

Abstract

Despite growing interest and extensive empirical research in economic returns to ability, a consensus regarding the true impact of intelligence on financial outcomes remains elusive. While psychology literature has made efforts to unify divergent findings, economics is yet to produce a comprehensive meta-analysis addressing this issue. Addressing this gap, our thesis utilizes cutting-edge meta-analytic techniques to analyze a unique dataset of 765 estimates drawn from 38 studies, providing a clearer picture of intelligence's impact on income. We uncover a notable positive publication bias, which, after correction, yields a diminished yet statistically significant effect. Specifically, our results indicate that a standard deviation increase in cognitive ability results in a less than 10% increase in financial outcomes. Leveraging over 30 variables in our Bayesian and frequentist averaging models, we identify key determinants of this effect, including the data collection year, outcome specifications, methodological choices, country-specific factors, and the number of estimates reported per study. Additionally, when adjusting for factors such as gender, residential location, work experience, and family attributes, we observe substantial variations in effect size.

JEL Classification J24, J31, D31, C11

Keywords intelligence and income, returns to ability, meta-analysis, publication bias, Bayesian model averaging

Title How much does intelligence predict lifetime income? A Meta-Analysis