Contents

Acknowledgements i

1 Introduction 1
   1.1 Time preferences in economics 2
   1.2 Limitations of the literature and recent developments 4
   1.3 Measuring hyperbolic discounting correctly 8
   1.4 Changes in life outside the experiment 10
   1.5 Framing bias and loss aversion 12

2 Be Patient When Measuring Hyperbolic Discounting: Stationarity, Time Consistency and Time Invariance in a Field Experiment 15
   2.1 Introduction 15
   2.2 Conceptual framework 19
   2.3 Experimental methods and procedures 25
      2.3.1 Design 25
      2.3.2 Procedures 26
      2.3.3 Description of the participant sample 28
   2.4 Results 31
      2.4.1 Description of choices 31
      2.4.2 Classification of participants 34
      2.4.3 Behavioral mechanisms: Liquidity constraints 38
   2.5 Conclusion 43
   2.A Appendix 46
      2.A.1 Alternative explanations for time invariance violations 46
      2.A.2 Additional figures and tables 52
      2.A.3 Instructions of the time preference experiment 60
5.3.4 Hypotheses .................................................. 150
5.4 Results ......................................................... 153
  5.4.1 Monetary rewards ........................................ 153
  5.4.2 Real effort allocations ................................. 156
5.5 Discussion .................................................... 160
5.A Appendix ..................................................... 163
  5.A.1 Model to illustrate the derivation of the hypotheses .... 163
  5.A.2 Additional figures and tables .......................... 166

6 Summary and Conclusions .................................... 169
  6.1 Summary ..................................................... 169
  6.2 Discussion .................................................. 172

Bibliography ..................................................... 177

Samenvatting (Dutch Summary) .................................. 183
List of Tables

2.1 Three types of intertemporal choices ........................................ 20
2.2 Defining three types of violations ............................................. 20
2.3 Description of participant characteristics ............................... 29
2.4 Violations of stationarity and time consistency ..................... 37
2.5 Violations of stationarity and time consistency for more versus less 
liquidity-constrained participants ............................................ 41
2.A1 Outcomes realized in the experiment and in Monte Carlo simulations . 49
2.A2 Violations of demand monotonicity by number of interior choices ... 52
2.A3 Distribution of vouchers allocated to later payment date .......... 54
2.A4 Distribution of violations of stationarity and time consistency ... 55
2.A5 Logit model for present-biased choice reversals and wealth changes . 56
2.A6 Heterogeneity of the distribution of violations of stationarity and time 
consistency .............................................................................. 57
2.A7 Effect of diary participation on the ability to plan financially...... 58
3.1 Proportion of the work allocated to the later date by task rate ... 83
3.2 Estimated time preference parameters based on a two-sided Tobit .. 84
3.A1 Overview of the task rates the participants faced .................. 86
4.1 Summary Statistics .................................................................. 113
4.2 Proportion of participants revising their plan ........................... 118
4.3 Determinants of plan revisions ................................................. 125
4.A1 Eigenvectors of the principal components of the shocks variable . 129
4.A2 Number of corner allocations ................................................. 130
4.A3 Proportion of static choice reversals in first-round choices ...... 131
5.1 Overview of the risk preference experiment ............................ 145
5.2 Classification of the participants in monetary time preference experiment 155
5.3 Summary statistics of real effort allocations ........................... 158
5.A1 Overview of the rates of return or task rates the participants faced . 167
5.A2 Aggregate choices in the time preference experiment with monetary 
rewards by rate of return ............................................................ 168
List of Figures

1 Stationarity and time consistency ........................................ 8
2.1 Timeline of the study ....................................................... 27
2.2 Number of vouchers allocated to the later date ...................... 32
2.3 Comparing distribution of participants to distribution in Halevy (2015b) 35
2.4 Violation patterns for more versus less liquidity-constrained participants 39
2.A1 Distribution of vouchers allocated to later date .................... 53
2.A2 Self-reported motivation for second-round choices ................ 59
3.1 Screenshot of the decision screen ........................................ 79
3.2 Screenshot of the experimental task ..................................... 79
3.A1 Screenshot of the decision screen for decreasing sooner amounts 86
3.A2 Histogram of the initial and the revised choices ................... 87
4.1 Three types of experimental choices .................................... 109
4.2 Distribution of the initial and revised allocations .................... 119
4.3 Distribution of the first-round choices ................................ 122
5.1 Screenshot of the experimental task ..................................... 143
5.2 Screenshot of the decision screen ....................................... 146
5.3 Estimated time preference parameters in an experiment with monetary
    rewards .............................................................................. 154
5.4 Estimated time preference parameters in an experiment with monetary
    rewards for more versus less loss-averse participants ............... 156
5.5 Estimated time preference parameters in an experiment with real effort
    allocations ................................................................. 159
5.6 Estimated time preference parameters in an experiment with real effort
    allocations for more versus less loss-averse participants ........... 161
5.A1 Distribution of the real effort allocations ............................ 166