

Comparative Measures of Naiveté

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Abstract

We propose nonparametric definitions of absolute and comparative naiveté for dynamically inconsistent preferences. These definitions leverage ex-ante choice of menu to identify predictions of future behavior and ex-post choice from menus to identify actual behavior. Naifs prefer the flexibility of a menu to committing to their eventual choices, mistakenly anticipating more virtuous behavior. More naive individuals are more optimistic about their future behavior and demand more flexibility, yet are less virtuous in their actual choices. For Strotzian preferences, our definitions impose linear restrictions relating anticipated and actual temptation utilities to the virtuous utility, and yield further intuitive parametric restrictions in particular specifications such as quasi-hyperbolic discounting. We provide suitable definitions for random choice. Finally, we apply our definitions to understand the welfare implications of commitment devices.

Keywords: Naive, sophisticated, time inconsistent, comparative statics

JEL Classification: D03, D81, D84