

JUST BE PATIENT!

TEXT: MARTIN ROOS

For many people, waiting is simply a waste of time. According to Matthias Sutter, however, “those who can wait get more out of life.” At the Max Planck Institute for Research on Collective Goods in Bonn, the behavioral economist is studying how children and young adults can be trained to manage money sensibly and follow a stable path in life.

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If you believe the Experimental Economics Group in Bonn, patience is by far the best way of coping in the age of quick chats, seconds-long videos, constant exposure to advertising and the never-ending quest for more money and a successful career. The Experimental Economics Group, a young research group in the field of behavioral economics, was set up by Matthias Sutter, Director of the Max Planck Institute for Research on Collective Goods. He has now presented the group’s latest results. The studies were based on economic experiments in German schools. It quickly became clear that alongside intelligence and social background, patience was one of the most important factors for success in

life. Also, people who learn to be patient early on will also be better able to manage their money.

Matthias Sutter seems surprisingly unconventional. Anyone who meets the 52-year-old Austrian in the small former German capital of Bonn will immediately see that he’s a real team player. Sutter is friendly, unpretentious and very interested and inquisitive, and as a result, has one important quality that makes him a good researcher: the ability to listen.

Since 2017, he has been Director and Scientific Member of the Max Planck Institute for Research on Collective Goods. Thanks to his studies on patience and stamina, Sutter has now clearly succeeded in reviving a long-forgotten virtue that had previously seemed obsolete. Today, the topic is not only of interest to parents and nursery school teachers, but also to personnel officers and managers. Now, Sutter gives presentations at industrial companies and in banks.

The results are encouraging. Claudia Zoller, a member of the Experimental Economics Group, explains: “In our studies, we were able to show that children’s stamina increases as they get older, and that girls are more hard-working than boys.” However, when it came to challenges such as solving a difficult puzzle, the boys have the edge. At any rate, it became clear that stamina begins developing early in life. “People who learned to be more patient as children will be more contented later on in adult life,” she says.

“Being patient” should not be misinterpreted as meaning that you should let fate decide. “Patience is an active process of working to achieve a goal,” Sutter explains. Or, as the French writer George Sand once said: “Patience is nothing other than a form of energy.” The ability to stop oneself from immediately following an impulse may be learned in early childhood, but according to Anna Untertrifaller, another member of the Experimental Economics Group, “It’s

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ILLUSTRATION: ALESSANDRO GOTTARDO



hard to explain why some people are generally more patient in life than others.” No reliable research has been conducted into possible genetic factors.

68 One pioneering researcher in the field of patience was the American psychologist Walter Mischel. In 1968, he developed his legendary marshmallow test to study patience among children. They had the option of either eating a marshmallow right away or waiting for a few minutes and receiving another sweet. The results led Mischel to assume that the ability to control one’s impulses was an indicator for success. Even if Mischel’s studies have recently been subject to criticism, other results, such as those presented by the research group headed by Terrie Moffitt at Duke University, confirm the connection between self-control and success. Experts agree, however, that external factors such as the social environment also play a role. “Reliability is extremely important,” says Anna Untertrifaller. “Children need to experience very early on that it’s worth being patient and waiting.” Sutter adds that patience needs to be learned through role models. In this respect, upbringing is very important: “This is where the parents come in. They can make a positive contribution by demonstrating a certain amount of patience and stamina themselves.”

Go for the quick money or wait for a larger amount?

Studies have shown that patience and self-control also pay off when it comes to managing money. However, this requires a basic knowledge of finance that has not been sufficiently covered in school curricula to date. The latest study by the behavioral researchers in Bonn therefore focuses mainly on how finance-related

subjects can be taught in schools in such a way that they have a positive impact on financial behavior when the children become adults.

The specialist term used is “financial literacy.” In general, this is regarded as being the ability of the individual to manage money wisely, in other words, to make sensible, well-founded decisions when it comes to making investments, saving money and controlling one’s purchasing habits. So far, researchers agree that there is a connection between financial competence and financial behavior. Studies show that test subjects who are less well-educated in financial matters are less likely to set aside sufficient funds for their retirement, they obtain lower returns on their savings accounts and are less interested in loan, saving and investment practices. Lower levels of financial knowledge and skills also correlate with sub-optimal property financing and higher credit card debts.

“However, until now, it was not clear how and why financial competence impacts financial behavior,” Sutter explains. His new research is therefore aimed at teaching financial skills to German grammar school pupils, while clarifying whether this type of basic education enhances their interest and increases their level of engagement with economic issues, and whether it has an influence on economically relevant attitudes, such as patience and the willingness to take risks.

In total, 645 pupils at eleven grammar schools in Germany took part in the study. For example, for one month, the pupils from grades nine to twelve were confronted with topics such as inflation, interest rates and monetary targeting for two hours every week. They were given lessons and took part in experiments. During the experiments, their patience was tested by giving them the option of receiving EUR 10 on the day of the experiment or waiting for three weeks

to receive a higher amount (up to EUR 14). Impatient pupils immediately opted for the EUR 10, even when they were offered EUR 13 or EUR 14 in three weeks’ time, while more patient pupils were able to wait for three weeks even for just EUR 11 or EUR 12.

Financial illiteracy

Sutter’s approach differs from studies conducted to date: “Our experiment involved three temporal points of contact with the pupils: one week before the intervention as a base measurement, then one week afterwards to measure the short-term ef-



PHOTO: STEFAN FINGER / LAIF

SUMMARY

Stamina and patience are important qualities that are needed for developing personal wealth. Both can be fostered through upbringing and education.

Like elsewhere in the world, financial competence is underdeveloped in Germany. Pupils in all schools in Germany should be taught basic financial knowledge. This would help them manage their money in a better way.

A proponent of financial education: according to Max Planck Director Matthias Sutter, teaching pupils how to manage money sensibly should be included in school curricula throughout Germany.



facts, and then around five months later to ascertain the long-term impact.” This enabled researchers to check whether individual aspects of the financial education had faded with time or had been retained. “Every financial decision involves a certain degree of risk and a temporal dimension. That’s why we were particularly interested in the level of willingness to take risks and how pronounced the time preference – or in other words, patience – actually was.”

The result: “It is highly probable that basic financial education among children and young adults has a positive influence over later financial behavior,” Sutter explains. The basic financial education measures also enhanced test subjects’ skills and made them more open to the subject of finance. “When it came to willingness to take risks, our surveys and tests led to greater risk aversion,” Sutter explains. However, the improvements in financial competence during the test phase counteracted this effect. Pupils therefore be-

came somewhat bolder and less risk-averse. “Also, young adults become more patient when they’re learning about basic financial concepts,” he adds.

That’s the result of the study in eleven schools in the whole of Germany. However, “to put it mildly, general financial education is extremely limited throughout the world,” he says. He points to studies by Annamaria Lusardi, Professor of Economics at George Washington University and Olivia Mitchell, Professor of Economics at Wharton School in Pennsylvania. Their project, “Financial literacy around the world”, showed that many people are effectively illiterate when it comes to financial matters, even though the Organization for Economic Cooperation and Development (OECD) classifies financial competence as an essential life qualification.

“People all over the world have trouble understanding what appear to be simple concepts, such as interest, risk distribution and the relation-



ship between inflation and purchasing power,” Sutter explains. Even in the U.S., where there is a strong financial market, the two researchers found that just 43 percent of people over the age of 51 understood even simple financial concepts. Among those under the age of 34, the figure was just 18 percent.

The situation in Germany isn’t encouraging either. A team of researchers led by Tabea Bucher-Koenen at the Max Planck Institute for Social Law and Social Policy in Munich has conducted several studies on financial competence among Germans. The test subjects were presented with three questions on the calculation of interest and inflation and about the purchase of shares and equity funds. Fortunately, about half gave the right answers to all three questions, while three-quarters knew the answer to the first two. However, one in ten respondents was unable to give the right answer to any of them. Around eight percent selected the “Don’t know” option for all questions.

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Scientists are not in a position to offer practical guidance. However, they can provide important information that influences decisions on educational policy in Germany. “Teaching pupils in schools is the best way to make financial knowledge accessible to everyone,” says Sutter. However, to date, financial skills have not been included in the standard curricula in schools. According to Sutter’s research, 39 different school subjects include aspects of financial education in Germany. Currently, Baden-Wuerttemberg is the only federal state to include “Business and professional orientation” in its school curriculum. The subject has been taught in all schools there since 2018.

Sutter is critical of the current situation: “The splintering of financial education in the German federal school system leads to a lack of transparency when it comes to the level of financial competence among the younger generation.” He doubts that

this fragmentation in financial education will guarantee the long-term, cumulative development of skills. After all, according to the education psychology theory of skills development, this requires both continuous support and a solid professional knowledge base. Sutter will probably have to wait a while before his research has any real impact on education policy.

Long-term study in Bangladesh

Sutter expects to gain further knowledge about the interrelationship between patience, financial competence and personal prosperity from longitudinal studies running over several decades. This information will make it possible to draw far more precise conclusions about changes among the test subjects and their possible causes. Matthias

Sutter’s team chose a country with a very different social, cultural and sociopolitical background for this study: Bangladesh.

There is a practical reason for doing so: “The people we selected here have more or less spent their entire lives in just one place. In other words, we can keep track of them,” Sutter explains. His team is monitoring the development of the selected individuals in relation to patience, risk behavior and social preferences in order to understand better how economic behavior – particularly patience – develops at a young age and in relation to the example set by a child’s parents. To date, it has emerged that being patient and practicing patience clearly has an impact on a person’s financial situation, or is at least related to it. “We still have a long way to go,” he says, laughing. After all, he knows very well that good research requires stamina and patience.



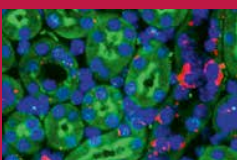
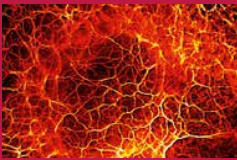
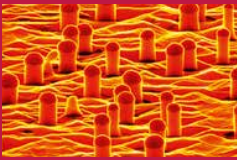
A test of patience: children who do jigsaws can learn that patience pays off.



PHOTO: FROM A VIDEO INTERVIEW WITH MATTHIAS SUTTER / MPI FOR RESEARCH ON COLLECTIVE GOODS



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