

"How did it get so late so soon? The effect of time distortions on discounting"

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Abstract:

Inter-temporal choice consists of making tradeoffs between the present and the future. These tradeoffs require a psychological notion of the duration of time. Regardless of how we value present and future rewards, is one week the same to me as it is to you? Prevalent economic theories assume that decision-makers share identical time duration, which is exogenously determined by an external clock. However, individuals have different perception of time, and perceived time is susceptible to individual differences and the decision context. In this paper, we present results from an experiment to study the effects of time distortion on elicited time preferences. Through an external stimulus (tempo), we are able to affect subjects' perception of time and identify the induced effects of time distortion on discount rates. In particular, inducing time expansion results in larger subjective horizons and higher discount rates. Overall, we show that one can exogenously affect time preferences through a subtle induced change in subjective time perception. The results have theoretical as well as methodological implications.