

# The Returns to Cognitive Abilities and Personality in Germany

Guido Heineck<sup>a</sup>      Silke Anger<sup>b</sup>

<sup>a</sup> *University of Erlangen-Nuremberg, Germany*

<sup>b</sup> *German Institute for Economic Research, Berlin, Germany*

May 2008

## Abstract

We provide the first joint evidence on the relationship between individuals' cognitive abilities, their personality and earnings in Germany. Using recent data from the German Socio-Economic Panel Study, we employ two ultra-short IQ-tests and a set of measures of personality traits, namely locus of control, reciprocity and all basic items from the Five Factor Personality Inventory. Our estimates suggest a positive effect of so-called fluid intelligence on males' wages that mainly vanishes once individual heterogeneity is accounted for. Findings for personality traits are more heterogeneous although there is a robust wage penalty for an external locus of control.

Key words: Cognitive abilities, personality traits, Five Factor Model, Locus of control, reciprocity, wages

JEL classification: J24, J31, I21

Corresponding author: Guido Heineck, University of Erlangen-Nuremberg, Department of Economics, Lange Gasse 20, 90403 Nuremberg, Germany