

Framing Effects in Intertemporal Choice: A Nudge Experiment

By Valeria Faralla, Marco Novarese, and Antonella Ardizzone

Valeria Faralla, Dipartimento di Giurisprudenza e Scienze Politiche, Economiche e Sociali, Università del Piemonte Orientale “Amedeo Avogadro”, Palazzo Borsalino, Via Cavour 84, 15121 Alessandria, Italy, valeria.faralla@uniupo.it

ABSTRACT

This paper experimentally investigates framing effects in intertemporal choice using two different elicitation modes. In the classical mode, participants are given the choice between receive a certain amount of money, smaller and sooner, today and a higher amount, larger and later, delayed (e.g., “€55 today vs. €75 in 61 days”). In the penalty mode, the amount of money the participant has to give up in order to choose the smaller and sooner option is explicitly indicated (e.g., “€75 in 61 days vs. €55 today with a penalty of €20”). We find that estimates of individual discount rates are lower in the explicit mode than in the standard task. This result suggests that even very simple information about the amount of money they have to give up for choosing the earlier option increases delayed consumption. The finding has relevant implications for self-control and long-term planning in intertemporal choice.

Keywords: framing, explicit penalty, intertemporal choice, discounting, nudge.