

## **ECONOMISTS' PREFERENCES AND PSYCHOLOGISTS' PERSONALITY TRAITS: New hope for measuring socio-emotional skills**

There is a much stronger link between patience, attitudes towards risk and soft skills traditionally considered to be part of human capital than was previously believed, according to research by **Tomáš Jagelka** to be presented at the annual congress of the European Economic Association in Manchester in August 2019.

Analysing data from a large scale Canadian experiment, he shows that four factors related to cognitive ability and three of the Big Five personality traits explain up to 50% of the variation in both average preferences for risk and time and in individuals' capacity to make consistent rational choices.

The research challenges the preconception that preference parameters studied by the economic profession and personality traits measured by psychologists capture separate dimensions of human differences governing behaviour.

There is extensive evidence that not only cognitive skills but also an individual's preferences and personality are vital predictors of a wide range of economic, health and social outcomes. For this reason, educational authorities across the globe are moving to add socio-emotional skills to the list of competencies that schools are supposed to teach. Doing so effectively supposes having a clear idea of the number and nature of skills required to characterise human potential adequately.

Past findings suggested that economic preference parameters are not closely related to psychological measures of personality. A careful treatment of measurement error and of mistakes made by persons being surveyed allows Dr Jagelka to establish a much tighter link than was previously thought.

He is able to separate true preferences from noise in decisions and in answers to survey questions about personality by applying advanced econometric techniques to a large sample of individuals each of whom made choices on over 100 tasks with incentives designed to elicit risk and time preferences.

Figures 1 and 2 show that variation in individuals' conscientiousness – a personality trait related to self-reported ambition, discipline, and the ability to delay gratification – by itself explains 45% of heterogeneity in people's impatience and 10% of the variation in their risk aversion. Furthermore, attitude towards risk is linked to both the extraversion personality trait and to cognitive ability while the latter also explains individuals' propensity to make mistakes.

Even though these relationships are intuitive – economists and psychologists consider preferences and personality respectively as person-specific determinants of behaviour, which are stable across situations – documenting them empirically has long been elusive due to the difficulty of measuring them correctly.

Indeed, personality psychologists acknowledge that the multitude of currently used measures of socio-emotional skills is unreliable and does not allow for effective comparisons across schools, let alone across school districts or countries.

The results of Dr Jagelka give some hope that a more accurate anchored economic preference-based system for measuring non-cognitive skills could be developed and used to identify the skills necessary for full human flourishing. It could then be used to target these essential skills in school and thus promote children's success and long-term wellbeing.

Indeed, this is the goal of a collaboration with the Laboratory Schools at the University of Chicago that he is currently setting up with Nobel Prize winning economist James Heckman – director and founder of the Center for the Economics of Human Development – jointly with the briq Institute on Behavior & Inequality.

ENDS

Jagelka, T. (2019). *Are Economists' Preferences Psychologists' Personality Traits?* Working Paper.

Contact details:

Dr Tomáš Jagelka  
University of Bonn  
Institute for Applied Microeconomics  
Phone: +33 (0) 7777 00 123  
E-mail: [tomas.jagelka@polytechnique.edu](mailto:tomas.jagelka@polytechnique.edu)  
Home Page: <https://sites.google.com/view/tomasjagelka/home>

Figure 1: Heterogeneity in the Coefficient of Risk Aversion

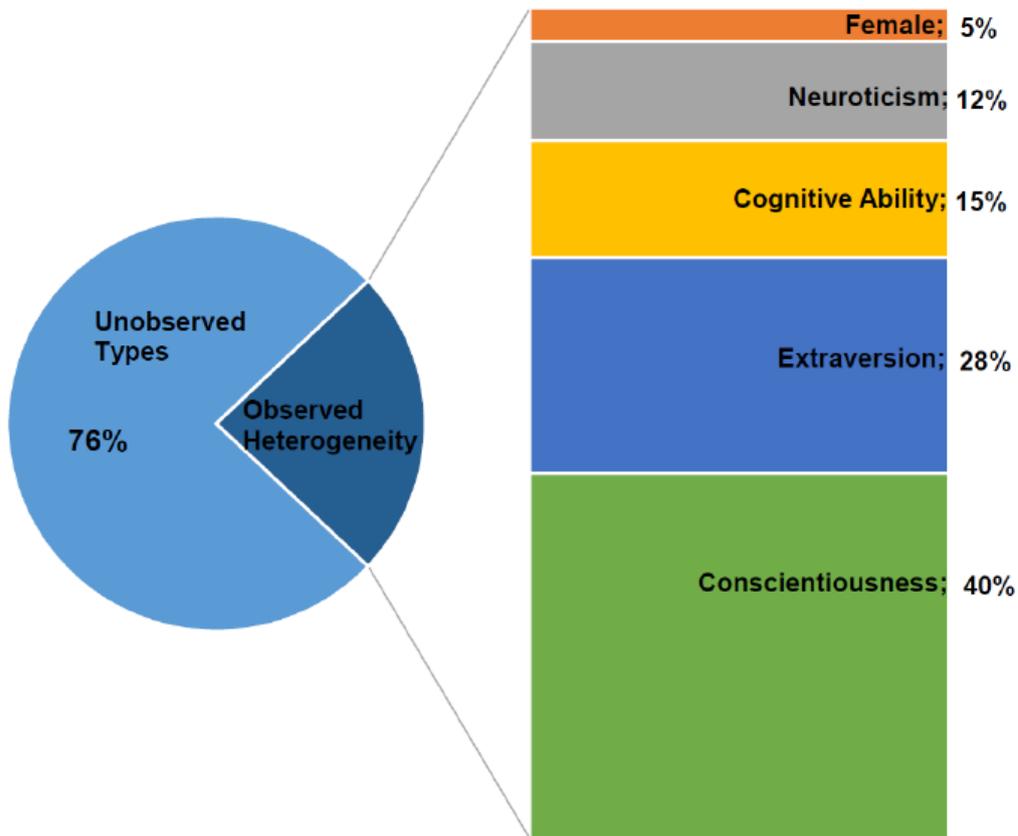


Figure 2: Heterogeneity in Discount Rates

