

Your culture influences your money choices, more than you think

What you think is a conscious and free choice about your money might well be shaped by your history, language and culture



Why do some people save more than others, even if they have similar incomes? The traditional answer has been that there are idiosyncratic differences between individuals – some of us are frugal, and some are not – while countries [differ](#) on things like demographics, credit availability, income expectations and uncertainty. All this is true. But it might not be the whole truth. It's also possible that our savings behaviour is shaped by cultural factors of which we might not be fully aware. Two facts hint at this.

Virtue of values

One is that countries such as South Korea, China and Singapore have traditionally had high savings rates. Heng-fu Zou at China Economics and Management Academy in Beijing [says](#) this might be due to culture: all these countries are influenced by Confucianism and Taoism, both of which teach the virtue of frugality. A bleaker example is described by Willie Belton and Ruth Uwaifo Oyelere at the Georgia Institute of Technology. They point out that Americans who were descended from slaves save significantly less than other Americans, even if they have the same incomes. This, they say, shows the legacy of slavery is still with us: slaves could not own property and so never had a

savings culture, and they claim this absence of saving has been transmitted down the generations.

The past just called

One fact supported by a large and growing body of research is that our attitudes today are shaped by the distant past. Harvard University's Alberto Alesina and colleagues [show](#) societies which used plough-based agricultural methods centuries ago have more gender inequality today than others – while David Fielding at New Zealand's University of Otago [suggests](#) parts of England with big Jewish communities in the Middle Ages may be more tolerant of immigrants today. Culture matters and is often shaped by history and language. We speak of the future as something ahead of us: we look forward to it. I suspect – but cannot prove – that this imparts a nasty bias to our thinking.

Back to the future

If something is in front of us, we can see it. Our language thus can suggest the future is foreseeable when in some important respects it is not. We cannot, for example, predict recessions. This can be costly, as it can lead us to underestimate uncertainty and make inadequate provision for it. Not everyone, though, may be prone to this error. The Aymara tribe in the Andes [reportedly](#) speak of the past as being in front of them and the future behind them. It is not just our society's history that shapes our decision-making. So too does our personal history. Alessandro Bucciol and Luca Zarri at the University of Verona show people who suffer a natural disaster or death of a child are more [averse](#) to financial risk even years later. Similarly, California-based economists Stefan Nagel and Ulrike Malmendier [show](#) those who suffer recessions in their formative years are also more risk-averse decades later.

[Read the full paper here: The Racial Saving Gap Enigma: Unraveling the Role of Institutions](#)

Free to take away?

The point here is simple. What we think of as conscious, free choices about how much to save or what to invest in might well be shaped by our personal history, language and culture. This doesn't mean those choices are irrational or wrong – it's possible to save too much as well as too little – but we should be aware that our decisions are more dependent on other factors than we may think.

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