

Personality and Response to the Financial Crisis

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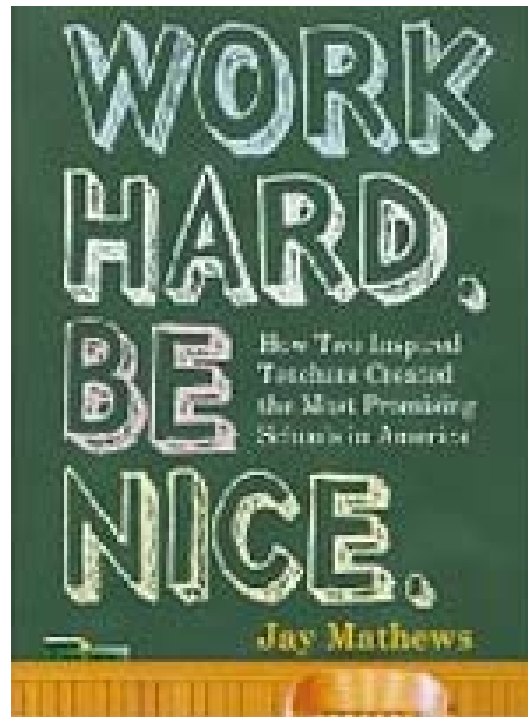
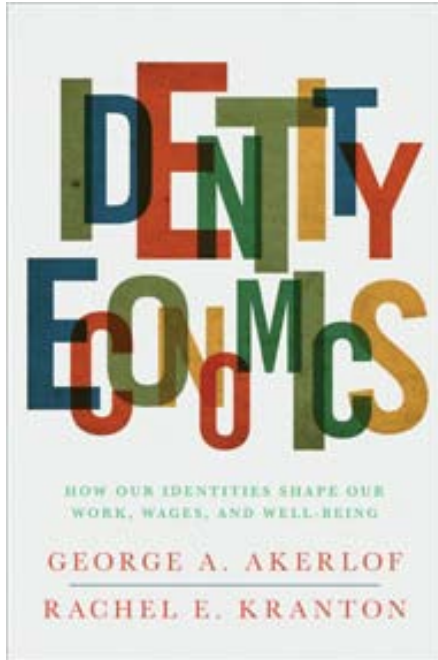
David Weir

July 2011

Project summary

- We examined *prospective* associations between personality (2006/2008) and responses to the financial crisis (2009)
- We also examined *cross-sectional* associations between personality and *consumption* data (2001 to 2009)
- We included newly available data on more *narrowly defined facets* of conscientiousness (2010 experimental module)

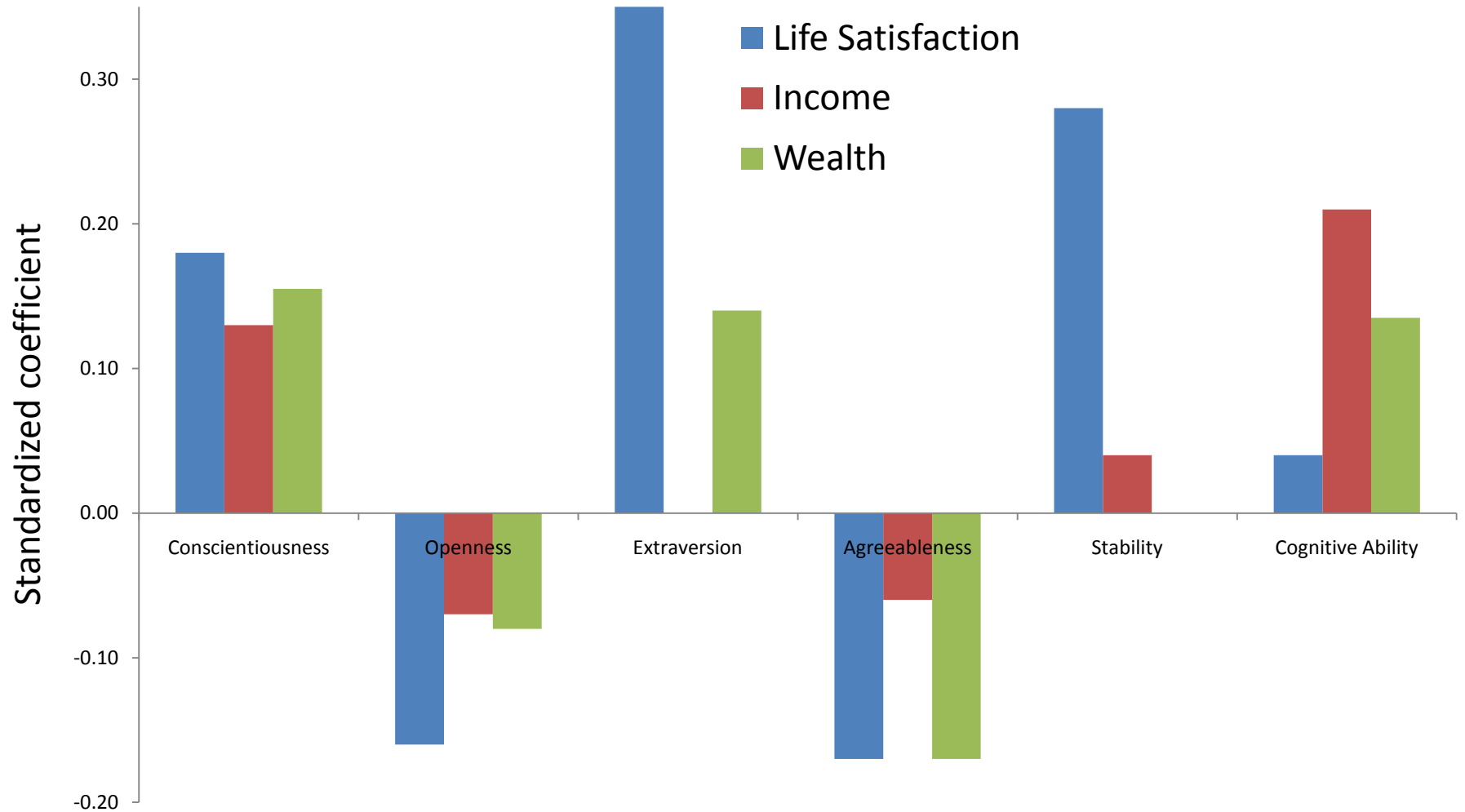
Personality & Economics



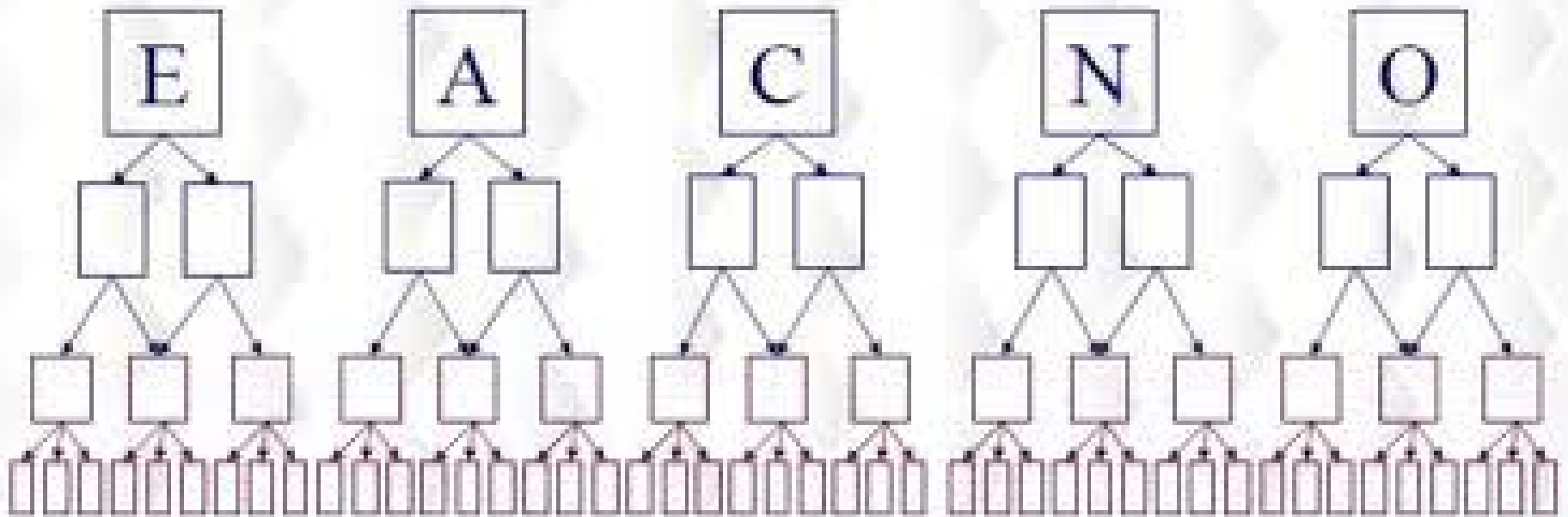
The Big Five



Previous findings from HRS



Traits are organized hierarchically



Conscientiousness

Orderliness

Dependability

Caution

Self-Control

Perseverance

Other facets?

Finances

Exercise

Eating

Relationships

Other domains?

Control variables for all analyses

- Birth year
- Gender
- HRS cohort
- Ethnicity
- Years of education
- Cognitive ability

2009 Internet survey



- For analyses where data were available from most respondents, the sample size was about $N = 750$.
- However, for most questions of interest, the sample size was considerably smaller (e.g., retirement questions inapplicable to many respondents).
- There were no notable associations that were significant, correcting for multiple comparisons, and theoretically interpretable.

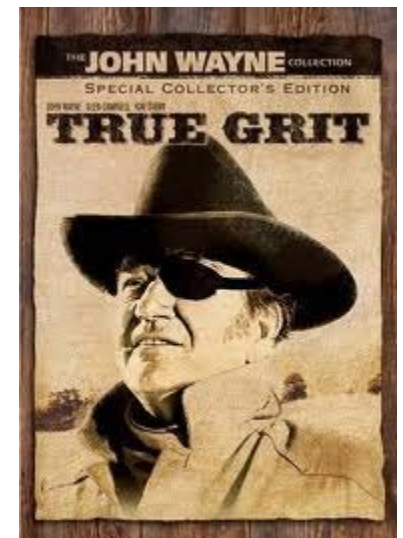
Consumption-to-Income (N = 2,327)

- Controlling for demographic variables, cognitive ability, and, in addition, (log) wealth:
- ...the ratio of (log) consumption to (log) income is associated with
 - *lower* conscientiousness ($\beta = -.06$, $p < .01$)
 - *higher* openness to experience ($\beta = .08$, $p < .01$)



2010 experimental module (N = 272)

- Five-item scale to measure perseverance (selected from the Grit Scale) was reliable ($\alpha = .67$) but a three-item scale to measure self-control was not ($\alpha = .37$)
- When controlling for Big Five personality, perseverance was associated with log income ($\beta = -.14$, $p < .05$) but the association with consumption-to-income ratio ($\beta = -.14$) failed to reach significance



2010 experimental module (N = 272)

- Self-control in finances is inversely associated with consumption-to-income ratio ($\beta = -.15, p < .05$) even when controlling for Big Five personality
- Self-control in other domains (e.g., food, exercise, relationships) is less robustly associated with consumption-to-income ratio



Summary

- More narrowly defined facets of Big Five personality can explain variance in economic outcomes
- Understanding which aspects of Big Five traits, specifically, influence economic outcomes can inform policy and intervention

Appendix

Big Five personality items

- Conscientiousness: organized, responsible, hardworking, careless (reversed), thorough
- Emotional stability: moody, worrying, nervous, calm
- Agreeableness: helpful, warm, caring, softhearted, sympathetic
- Openness to experience: creative, imaginative, intelligent, curious, broadminded, sophisticated, adventurous
- Extraversion: friendly, outgoing, lively, active, talkative

Perseverance scale

- I am persistent*
- New ideas and projects sometimes distract me from previous ones (reverse-scored)
- I have been obsessed with a certain idea or project for a short time but later lost interest (reverse-scored)
- I often set a goal but later choose to pursue a different one (reverse-scored)
- I have difficulty maintaining my focus on projects that take more than a few months to complete (reverse-scored)

* “I am diligent” in original Grit Scale
(Duckworth et al., 2007)

Self-control scale

- I wish I had more self-discipline (reverse-scored)
- I am good at resisting temptation
- Sometimes I can't stop myself from doing something, even if I know it's wrong (reverse-scored)

* From Tangney, Baumeister, & Boone, 2004

Domain-specific self-control scales

- Finance
 - Spend too much money
 - Buy things on impulse
 - Buy things I hadn't planned to buy
 - Buy things I don't really need
- Food
 - Eat more food than I should
 - Snack on junk food
 - Eat chips and other salty snacks
 - Eat candy
- Exercise
 - Avoid physical exercise
 - Avoid working out
 - Remain physically inactive
 - Stay sedentary
- Relationships
 - Hold a grudge
 - Lose my temper
 - Interrupt people when they are talking
 - Complain about my problems

** All items reverse-scored; from Tsukayama et al., in press*

Prior study SEM model summaries

	Life Satisfaction	Lifetime Income	Wealth ^a	
			Husbands	Wives
Conscientiousness	.18***	.13***	.16***	.15***
Openness	-.16***	-.07**	-.06	-.10**
Extraversion	.38***	.00	.10	.18**
Agreeableness	-.17***	-.06*	-.15*	-.19***
Stability	.28***	.04**	.01	-.01
Cognitive Ability	.04	.21***	.16***	.11**