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### Personality Psychology and Economics

by Mathilde Almlund, Angela Lee Duckworth, James J. Heckman, Tim Kautz  
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**Abstract:**

This paper explores the power of personality traits both as predictors and as causes of academic and economic success, health, and criminal activity. Measured personality is interpreted as a construct derived from an economic model of preference constraints, and information. Evidence is reviewed about the "situational specificity" of personality traits and preferences. An extreme version of the situationist view claims that there are no stable personality traits or preference parameters that persist across different situations. Those who hold this view claim that personality psychology has little relevance for economic analysis. The biological and evolutionary origins of personality traits are explored. Personality measurement systems and relationships among the measures used by psychologists are examined. The predictive power of personality measures is compared with the predictive power of measures of cognition captured by IQ and achievement tests. For many outcomes, personality measures are just as predictive as cognitive measures, even after controlling for family background and cognition. Moreover, standard measures of cognition are heavily influenced by personality traits and incentives. Measured personality traits are positively correlated over the life cycle. However, they are not fixed and can be altered by experience and investment. Intervention studies, along with studies in biology and neuroscience, establish a causal basis for the observed effect of personality traits on economic and social outcomes. Personality traits are more malleable over the life cycle compared to cognition, which becomes highly rank stable around age 10. Interventions that change personality are promising avenues for addressing poverty and disadvantage.

**Text:** See [Discussion Paper No. 5500](#)



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