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Distinguishing Non-stationarity from Inconsistency in Intertemporal Choice *

Abstract:

We report the results of experiments in which subjects make a series of intertemporal choices. The design of the experiments allow us to test for consistency with utility maximization using the Generalized Axiom of Revealed Preferences (GARP) as well as for stationarity of inter-temporal choices at the individual level. We document heterogeneity of individual intertemporal choices with respect to patterns of demand behavior and levels of consistency with utility maximization. Our data suggest that inconsistency, per se, is quantitatively more important than any form of non-stationarity.

* Joint work with Syngjoo Choi, Shachar Kariv, Matthew Polisson, and Dan Silverman