

The Role of Impulsivity, Frugality, and Parental Education in Financial Success and Failure

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Introduction

- Certain psychological conditions such as ADHD are correlated with financial struggle (ADHD, financial distress, and suicide in adulthood: A population study - PMC (nih.gov)).
- Despite this correlation being proven in a number of studies, the specific qualities contributing to these financial struggles were not as obvious.
 Furthermore, the qualities that may contribute to success were also not studied.
- Most articles written about the qualities needed for success under capitalism seem not to be fact or study-based.
- A Georgetown study even argued that the greatest contributor to wealth is familial wealth (Born to Win, Schooled to Lose: Why Equally Talented Students Don't Get Equal Chances to Be All They Can Be - CEW Georgetown)

Methods

Sample

 Adults 18 and up meant to constitute a sample representative of the American population. Data consisted of 6,394 completed surveys.

Measures

- Qualities were measured through questions on the survey
- Selfcontrolscore was calculated by summing the values of each individual score given with regards to the three separate self control variables

Research Questions

What qualities contribute to success or to failure under capitalism?What is the connection between impulsivity and financial well-being?

Results

Univariate

- Most people ranked themselves as relatively frugal, as the average was 5.22 while the range of possible answers was 1-6
- PAREDUC scores were somewhat low, with an average of 2.94799054
- The FWB score Mean and Median are approximately equal, suggesting that the data is tightly clustered around the center.

Bivariate

- The ANOVA procedures show that self control scores, frugality, pareduc and FWBscore are closely correlated (P-score<.0001). However the model did not fit well, as shown by the low r-square values.
- The mean FWB score rose steadily in accordance with the increase in level of pareduc, with the exception being level 3. This may be because while some college may be helpful, without graduating from college one does not acquire a diploma, meaning they may not necessarily benefit financially from their college education.

Multivariate

- The correlation between self control score and financial well-being when either parental educational level or frugality are considered is not statistically significant. The Pr>F score of PAREDUC*selfcontrolscore=.5159>.05. The Pr>F score of selfcontrolscore*frugality=.0792, meaning that when either PAREDUC or frugality is taken into consideration, selfcontrolscore is no longer an accurate predictor of financial wellbeing. This may be true because impulsive people may struggle to be financially conservative.
- The correlation between frugality and self control score when pareduc was taken into consideration is also statistically insignificant (Pr>f score=.1005>.05)



Figure 1. Frugality level and financial well being score

Multivariate (cont.)

 The regression model I used did not fit my data well as can be seen below



Figure 2: Financial well-being by Highest level of education by person/people who raised respondent

 The biggest discrepancy between probability before and after taking another variable into account is that of pareduc and selfcontrolscore. This suggests that a significant reason for selfcontrolscore to affect fwbscore is PAREDUC. Frugality when Pareduc is taken into account also has a very large Pr>F score (.10005) suggesting that pareduc may be the biggest wealth predictor.

Discussion

- Individuals born with parents who are well educated are more likely to succeed, however this may also be because familial wealth plays both a large role in educational experience (meaning parents come from wealthy backgrounds) and as a predictor of wealth (educated people tend to be wealthier) (find sources)
- While impulsivity and financial well-being were found to be correlated, studies have shown that growing up with less wealth leads people to be less risk-averse. This suggests that poor people are more likely to continue to be poor regardless of ability.
- Given the correlation between impulsivity and several psychiatric conditions, the data suggests that qualities beyond an individual's control are penalized by the economic system.
- Because frugality is rewarded with better financial well-being scores, the capitalist system incentivizes wealth accumulation and motivates those with wealth to avoid wealth distribution policies to the best of their ability.

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