

Self Control Problems: Theory and Empirical Evidence

Tomomi Tanaka

Abe Fellow, University of Tokyo

Assistant Professor, Arizona State University (on leave)

Time discounting is a fundamental preference which affects wealth accumulation. If people are impatient, they may spend their earnings instantaneously, and do not save enough for the future. People are often time-inconsistent, i.e., they often put exceptionally high value on immediate consumption compared to any time in the future. Whether they are aware or not, these individuals are susceptible to self-control problems. In this paper, we review theoretical and empirical research on time-inconsistency and self-control problems, particularly on consumption and saving, and discuss their policy implications.