Personality and Response to the Financial Crisis

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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

- Openness
- Conscientiousness
- Extroversion
- Agreeableness
- Neuroticism
Previous findings from HRS

Conscientiousness
Openness
Extraversion
Agreeableness
Stability
Cognitive Ability

Standardized coefficient
Traits are organized hierarchically
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 ($\beta = -0.06$, $p < 0.01$)
  - higher openness to experience ($\beta = 0.08$, $p < 0.01$)
2010 experimental module (N = 272)

• Five-item scale to measure perseverance (selected from the Grit Scale) was reliable (α = .67) but a three-item scale to measure self-control was not (α = .37)

• When controlling for Big Five personality, perseverance was associated with log income (β = -.14, p < .05) but the association with consumption-to-income ratio (β = -.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

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