IQ and Stock Market Participation

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ABSTRACT

An individual’s IQ stanine, measured early in adult life, is monotonically related to his stock market participation decision later in life. The high correlation between IQ and participation, which exists even among the 10% most affluent individuals, controls for wealth, income, and other demographic and occupational information. An instrumental variables approach with data on siblings is used to show that our results apply to both females and males and that reverse causality with an omitted variable does not account for our findings.

Keywords: Intelligence, household finance, market participation

JEL classification: D14, G11

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