

THE HOME ECONOMIST: Is economic success all in the family?

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Brett Graff is a reporter & former U.S. government who writes about the economic forces affecting real people.

Earlier this month at Hollywood-based Heico Corp., the board of directors elected a new team of co-presidents: the sons of company chairman Laurans A. Mendelson. The board says brothers Victor and Eric have been instrumental in expanding the aircraft parts and services company since the family trio took control in 1990. In fact Victor, now 41, was responsible for identifying Heico as an investment opportunity while he was still in college.

Family participation in businesses such as Heico might be more than a matter of mind-set and opportunity. A growing number of scientists say there's proof that families pursue similar business paths partly because of similar genetic makeup.

"We see a resemblance in choices of occupation and willingness to take risk," says David Cesarini, a researcher at MIT. "But it's because parents are passing on genes, not because they're providing a cultural environment."

Scientists around the world are claiming the characteristics that help determine our economic standing -- such as risk tolerance, cognitive skills, and even bargaining abilities are -- are at least in part, genetically determined. There's a lot of research behind their theories, but it's both supported and disputed by experts. Regardless, the work has sparked a fiery argument and even a new field, genoconomics.

"We're making rapid progress in understanding how genes and environment affect human behavior," says Joan Chiao, an assistant professor of psychology and neuroscience at Northwestern University. "This is the wave of the future."

For now, the business landscape in South Florida contains a long list of companies that, like genes, have been passed from one generation to the next. Think: nationwide home-builder Lennar Corp., which the late Leonard Miller took public in 1971 and later relinquished to his son and chief executive, Stuart. Carnival Corp. & PLC, meanwhile, was founded by the late Ted Arison before his son Micky became chairman. In Medley, there's the international headquarters of All American Containers Inc., a global packaging company started by Remedios Diaz who now employs her children, Rosa and Fausto.

Finally, there are parallel professions within families, such as real estate pioneer and Dacra Development Corp. president Craig Robins, who will happily credit his father Gerald, also a developer, for setting a solid example.

But when mixing business and relatives, determining what's taught versus what's inherited is the debate sparking a wave of work in labs across the country. To isolate genetic factors from pure parenting, MIT researcher Cesarini has been observing the financial behavior of twins, saying that identical pairs have the same genetic makeup and fraternal matches do not.

In one experiment, he created a bargaining game and observed both types. Two unrelated players had to agree on dividing a pile of money or get nothing. Identical twins were more likely to either reject or accept the same offer -- say, agreeing to 50 percent or 30 percent -- of the cash.

In another study, he compared the risk tolerance of twins by examining the retirement portfolios of pairs in Sweden. The result: Identical twins were likely to make similar investment choices, while fraternal twins' portfolios contained varying degrees of risk. Cesarini's conclusion: "Genes are more important than family environment."

Northwestern's Chiao also found genetics play a role in risk-taking. She took 65 people, gave them real money and then a choice: either a risky investment with a potentially big payoff or a risk-free option with a minor gain. In the end, people having the genes that most efficiently regulate two neurotransmitters in the brain -- they're called the dopamine receptor and the serotonin transporter -- were some 25 percent more likely to take risks.

"Genes aren't the only factor," she says. "But there are genetic determinants in risk taking behavior."

Financial standing, however, could also be hoisted by intelligence. And now there's evidence that even street smarts could be inherited, says Stephen V. Burks, an associate professor of economics and management at University of Minnesota.

Burks' research team followed the careers of 1,000 truck drivers, who also participated in various side experiments, and found the most economically successful of them had patience and good social skills. What's more, each driver with those skills -- commonly known as street smarts -- also had a higher IQ, he says, which has been long considered a heritable trait.

"These things march together," he says. "And their interaction is important for economic success." So is Craig Robins, the developer, convinced his career is genetically determined? "My dad was always a good businessman and a risk-taker," he says. "But I wouldn't know how to distinguish between what was taught and what was genetic. Also, my father's reputation and the respect he had in the community was good for me."

Exactly, says Scott Rick, an assistant professor of marketing at the University of Michigan. Influences such as reputation, education, experiences and perhaps even luck will have the greatest impact, he says. Sure, genetic ties may exist. But when we're out making decisions, there are dozens of forces to override them, such as attractive sales brochures or values or even a person's emotional state, Rick says.

"In the lab, you can give the genes the best chance," he says. "Outside, there's so much else going on." Also during experiments, subjects can be asked to perform manufactured tasks with other people's money. "They're not real-world situations," says Dr. Michael Slifer, an assistant professor at Miami Institute for Human Genomics. "Genes have subtle impacts, but so does everything else in your life."

Plus, with so many human genes it's easy to find patterns, says George Loewenstein, a professor of economics and psychology at Carnegie Mellon University. "People go on a fishing expedition and find a relationship," he says. "Many patterns of economic behavior are heritable and probably powerfully so. But human behavior is rarely completely determined by genes. There's always some element of free will."

*This is one of an occasional series of columns by Miamian **Brett Graff**, a former U.S. government economist who writes about how economic forces are affecting real people.*