Seminar 7: Intertemporal Choice

In this seminar we will explore how people make choices when time is a factor—**intertemporal choice**. I will begin by describing the model of rational intertemporal choice in the standard model—namely the **Discounted Utility Model (DUM)**. The key assumption enshrined in this model is that people discount future events in an exponential and time consistent manner (preferences over choices should not vary with time). Our speakers will then discuss phenomena that diverge in significant and systematic ways from the predictions of the model of exponential discounting. We will then consider some behavioural economic alternatives, such as the model of hyperbolic discounting.

Background reading for all students

Agner, E. (2012; Chapters 8 & 9). *A course in behavioural economics.* Palgrave Macmillan: New York

Wilkinson, N., & Klaes, M. (2012; Chapters 7 & 8). *An introduction to behavioural economics*. Palgrave Macmillan: New York.

Readings for speakers

Speaker 1: Sign effect, magnitude effect, and temporal loss aversion

Thaler, R. (1981). Some empirical evidence on dynamic inconsistency. *Economics Letters, 8,* 201-207.

Bilgin, B., & LeBoeuf, R. A. (2010). Looming losses in future time perception. *Journal of Marketing Research, 17*, 520-530.

Speaker 2: Delay speed-up symmetry and preference for improving sequences

Loewenstein, G. F. (1988). Frames of mind in intertemporal choice. *Management Science, 34,* 200-214.

Chapman, G. B. (2000). Preferences for improving and declining sequences of health outcomes. *Journal of Behavioural Decision Making, 13,* 203-218.

Speaker 3: Date-delay effect and violations of independence

LeBoeuf, R. A. (2006). Discount rates for time versus dates: The sensitivity of discounting to time-interval description. *Journal of Marketing Research, 43,* 59-72.

Loewenstein, G. F., & Prelec, D. (1993). Preferences for sequences of outcomes. *Psychological Review, 100,* 91-108.