Personality and Individual Differences 82 (2015) 7–13

Contents lists available at ScienceDirect

Personality and Individual Differences

journal homepage: www.elsevier.com/locate/paid

The relative roles of drive and empathy in self- and other-focused financial decision making

Conrad Baldner [a,*], Gregory S. Longo [b], Mark David Scott [c]

[a] Department of Social and Developmental Psychology, Sapienza University of Rome, Rome, Italy
[b] Department of Behavioral and Social Sciences, University of Montevallo, Montevallo, AL, USA
[c] Never Work, LLC, NJ, USA

ARTICLE INFO

Article history:
Received 13 December 2013
Received in revised form 13 January 2015
Accepted 20 January 2015
Available online 13 March 2015

Keywords:
Other-focused decision making
Empathy
Impulsivity

ABSTRACT

Can poor financial decisions be traced back to individual differences, and will individuals risk their own resources in the same manner as others' resources? To help answer these questions, we assessed the relationship between other-focused financial risk, self-focused financial risk, and individual difference variables. 952 participants at a large university in the southeast U.S. completed questionnaires on the Behavioral Activation System Drive subscale (i.e., Drive) and dispositional Empathy. They were then presented with eight financial risk scenarios in a two-by-four within-subjects design. We found that individuals' Drive – which is associated with facets of impulsivity – predicted increased likelihood of other-focused risk investment in scenarios with higher levels of risk and reward, above the effect of empathy. There was also some evidence that dispositional empathy also increased other-focused risk investment in scenarios with lower levels of risk and reward. We concluded that there is some evidence that empathy is an important factor for other-focused behavior in low-risk scenarios, but that drive is more important in higher-risk other-focused scenarios. Additionally, other-focused risk could be seen as more aversive than an equivalent amount of self-focused risk.

1. Introduction

Many people lost their savings, employment, and housing in the economic recession that began in 2008. These individuals could have asked how financial professionals, tasked with safeguarding their clients' resources, could have done such a poor job. A potential implication of the recession is a growing concern over those with whom we entrust our resources, and raises a critical question: can these issues be traced back to individual differences in those that are put in a position to risk others' financial resources? In this study, we investigated the effect of two such individual difference variables, Drive and dispositional Empathy.

1.1. Drive

Gray's (1973) Reinforcement Sensitivity Theory (RST) suggests that personality reflects biologically-based inter-individual variation in sensitivity to environmental reinforcement or punishment. RST includes the activity of the behavioral activation system (BAS), which is theorized to motivate behavioral approach of stimuli (Smillie, 2008). Carver and White's (1994) conception of BAS can be further broken down into three components: Reward Responsiveness, Drive, and Fun Seeking. Reward Responsiveness represents individuals' emotional responsiveness to rewards; Fun Seeking represents individuals' proclivity to seek rewarding (and potentially risky) situations; and Drive represents individuals' perseverance and persistence in seeking rewards. The use of a unified BAS measure could confound these related, yet theoretically separate, components. Although recent researchers prefer the use of the individual components (Carver, 2004; Leone & Russo, 2009), this is not universally accepted (Caseras, Avila, & Torrubia, 2003).

Previous research has found evidence that the Drive component is somewhat associated with impulsivity; it has been found to be more so associated with "functional impulsivity" (Leone & Russo, 2009), as well as with "normal" (as opposed to "pathological") risk-taking (Buelow & Suhr, 2013). Functional impulsivity (and Drive) could be particularly useful in the prediction of how individuals maximize reward value (Leone & Russo, 2009). Considering the above research, we expect that individuals high in Drive should be motivated to seek out both other- and self-focused rewards; these individuals would be motivated to seek out rewards, even while facing high risks.

* Corresponding author. Tel.: +39 377 326 5967.
E-mail address: conrad.baldner@uniroma1.it (C. Baldner).

http://dx.doi.org/10.1016/j.paid.2015.01.025
0191-8869/

1.2. Empathy

Although empathy has been defined in numerous ways, these usually include affective and cognitive components, as well as a distinction between self- and other-focused emotional states (Decety & Jackson, 2004). There is evidence that empathy is particularly triggered by negative events and emotions (Sze, Gyurak, Goodkind, & Levenson, 2012). The sharing of perspective, and of emotional states, could lead to a connection between individual and target. Consequentially, an individual who feels empathy for another is more likely to value the welfare of that other individual (Batson & Shaw, 1991).

Building on prior work on loss aversion, subsequent researchers (Harbaugh, Krause, & Vesterlund, 2002; van Toor & Kahneman, 1992) found evidence that individuals can display risk-seeking behavior when presented with low-risk scenarios, but will also display risk-averse behavior when presented with high-risk scenarios. Although, to our knowledge, no previous research has connected empathy with other-focused loss aversion, the possibility remains that those high in empathy will feel loss aversion on behalf of others, and would only display risk-seeking behavior on another's behalf if placed into a relatively low risk situation. These individuals should be motivated to gain resources for others, but only if risk is perceived to be low.

1.3. Risk behavior

Previous research has studied the association between risk behavior – both risk-seeking and risk-averse – and individual-level variables, including individual differences (Fagley, Coleman, & Simon, 2010; Raghunathan & Pham, 1999; Roszkowski & Snelbecker, 1990). For instance, individuals' attitudes towards risk-seeking and risk-averse behavior has been found to be effected by those individuals' goals (Raghunathan & Pham, 1999). Individuals' tendency to consider outside points of view is likely also associated with risk behavior; recent research concluded that affective perspective taking (which shares similarities with empathy) was associated with risk-seeking behavior, under specific conditions (Fagley et al., 2010). In addition to this research on the predictors of risk behavior, there is also evidence that individuals treat self-focused risk differently than other-focused risk. Individuals could very well offer sound advice to those who are presented with a risky opportunity, but not act in accordance with this advice when they are themselves presented with this opportunity (Roszkowski & Snelbecker, 1990).

1.4. The present research

In light of the previous research on drive, empathy, and risk behavior, we hypothesized that the above constructs are associated in ways which have not yet been explicitly assessed. This study is exploratory in nature, however we predicted that (1) Drive would have a direct effect on self- and other-focused risk (but only in scenarios which presented individuals with high potential reward), and that (2) Empathy would only be associated with other-focused risk (but only in scenarios which presented individuals with low potential loss). In order to account for the possibility that the effects of Drive and Empathy would be influenced by differential amounts of potential reward and loss, we assessed these relationships across scenarios which ranged from low risk/low reward to high risk/high reward.

2. Method

2.1. Participants and procedure

Participants in the present study were 952 undergraduate students enrolled in psychology classes at a large public university. Participants received course credit for completing an online survey assessing Drive, Empathy, and likelihood of investment in Other- and Self-focused Risk scenarios. Participants (Mean age = 19.40, SD = 1.34) were predominantly female (71.3%) and European–American (78%). The following measures were presented to participants in the following order: Empathy, Drive, Other-focused Risk, Self-focused Risk.

2.2. Measures

2.2.1. Drive

Reinforcement sensitivity was assessed with the 24-item BIS/BAS Scales (Carver & White, 1994). There were four filler items, with seven BIS items and thirteen BAS items. The BAS scale can be further broken down into Drive, Fun seeking, and Reward Responsiveness subscales; the Drive subscale consisted of four items (e.g., "I go out of my way to get things that I want"). Responses to all items in this measure were made on a 5-point scale (1 = strongly agree; 5 = strongly disagree). All Drive items were reverse scored. The internal reliabilities of the BIS/BAS Scales are generally high (Desjardins, Zelenski, & Copeland, 2008), and convergent, discriminant, and predictive validity of the scales are good (Carver & White, 1994). The Cronbach's alpha for the Drive subscale in this study was .75.

2.2.2. Empathy

Empathy was assessed with the 22-item EQ-Short (Wakabayashi et al., 2006). The EQ and EQ-Short were found to correlate (r = .93), and the latter is an efficient measure of empathy. An example item is "I am good at predicting how someone will feel". Responses to all items in this measure were made on a 5-point scale (1 = strongly disagree; 5 = strongly agree). The EQ-Short was shown to have satisfactory reliability and validity (Wakabayashi et al., 2006). Cronbach's alpha in this study was .85.

2.2.3. Risk

Likelihood of Self- and Other-focused Risk was assessed with responses to eight financial investment management scenarios (four other-focused risk scenarios, four self-focused risk scenarios). The self- and other-focused scenarios were designed to have equivalent amounts of potential rewards and losses; the only difference was the target (e.g., self/other) of the investment. These scenarios were originally designed for the purposes of the present study, and are theorized to increase in strength in the order of their presentation. They were intended to present individuals with varying amounts of loss and reward, in order to evoke responses from individuals' Drive and Empathy systems. The scenarios cover a range of risk scenarios from a very low level of potential gains and losses (Scenario 1; Imagine that [you have $50 to invest/you have been put in charge of investing $50 for another individual]. What is the likelihood that you would invest the money in a stock that has a potential 3% "rate of return" [i.e., profit] and a relatively low risk of losing the initial investment?), to a very high level of potential gains and losses (Scenario 4; Imagine that [you have $1000 to invest/you have been put in charge of investing $1000 for another individual]. What is the likelihood that you would invest the money in a stock that has a potential 15% "rate of return" [i.e., profit], but a relatively high risk of losing the initial investment?). In each scenario, participants are questioned as to their likelihood of investing a specific amount of money at a specific level of risk and reward. Responses to all items in this measure were made on a 10-point scale (1 = very unlikely to invest; 10 = very likely to invest). Lower scores represent a more conservative approach to risk. These scenarios were designed to be independent outcome variables, and were not aggregated.