diplomatic relations, such as the U.S. and Iran. The country's neutrality has also made it an attractive location for the headquarters of some international organizations, such as the Bank for International Settlements, the "central bank to central banks." Because of its reputation for being a peaceful, indispensable honest broker, Switzerland has the luxury of having no obvious enemy against which it must prepare to defend itself.

Unity. This is a new source of influence that Cialdini recognizes for the first time in the latest edition of his book. In Cialdini's view, people in today's highly polarized and tribal environment are more likely to say "yes" to people they share a fundamental identity with, whether that shared identity is based on race, ethnicity, nationality, family, political affiliation, or religious belief. However, Cialdini notes that this feeling can also be generated merely by people acting together in unison, creating something together, or suffering jointly with others. In fact, he shows how military organizations around the world still build this sense of unity in their new recruits through endless marching exercises, even though marching skills have long ago lost their importance on the battlefield.

- **Example:** For more than a century, Russian leaders such as President Putin have sought to strengthen their relations with ethnic Slavs in Eastern Europe and the Balkans [by calling out their shared Slavic blood or their Orthodox Christian faith](#). Russian leaders have sought to keep their Slavic allies in line using

these arguments during periods such as the runup to World War I and the Balkan conflicts of the 1990s.

- **Example:** Other nations tap their diaspora to further their foreign policy goals. To facilitate trade, China often relies on ethnic Chinese who emigrated to other Asian countries over the centuries. Similarly, Irish emigration to the U.S. in the 1800s created a large political constituency of Irish Americans that enhances Ireland's diplomatic power. One recent reflection of this was President Biden's warning to the U.K. that its exit from the EU must not result in the return of a hard border between Northern Ireland and Ireland.

Social Proof. Cialdini's next source of influence is "social proof," defined as the propensity for people to believe or act in accordance with what others believe or do. Utilizing this principle, an influencer attempts to stimulate a person's compliance with a request by showing that many other individuals, or a growing number of people, are or have been complying with it. For Cialdini, the principle acts most powerfully on people who are uncertain about the best way to act, when the influencer can point to a large number of "provers" who are acting in the requested manner, and when those provers are similar to the person whose compliance is requested. We've probably all experienced the power of social proof when we've found ourselves buying an item online based on the number of positive ratings other buyers have given it.

- **Example:** Throughout its history, the European Union has generated political momentum each time it expanded, largely because each expansion underscored how citizens in other European countries saw value in joining the bloc and were clamoring to get in.

Over time, this reliance on social proof has probably led the bloc to accept more countries than it could reasonably accommodate under its ethic of unanimous decision-making.

- **Example:** From time to time, some U.S. leaders have pointed to the country's illegal immigration problem as a positive, based on the fact that it underscores the country's desirability and status as a beacon of freedom and opportunity for people around the world. The flip side of this argument is when people point to other countries' lack of immigration as evidence that they are bad or unworthy. In the coming years, it would not surprise us to hear some people in the U.S. undercutting China as a geopolitical rival by saying, "Well, you don't see anyone swimming a river to get into China, do you?"

Reciprocity. This principle simply says that people are more likely to comply with a request when the requester has first provided them with something of value. In Cialdini's view, it is a deeply embedded human trait that requires one person to try to repay what another person has provided. To illustrate the power of this principle, Cialdini cites studies showing that waiters greatly increase the tips they receive when they include a mint or two when delivering the dinner check. Importantly, Cialdini notes that the reciprocation impetus can be engaged even when a negotiator makes a tough opening bid but then offers a concession.

- **Example:** President Trump has long relied on this principle, demanding loyalty in return for putting people in positions of power. For example, reports indicate Trump [is livid at Republican Gov. Ron DeSantis of Florida for contemplating a presidential run against him in 2024](#), based on his belief that

DeSantis should bow out in appreciation of Trump's endorsement during his run for the governorship.

- **Example:** More broadly, a long line of U.S. political leaders have expected a degree of compliance from Europe on security and foreign policy matters in return for U.S. security assistance. While the first half of the 20th century was marked by two major wars in Europe, the U.S. security guarantee has helped keep peace on the continent for almost 75 years. That's one reason why, in the run-up to the Iraq War in 2003, the Bush administration was so incensed that several prominent European nations refused to accept U.S. evidence that the country had weapons of mass destruction.

Scarcity. The "scarcity" principle is the idea that people assign more value to opportunities that are less available, both because people tend to see lack of availability as a shortcut cue to quality and because people have a strong aversion to the loss of goods, services, or freedoms that at one time were available.

- **Example:** U.S. presidents recognize that a visit to the White House is a rare and precious perk for foreign leaders, especially if it is accompanied by a state dinner or trip to Camp David. Presidents therefore dole out these visits carefully. Those in their first term are especially strategic in planning which foreign leaders will be granted the first visits. For instance, since Japan is such a key ally for the U.S. in its rivalry with China, [Japanese Prime Minister Suga was granted the first visit to the White House under President Biden](#).
- **Example:** In contrast, President Putin has had the good fortune to rule during a

period when Russia's economy is far more stable than in the traumatic years after the fall of the Soviet Union. One key reason why many Russians are willing to support Putin despite his administration's corruption and human rights abuses is that they fear losing their newly found stability and improved prospects.

Commitment and Consistency. Cialdini's seventh and last principle is that an influencer can gain compliance by engaging people's sense of commitment and their desire to be consistent. The idea is to leverage people's desire to be and look consistent with their words, beliefs, attitudes, and deeds, and it's especially powerful when the commitment is made actively, publicly, and voluntarily. Many of us have had this principle used on us when shopping for a car, when the salesman asks us to sign a promise to make the purchase if a fair price is offered. It's also been in the news recently regarding how Amazon (AMZN, 3,594.32) offers its employees \$5,000 to leave the firm after three years. Although the policy has been panned as a way to limit seniority and the higher labor costs that come with it, another interpretation is that those workers who reject the buyout feel a greater sense of commitment to the job and the company going forward.

- ***Example:*** China's public diplomacy under President Xi is specifically designed to sound like it is consistent with common human values such as national sovereignty, self-determination, the equality of nations, and shared aspirations for the future. However, the ["community of shared future" that serves as China's key vision for the world](#) is as misleading as it is vague. For instance, Chinese rhetoric insists that its vision includes noninterventionism,

to contrast it from the European powers that colonized much of the world. To bolster the point, China consistently refuses to comment on the domestic policy of other nations. In reality, China often interferes in the domestic affairs of other nations as can be attested by those that have participated in its Belt and Road infrastructure construction initiative.

The Importance of Goals

One final note is that even if a political leader has all the sources of influence discussed above, he or she is unlikely to be truly effective unless those sources of influence can be channeled toward a specific goal. Merely using influence to maintain power can work for a time, but voters and citizens ultimately want a leader to steer the ship of state in a specific direction. [We see that in Germany today, where Chancellor Angela Merkel is being increasingly criticized for excessive caution as her long reign comes to a close.](#)

We suspect that having high ambitions and a clear vision of where they want to go is essential for a leader to gain control over a branch of government or a country of an alliance. As we assess the world's political leaders and their prospects on the national and international stages, we try to develop a good understanding of their agenda. We scour news reports, biographies, and other evidence for a sense of where the leader wants to take his or her country, whether it be the pan-Islamism of Turkish President Erdogan or the revived Peronism of Argentine President Fernandez. In any case, when we see a clear, ambitious agenda coupled with a leader who knows how to exercise Cialdini's seven sources of power, we know that leader could have an outsized impact on geopolitics.

***Power, Influence, and Leadership:
A Reading List***

- *The Prince*, by Niccolo Machiavelli
- *The Anatomy of Power*, by John Kenneth Galbraith
- *The 48 Laws of Power*, by Robert Greene
- *Influence: The Psychology of Persuasion*, by Robert Cialdini
- *How to Win Friends and Influence People*, by Dale Carnegie
- *The Charisma Myth*, by Olivia Fox Cabane
- *The Power Broker*, by Robert Caro

Investment Ramifications

Some observers, such as Tolstoy in his famous novel, *War and Peace*, have pushed back against the “Great Man” theory of history on the grounds that these supposed protagonists are actually just carried along by the great political, economic, and social trends of their day. They may have some influence on events, but only because they’re in the right place at the right time. They aren’t really decisive. We pay close attention to the broad sweep of history and

the changing geopolitical, economic, social, and financial currents, so we have some sympathy for that idea. As discussed above, however, we also think some global leaders have the ability to turn the tide of world events. By doing so, they also shape or reshape the global investment climate.

In today’s geopolitics, some of the most powerful leaders who bear watching would include Chinese President Xi and Russian President Putin, both of whom have revisionist agendas that could spark conflict with the U.S. and its allies. Of course, much of their planning, thinking, and political maneuvering occurs in private, so it’s hard to assess them accurately. All the same, we will continue to watch them closely to understand their goals and prospects over time, with a particular focus on identifying the kinds of actions that could lead to military conflicts, which would likely be negative for equities but positive for government bonds and potentially commodities.

Patrick Fearon-Hernandez, CFA
August 2, 2021

This report was prepared by Patrick Fearon-Hernandez of Confluence Investment Management LLC and reflects the current opinion of the author. It is based upon sources and data believed to be accurate and reliable. Opinions and forward-looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.

Confluence Investment Management LLC

Confluence Investment Management LLC is an independent Registered Investment Advisor located in St. Louis, Missouri. The firm provides professional portfolio management and advisory services to institutional and individual clients. Confluence’s investment philosophy is based upon independent, fundamental research that integrates the firm’s evaluation of market cycles, macroeconomics and geopolitical analysis with a value-driven, company-specific approach. The firm’s portfolio management philosophy begins by assessing risk and follows through by positioning client portfolios to achieve stated income and growth objectives. The Confluence team is comprised of experienced investment professionals who are dedicated to an exceptional level of client service and communication.