

Temporal Stability of Discounting Behavior

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Abstract

We use an exceptionally rich panel data set on time discounting behavior of a broad sample of the Swiss population. To date there are only a few studies investigating the temporal stability of discount rates, and the evidence so far is inconclusive. In this paper we study the discounting behavior of two treatment groups: One group of subjects responded to hypothetical tasks, in the other group every single subject was paid in an incentive-compatible manner. Subjects were presented with identical intertemporal choice tasks 8 months after the first wave of experiments. The following results emerged: In the first wave, average discount rates in the hypothetical treatment exceeded discount rates in the real treatment by 17 percentage points p.a. This difference is highly significant. This substantial incentive effect even increased in the second wave: Whereas average discount rates in the hypothetical treatment remained stable, incentivized subjects' rates declined, resulting in a treatment effect of 28 percentage points p.a. Treatment groups differed neither in observable characteristics nor in measured risk preferences.