

Economic Theory, Decision Theory and Experimental Economics
Seminar

Working Over Time: Dynamic Inconsistency in Real Effort Tasks

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Abstract

Experimental tests of dynamically inconsistent time preferences have largely relied on choices over time-dated monetary rewards. Several recent studies have failed to find the standard patterns of present bias. However, such monetary studies contain oft-discussed confounds. In this paper, we sidestep these confounds and investigate choices over consumption (real effort) in a longitudinal experiment. We pair this effort study with a companion monetary discounting study. We confirm very limited time inconsistency in monetary choices. However, subjects show considerably more present bias in effort. Furthermore, present bias in the allocation of work has predictive power for demand of a meaningfully binding commitment device. Therefore our findings validate a key implication of models of dynamic inconsistency, with corresponding policy implications.