

Extroverted populations have lower savings rates

July 24 2015, by Elaine Smith

Extroverted populations tend to have lower savings rates, says Jacob Hirsh, an assistant professor at U of T Mississauga's Institute for Management and Innovation.

Hirsh's findings, published in the July issue of *Personality and Individual Differences*, grew out of his interest in how personality affects decision making. In his recent study, he shifted his focus from studying individuals to looking at personality effects across entire populations.

"Many of the choices that people make are influenced by their [personality characteristics](#)," Hirsh said. "I started to think about how that impact might play out across larger groups."

In his previous work, Hirsh has shown that more extroverted individuals tend to choose smaller but immediate rewards instead of larger but delayed ones.

"Extroverts are far more sensitive to rewards, which makes it harder for them to overcome their desire for immediate gratification," said Hirsh. "When making financial decisions, this can contribute to impulsive spending, higher credit card debts and reduced savings."

If personality traits are related to individual saving behavior, what would happen when entire populations differ in their personality characteristics? In the new paper, Hirsh examined this question using three different data sets.

In the first study, Hirsh found a correlation between United States extroversion levels and changes in the personal savings rate over time. During the same period that U.S. savings rates underwent a sharp decline, there was a corresponding increase in U.S. extroversion levels.

In a second study, Hirsh found that U.S. states with higher average extroversion levels tended to allocate more of their income toward immediate consumption, rather than setting money aside for saving.

A final study examined how the average extroversion levels of different countries were related to gross national savings as a percentage of GDP (gross domestic product).

"Across all three different analyses, the same pattern emerged," Hirsh said. "The more extroverted the population, the lower the savings rates tended to be, even when controlling for population differences in age, life expectancy and wealth."

Although the pattern was consistent across studies, Hirsh cautions that correlation does not guarantee causation.

"We can't be certain about the direction of causality here," he said, " but to the extent that aggregate savings reflect individual choices, there is reason to think that personality traits can indeed have a causal influence."

Overall, the findings suggest that personality psychology can contribute to an understanding of financial decision-making and economic behaviour.

"We know that [personality traits](#) have a powerful influence on an individual's life outcomes," said Hirsh. "We are only beginning to understand the broader social and economic consequences of these

personality differences."

Provided by University of Toronto

Citation: Extroverted populations have lower savings rates (2015, July 24) retrieved 25 April 2024 from <https://medicalxpress.com/news/2015-07-extroverted-populations.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.