

CIFREM SEMINARS

Measuring discount rates in experimental economics: a meta study approach

***Oxana Tokarchuk
Università di Trento***

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Faculty of Economics- Via Inama, 5

Despite the enormous effort dedicated by experimental economists to research in time preference little methodological progress so far has emerged in this area of research (Frederick et al. 2002). The main finding of this literature, the hyperbolic discounting represented by a particular form of quasihyperbolic discount function, became the cornerstone of behavioral intertemporal models. Nonetheless, the debate on the functional form of time preference elicited experimentally is still open. Recent experimental evidence provides support to both standard, exponential, discounting and behavioral, hyperbolic, form. Careful examination of results reported in the existing literature and variety of these results from study to study suggests that observed behavior strongly depends on the elicitation methods and experimental procedures applied in a particular study. This observation implies that subjects behavior in experiments on time preference are not guided by a well defined preference relation but is “constructed” in the course of the experiment. Building on the *preference construction view* (Slovic and Lihtenstein (2006)) and based on the evidence from the literature a model of subjects’ behavior in experiments on intertemporal choice is proposed. This model permits to account for a wide range of controversial results found in previous studies. Implications for the real life behavior are discussed.

Referente

cifrem@economia.unitn.it (tel. 0461/882290)