



## PERSONALITY

# How emotional intelligence makes us productive

How can your birth order influence cognitive abilities? In turn, how do these link to a person's capacity and desire to lead?

Economists spend a lot of time investigating the factors that make people more productive. The reason why we can today afford a much higher standard of living than our ancestors in Africa, India or Europe two centuries ago is because more productive people are producing more, with less.

Many things improve productivity. Technological improvements like a computer allow us to use the power of machines to substitute manual labour. Education allows us to build faster and stronger computers. Both technology and education are key to continue building and sharing a prosperous future.

But it is not *only* technology and education that improve living standards. There are formal and informal institutions – things like the criminal justice system, property right regimes and political systems – that create incentives for us to invest in technology and education. Then there are softer things, like the way we make decisions (often referred to as “culture”), or our personalities. Economists are only now beginning to explore the roots of these “soft” determinants.

Psychologists have known for a long time that our personalities affect the way we make decisions. Whether we apply for that senior position may depend on whether we exhibit the leadership qualities required to lead a large team, for example. **But what determines whether we have those leadership abilities? Nature or nurture?**

One option is to look at siblings. If genetic traits (nature) were the only source of leadership qualities, almost all the variation we find in society would be between families. So, there should be little variation between brothers, for example, as they have a lot of genetic overlap.

This is not the case, however, at least according to a recent NBER working paper written by three economists, Sandra Black, Björn Öckert and Erik Gröngqvist. Almost a third of total variation in personality traits, they note, are within the family. So, if it is not only nature that determines much of your personality, where do these within-family differences come from?

One possibility, they argue, is birth order. Using a Swedish dataset, the authors find that first-born children are “advantaged” when measured on “emotional stability, persistence, social outgoingness, willingness to assume responsibility and ability to take initiative”. Note: these are non-cognitive abilities. But there is little difference in terms of a first-born and a third-born's innate ability to do maths, for example. It is on the softer abilities that first-borns clearly outperform lower-ranked siblings: third-born children, for example, have non-cognitive abilities that are 0.2 standard deviations below first-born children.

Non-cognitive abilities matter. They show that first-born children are

almost 30% more likely to be top managers compared to third-borns. This is because managerial positions, they argue, tend to require all the big five domains of personality: openness to experience, conscientiousness, extraversion, agreeableness and emotional stability.

But *why* does birth order matter? The authors argue for largely three possible reasons. First, biology. Successive children may have less of the stereotypical male behavioural traits due to the mother's immunisation to the H-Y antigen. But this seems unlikely to explain most of the variation, as the authors also find that birth order patterns vary depending on the sex composition of the older children: third-born sons perform worse on non-cognitive tests when their older siblings are male compared to when they are female.

This suggests that it has something to do with how parents allocate time and resources, especially in the early years. “First-born children have the full attention of parents, but as families grow the family environment is diluted and parental resources

become scarcer,” the authors say. Parents may also have incentives for stricter parenting practices towards the first-born to ensure a reputation for “toughness” necessary to induce effort among later-born children.

Third, children may act strategically in competing for parental resources. Siblings compete for possession of property and access to the mother. Older siblings, research shows, tend to take a more dominant role in conflict and have more elaborate conflict strategies. To minimise conflict, parents tend to invest more in the dominant, older sibling.

The authors can identify which of these effects is most impactful. They find that biological factors only explain a small part, and may actually benefit later-born children. It is in the behaviour of parents that there are distinct differences between first- and later-born children: they find that later-born children spend substantially less time on homework and more time watching TV. Parents are also less likely to discuss school work with later-born children, suggesting the parents lower their investment which explains the large gap in non-cognitive skills.

The authors do not link their results with the general improvement in living standards over the last two centuries, though. We are becoming “better angels of our nature” because we grow up in smaller families with more parental attention and resources, improving our non-cognitive abilities.

It is not only the vast improvement in technology and education that has made us more productive, but also because we have become more conscientious, agreeable, responsible and willing to take initiative. We are rich, in part, because we are more emotionally intelligent. ■

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