



Intertemporal Choice - Toward an Integrative Framework

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2 **Intertemporal choice – toward an** 3 **integrative framework**

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10 **Intertemporal choices are decisions with consequences that** 54
11 **play out over time. These choices range from the prosaic** 55
12 **how much food to eat at a meal – to life-changing decisions** 56
13 **about education, marriage, fertility, health behaviors and** 57
14 **savings. Intertemporal preferences also affect policy** 58
15 **debates about long-run challenges, such as global warming** 59
16 **Historically, it was assumed that delayed rewards were** 60
17 **discounted at a constant rate over time. Recent theoretical** 61
18 **and empirical advances from economic, psychological and** 62
19 **neuroscience perspectives, however, have revealed a more** 63
20 **complex account of how individuals make intertemporal** 64
21 **decisions. We review and integrate these advances. We** 65
22 **emphasize three different, occasionally competing** 66
23 **mechanisms that are implemented in the brain:** 67
24 **representation, anticipation and self-control.** 68

25 **Economic, psychological and neuroscientific perspectives on** 70
26 **intertemporal choice** 71

27 Intertemporal choices – decisions with consequences that 72
28 play out over time – are important and ubiquitous. 73
29 Decisions about spending, investments, diet, relationships, 74
30 fertility, crime and education all contain intertemporal 75
31 tradeoffs. In this paper, we discuss interrelated 76
32 perspectives on intertemporal choice from the fields of 77
33 economics, psychology and neuroscience. 78

34 Until recently, the main contribution of economics to 79
35 the study of intertemporal decisions was modeling. For 80
36 nearly 80 years, economists have analyzed intertemporal 81
37 decisions using the discounted utility (DU) model, which 82
38 assumes that people evaluate the pleasures and pains 83
39 resulting from a decision in much the same way that 84
40 financial markets evaluate losses and gains, exponentially 85
41 ‘discounting’ the value of outcomes according to how 86
42 delayed they are in time. DU has been used to describe 87
43 how people actually make intertemporal choices and it has 88
44 been used as a tool for public policy. Policy decisions about 89
45 how much to spend on research and development, health 90
46 and education all depend on the discount rate used to 91
47 analyze the decision. Indeed, recently the discount rate 92
48 has proven to be a key parameter in the policy debate 93
49 about global warming [1]. 94

50 The main contribution of psychology has been to 95
51 identify, through empirical research, psychological 96
52 mechanisms underlying intertemporal choice. For 97
53 example, George Ainslie’s research on the structure of

time discounting posed the first serious challenge to the DU model – specifically to the assumption that people discount the future exponentially [2,3]. The concept of ‘hyperbolic time discounting’ (explained below) can be considered the first observed pattern of behavior that is inconsistent with DU – a DU ‘anomaly’. Subsequent research by both psychologists and economists has identified a wide range of additional anomalies [4–12]. Economists have responded to these findings by constructing new models of intertemporal choice, which incorporate psychological insights, to explain otherwise anomalous patterns of economic behavior [13].

Neuroscience is the most recent entrant into what was already a rich interdisciplinary mix of research. Although still in its infancy, neuroscience research on intertemporal choice has led to an enhanced understanding of how intertemporal choices might be implemented in the brain [14–17], and, as we document, has already begun to inform economic modeling and to provide new clues about productive empirical and theoretical avenues for future research.

Time discounting

The great strengths of the DU model are its simplicity and generality. DU is easy to apply mathematically to any kind of intertemporal choice. According to DU, intertemporal choices are no different from any other type of choices except that some consequences are delayed, and hence must be anticipated and discounted (i.e. reweighted to take account of delay). Much of the research on intertemporal choice has, therefore, focused on the degree to which people anticipate and discount future events.

Numerous experiments in animals, notably rats and pigeons, have shown that under operant conditioning paradigms, the effectiveness of a reinforcer diminishes the further in time it is delayed [18]. In pigeons, for instance, the reinforcement value of three units of reward available in 11 s is approximately equal to the reinforcement value of eight units of reward available after 20 s [19]. The traditional model of intertemporal choice uses ‘exponential discounting’, in which a reward of magnitude x occurring at some time t in the future is worth $\delta^t x$, where $\delta \leq 1$ is a fixed constant (the discount factor). In other words, the value of the reward decays by the same proportion for each minute that its occurrence is delayed. Figure 1 plots

1 three different discount functions, including an exponential function with $\delta = 0.95$.

2
3 However, the bulk of the evidence (primarily from rats and pigeons) suggests that animals discount the future in a non-exponential manner. The most commonly described discounting behavior is hyperbolic, which means that delayed rewards are discounted by functions that are inversely proportional to delay – for example, $1/t$ or generalizations thereof [18–21]. Hyperbolic discount functions decay at a more rapid rate in the short run than in the long run, so a hyperbolic discounter is more impatient when making short-run tradeoffs than when making long-run tradeoffs. Figure 1 also plots a hyperbolic [7] and a ‘quasi-hyperbolic’ discount function (Box 1) [13,22].

16 Humans also have been shown to discount the future hyperbolically [7,20], and many commentators have implicitly or explicitly drawn connections between the patterns of choice displayed by animals and by humans. However, whether the parallel between animals and humans is a matter of analogy or homology is unclear. Most humans care about, or at least are capable of caring about, costs and benefits that extend years or even decades. By contrast, our nearest evolutionary relatives have measured discount functions that fall in value nearly to zero after a delay of about one minute. For example, Stevens *et al.* report that cotton-top tamarin monkeys are unable to wait more than eight seconds to triple the value of an immediately available food reward [23].

30 Some researchers have speculated that the difference between humans and other animals lies in our ability to form a mental image of, and care about, delayed outcomes [24], and there is widespread agreement that the prefrontal cortex, which is disproportionately large in humans relative to other species, has an important role in this capability. The first clues about the function of the prefrontal cortex came from people who experienced damage to it, either through accident, stroke or frontal lobotomy [24–26]. Studies have traced the development of self-control capabilities in children to the maturation of prefrontal areas [27], and still other studies have connected criminality and violent out-of-control behavior to childhood injury to prefrontal regions [28,29]. Humans undoubtedly share with other animals the mechanisms that produce rapid hyperbolic time discounting, but we also have the capacity, seemingly enabled by the prefrontal cortex, to make decisions that take account of much longer span of time.

49 All of these pieces of evidence, as well as the common observance in humans of extremes in apparent regard (or disregard) for the future, have led to a perspective that is both new and old. According to this perspective, time discounting in humans results from the interaction of two systems, one which is capable of anticipating and caring about the distant future, and the other which is much more oriented toward the present. Empirical support for such a perspective comes from a recent study in which subjects’ brains were scanned while they made choices between smaller money amounts that could be received earlier and large amounts that could be received later [14].

Some of the choices were between an immediate and a delayed payment, and others were between delayed and even more delayed payments. The researchers found that prefrontal regions were involved in all intertemporal choices (relative to rest) but that the mesolimbic dopamine system and associated regions were involved only in choices with an immediate outcome. Moreover, when immediate payment was one of the options, the relative activation of the two regions (prefrontal or dopamine) was a significant predictor of choice. This research lends support to the idea that hyperbolic time discounting results from the splicing of two systems with different perspectives toward the future, and that the prefrontal cortex has an especially important role in implementing more patient preferences. However, it does not provide definitive evidence of causal relationships, because the data are purely correlational.

Other dimensions of intertemporal choice

Time discounting might be the most frequently studied aspect of intertemporal choice, but it is only one of several dimensions that come into play. In this section, we discuss three other mechanisms that, prior research suggests, have an especially important role in intertemporal choice: ‘anticipation’, ‘self-control’ and ‘representation’. Anticipation refers to an individual’s propensity to imagine, and experience pleasure and pain in anticipation of, a future event. Self-control refers to the tensions that people experience when they attempt to implement a far-sighted decision in the presence of immediate temptation. Representation refers to the way that the brain interprets or frames a set of choices. Representation often happens first in a decision time-line, but we discuss representation last because less is known about this component of intertemporal decision making. Although these mechanisms, in some situations, come into competition with time discounting, in other situations they contribute to it. Indeed, as touched upon above, there is some question of whether these are the mechanisms underlying time discounting.

Anticipation

The classical economic model of intertemporal choice assumes that choices have no utility consequences other than the consumption events that result from those choices. For example, the pleasure of a decadent meal is assumed to arise from the meal itself and not the awareness, before the event, that it will take place. In practice, however, when a plan is made in advance – for instance a dinner reservation – there is a waiting period during which the future outcome is anticipated. Moreover, this period of anticipation might have its own affective consequences for the actor. The period between decision and outcome has received relatively little consideration from economic researchers because economic models typically do not treat purely mental events as intrinsic sources of utility [30].

From a behavioral perspective, however, both animals and humans experience subjective changes in mental state associated with this continuous period of anticipation. When rats are conditioned to associate a neutral stimulus

1 with a noxious outcome (a loud noise), they enter a state of
2 physiological arousal between the stimulus and outcome.
3 The degree of arousal is associated with their tendency to
4 'startle' in response to the noise. Hence, the startle
5 response serves as a measure of the degree of learning
6 that has occurred [31,32]. Humans display similar states
7 of arousal, which can be indexed by the galvanic skin
8 conductance response (GSR) [33]. When the anticipation
9 period is extended, the arousal level can assume complex
10 forms, including an initial surprise effect when the
11 individual first becomes aware of the impending outcome
12 and a ramp-up to the time when the outcome is expected
13 to occur [34,35].

14 The anticipation of an outcome can lead to physiological
15 arousal, but does this state of anticipation enter into the
16 decision-making process? Under certain circumstances it
17 does. Consideration of the anticipation of a particularly
18 pleasurable event, such as the promise of a kiss from a
19 movie star, or the dread of something painful, such as an
20 electric shock, often enters into the decisions that people
21 make; for example, causing them to get unpleasant
22 outcomes over with quickly to eliminate what otherwise
23 would be an aversive period of waiting [36,37], behavior
24 that is contrary to the most basic prediction of the DU
25 model, assuming that people discount the future. A concise
26 explanation of this phenomenon is that anticipation can
27 confer utility (or disutility) in, and of, itself. Human
28 neuroimaging data demonstrate that activity in regions
29 associated with the experience of pain increases in
30 anticipation of delayed painful stimuli [38–44], and the
31 degree of this anticipatory activity correlates with the
32 degree to which an individual chooses to expedite
33 unpleasant outcomes [36].

34 Anticipatory responses to appetitive stimuli are also
35 common in neural systems, although these tend to be in
36 different regions than for aversive stimuli. Anticipatory
37 activity in the ventral striatum and orbitofrontal cortex
38 has been associated with the prospect of receiving a
39 financial windfall [45–47], beautiful faces [48] and
40 pleasant-tasting drinks [49–51]. Because of the relatively
41 short interval between the cue and the outcome in these
42 experiments, it is difficult to ascertain whether the
43 activity is in response to the initial cue or the waiting
44 period.

45 *Self-control*

46 It is often difficult to wait for a delayed reward when an
47 immediately gratifying alternative is available. For
48 instance, quitting smoking is difficult because cigarettes
49 are available at every news-stand and drug store.
50 Situations such as this can lead to 'preference reversals'
51 wherein people initially decide to take a far-sighted course
52 of action – quitting smoking – but subsequently succumb
53 to temptation [20]. Preference reversals are observable
54 phenomena that point to the weaknesses of standard DU
55 theory, and they occur in a wide variety of circumstances.
56 Although it is possible, as we shall see, to modify the
57 discount function in a way that explains preference
58 reversals, the core mechanism might be generated by
59 phenomena other than the discount function.

Successful implementation of a far-sighted plan of
behavior, such as ending a bad habit, thus involves at
least two distinct components. First, the individual needs
to make an initial far-sighted decision, which is likely to
depend on the ability to anticipate future consequences.
Second, she needs to resist short-run temptations, which
will undermine her ability to implement that decision. Any
successful model of intertemporal choice should
incorporate features that accurately describe the tug of
war between long-run ('virtuous') intentions and short-run
temptations.

As a benchmark, the DU model fails this descriptive
challenge. As Samuelson [52] noted, the DU model (with
exponential discounting) implies that resolutions once
made are never broken. Economists refer to this property
as dynamic consistency. Anyone who follows the
exponential discounting model will be dynamically
consistent – they will never change their state-contingent
preferences. Plans or preferences made for the future will
be the same as decisions executed at the moment of action.
In this framework, resolutions to quit smoking or stick to
a diet are always carried out (unless new decision-relevant
information arrives).

Real people don't have such exquisite self-command
[20,53]. Most people experience preference reversals: plans
made at one date are broken at some later date. For
instance, estimates of relapse rates exceed 50% during the
first year after quitting smoking. Many other types of
behavior illustrate this tendency to backslide, including
credit card spending, exercise and nutrition [54–56].
Beginning with the groundbreaking work of Ainslie [2,20],
these types of effects have been integrated into models of
time discounting.

The exponential discounting model counterfactually
rules out preference reversals. However, any other
discounting behavior has the potential to generate
preference reversals, which economists refer to as dynamic
inconsistency. This potential was first discussed by
Samuelson [52] and then developed by others [22,57].
Most research has focused on the class of hyperbolic [2,7]
and quasi-hyperbolic discount functions [13], which
predict that agents will make patient plans and then
break them at the moment of execution (Box 1).

103 *Representation*

Economic analysis assumes that how a choice is
represented is an objective matter. But, in fact, it is
possible to mentally represent the same situation in a
variety of different ways [82]. People use a wide range of
choice heuristics to make the decisions they face and
which heuristics come into play depends crucially on how
they construe these decisions [83,84]. As a result,
differences in context or in the way that a decision is
'framed' or cognitively construed can have an impact on
the intertemporal tradeoffs that people make.

A child's ability to delay gratification depends on the
manner in which the child is instructed to mentally
represent a reward [9,85]. When given a choice between
an immediate single pretzel or two delayed pretzels,
children were more likely to wait if instructed to represent
the pretzel in pallid or unappealing terms – for instance,

1 as 'little brown logs' – than if they were to represent the
2 pretzel in consumatory terms – 'yummy, tasty'. In
3 research with adults, Wilson and Daly [86] found that
4 showing male subjects photographs of attractive females
5 raises the male subjects' monetary discount rates. Wilson
6 and Daly's results show that reproductively salient stimuli
7 change the way that individuals evaluate time-dated
8 monetary rewards, possibly by creating a general sense of
9 urgency or by generating emotional arousal, which
10 increases the relative strength of the impatient affective
11 reward systems. 71

12 A variety of studies have shown that framing an
13 intertemporal choice in a fashion that draws more
14 attention to the need to wait during the delay interval
15 tends to produce steeper time discounting – less
16 willingness to delay. For example, subjects are much less
17 willing to delay gratification when they made a choice that
18 was expressed in terms of delay than when the same
19 choice was expressed in terms of speed-up or simply as a
20 choice between outcomes at two different points in time
21 [37]. More recently, several studies have shown that
22 people tend to display flatter time discounting when the
23 delay interval of an intertemporal choice is presented in
24 terms of dates – for example, x today or y on a particular
25 date – than when expressed in terms of a delay interval –
26 for example, x today or y after a wait of z days (where the
27 interval in the two choices is equal) [87]. 87

28 Given the complexities of many decisions, people often
29 simplify the process of decision making by drawing from a
30 toolbox of different choice heuristics – simple rules of
31 choice that dictate what to do in a particular situation
32 [83]. Examples of choice heuristics might include 'pick
33 what the last person picked' or 'pick what you picked last
34 time (unless it turned out bad)'. If the representation of
35 the choice affects the selection of choice heuristics, then
36 representation will have an impact on decision making. 98

37 One important choice heuristic that people seem to
38 employ is to choose sequences of outcomes that improve
39 over time – a pattern of choice that effectively results in
40 'negative time preference': subjects prefer to have the
41 smaller rewards early and the larger rewards later
42 contrary to what the DU model would predict. However,
43 whether a particular intertemporal choice is represented
44 as a sequence, and hence whether this heuristic is applied,
45 can depend on relatively subtle factors. In the first
46 demonstration of this point, Prelec and Loewenstein [88]
47 asked some subjects to hypothetically choose whether to
48 consume a fancy French dinner on the following weekend
49 or on a weekend one month later. Most subjects chose to
50 have the French dinner on the earlier date. However,
51 when the decision was represented as a sequence of two
52 events on fixed dates, where subjects could choose to eat
53 home on one weekend and eat the fancy dinner on the
54 other, a majority of subjects now chose to delay the fancy
55 French dinner to the later date. Later research found that
56 the more coherent a sequence was made to seem, the more
57 probable subjects were to opt for improving sequences [89]. 123

58 Conclusion 125

59 The research reviewed above identifies three operations
60 that affect intertemporal choice. Anticipation produces 127

immediate hedonic consequences, even when the
anticipated consumption event is delayed in time. Self-
control is used to resist temptations to reverse patient
plans. Representations evoke specific choice heuristics
that increase or decrease the salience of delayed rewards
and make waiting more or less aversive. Any
comprehensive account of intertemporal choice should
incorporate all of these mechanisms. At the moment, we
know little about how these mechanisms interact, which
should be a priority for future research. At the most
general level, it is important to determine whether the
brain has one all-purpose time discounting mechanism or
whether the brain draws upon different systems, each
with its own occasionally competing time perspective.

Although the new models of intertemporal choice are
more realistic than the DU model they are intended to
replace, the increased realism has come at the expense of
simplicity. Researchers face a familiar conflict between
parsimony and realism. We hope that the interactions
among economists, psychologists and neuroscientists will
identify basic neural mechanisms that explain a wide
range of empirical regularities. We believe that models
with multiple interacting/competing neural mechanisms
represent the most promising research frontier (Box 2).
Such models are characterized by at least two classes of
neural systems – patient systems that implement cool,
analytic preferences and impatient systems that
implement hot, affective preferences.

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Box 1. Modeling preference reversals

Standard economic theory assumes that individuals (agents) have preferences that are stable through time. In this context a preference refers to a rank ordering of outcomes, or choices, that an individual makes. For example, a person might be said to prefer tea over coffee. However, actions speak louder than words and simply professing such a preference is no guarantee that, given a choice, such an individual would actually choose tea. Because of the hidden nature of preferences, eliciting choices (e.g. through forced-choice or willingness-to-pay) is the only reliable way to measure preferences. Even so, individuals often exhibit reversals in their apparent preferences when it comes to delayed outcomes. Dieting, for example, often falls into this trap of preference reversals. An individual makes a New Year's resolution to lose weight (a temporally remote outcome), but when confronted with the deliciousness of food, changes his mind (a temporally immediate outcome). Such preference reversals can be modeled in terms of a non-exponential discount function. Assume that an economic agent has a quasi-hyperbolic discount function: $1, \beta\delta, \beta\delta^2, \beta\delta^3, \dots$ (Figure 1). In general, this discount function is parameterized with $0 < \beta < 1$ and $0 < \delta < 1$, but to simplify the illustrative example, set $\beta = 1/2$ and $\delta = 1$, so the discount function takes the form $1, 1/2, 1/2, 1/2, \dots$. Immediate payoffs have a weight of one and all future payoffs have a weight of $1/2$. Assume that an investment activity has an immediate cost of four and a delayed benefit of six. When the investment opportunity is distant in time, the agent plans to undertake the investment because $1/2(-4) + 1/2(6) = 1$. However, when the moment of action arises, the agent changes her mind because $1(-4) + 1/2(6) = -1$.

If agents anticipate such preference reversals [57], they might find ways to commit themselves in advance – for instance, scheduling an appointment to exercise with a trainer or putting their saving into illiquid accounts [13]. If agents fail to anticipate their preference reversals, they might engage in patently self-defeating behaviors, such as perpetually paying monthly dues at a gym that they never attend [54] or, more generally, procrastinating [58,59].

The predictions of the basic hyperbolic discounting model have been experimentally and empirically validated [20,60]. But the basic hyperbolic discount function provides only a partial account of intertemporal preferences [6]. Most importantly, temporal immediacy of rewards is only one of many factors that seem to produce impulsivity. Other factors include sensory proximity – the sight, sound, smell or touch of a desired reward – and the activation of drive states, such as hunger, thirst or sexual arousal. Thus, for example, mild opioid deprivation in a population of heroin-addicted outpatients produces greater discounting of monetary rewards [61]. Likewise, nicotine deprivation among smokers also produces greater monetary discounting [62,63]. People often lose control in the 'heat of the moment' or when willpower is depleted [64].

Although preference reversals are often attributed to hyperbolic time discounting, they can also result from other mechanisms (which themselves, in some cases, can help to explain hyperbolic time discounting). Three (overlapping) categories of mechanisms are visceral influences, cue-contingent influences and temptation preferences.

Visceral influences are associated with emotion and affect, and are directly related to changes in drive state. Visceral preferences are generated by immediate biological imperatives – for instance, thirst, hunger, sexual arousal, exhaustion, pain, the need to physically dominate an opponent, or fear for physical safety. Loewenstein has argued that visceral needs often overwhelm other goals and produce short-sighted behavior [65]. This assumption has also been adopted in a two-state decision-making model [66]. In the cold state, the decision-maker is guided by forward-looking rational deliberations. In the hot state, the decision-maker is completely controlled by her myopic visceral needs. Hence, highly impatient behavior would be associated with time periods in which the visceral preferences are dominant, explaining many addictive behaviors, including excess use of an addictive substance and relapse after detoxification.

Cue-contingent preferences have been studied since Pavlov's feeding experiments [67]. Cue-contingent preferences are formed when a neutral stimulus is repeatedly paired with a non-neutral stimulus, such as a consumption event. The end result is a change in drive state, even though the eliciting stimulus was, at one point, neutral. For instance, a heroin user might come to associate the visual stimuli of a certain

environment with ingestion of heroin. Such pairings might be strong enough to elicit cue-contingent drug cravings and cue-contingent tolerance, so that the user's desire to take heroin becomes much stronger when the cues are present [68]. Cue-contingent cravings might produce preference reversals, transitory efforts to achieve immediate gratification, and forward-looking efforts to modify cue exposure [65,66,69]. Indeed, several brain-imaging experiments have demonstrated the powerful effect of showing pictures of drug-related paraphernalia to people who are addicted to these substances [70–75]. Although craving, in and of itself, does not represent a breakdown in self-control, it does represent an emotional state that places the individual at risk for a preference reversal. The biological substrates of craving, however, are complex and recruit a wide range of circuits in the brain that include memory regions such as the hippocampus, executive control regions in the prefrontal cortex, and visceral regions such as the insula. However, no single brain region has been demonstrated to be singularly responsible for self-control. Instead, multiple systems process different psychological dimensions of competing preferences.

Temptation preferences arise in two-system models and are another way of describing the temporal immediacy effect of rewards by invoking the cost of self-control [66,76–78]. Rather than postulating a non-exponential discount function, temptation preferences are typically modeled as a drive for immediate gratification, which can be cognitively overridden with some utility cost generated by mental effort (self-control). In the models cited here, the cost is associated with the degree to which the impatient preference is violated. The end result, however, is the same as a non-exponential discount function. For example, imagine that an agent has a craving to eat a (full) bowl of ice cream sitting in front of him, but allows himself to eat only some fraction of that bowl. Temptation models assume that the cost of temptation is falling in the amount that the agent eats. If the agent eats nothing, then temptation costs are maximal. If the agent eats the whole bowl, then temptation costs are zero. Temptation preferences are one way of formally modeling the interaction between the patient (cortical) system and the impatient (mesolimbic dopamine reward related) system. Little is known about the nature of the interaction of these two putative systems, but one brain region, the anterior cingulate cortex (ACC), is thought to have a role in mediating the conflict between competing actions [79,80]. The exertion of self-control requires the suppression of either cravings or temptations, which are the types of competing responses that the ACC modulates. Another region, the inferior prefrontal cortex, seems to be involved in achieving self-control by inhibiting one of these responses [81]. Importantly, how the ACC processes these conflicts and how the inferior prefrontal cortex inhibits one or another depends on the context in which these temptations occur, which leads to the third aspect of intertemporal choice: representation.

Box 2. Directions for future research

How can neurobiological data be used to develop and test models of intertemporal choice? In the past, the tautology of choice and preference has excluded analysis of neurobiological mechanisms. In recent years, a growing body of data based on brain imaging is enabling researchers to link intertemporal decisions to neural activation patterns, producing both new empirical regularities and new controversies [14,90,91]. The challenge will be to marry neurobiological descriptions with theoretical ones.

Can a single model account for the large range of timescales over which intertemporal choices are made? Such choices range from intervals of milliseconds to decades. Is there a unifying framework for all such intertemporal choices or do different mechanisms apply at different timescales?

How does the representation of time itself influence intertemporal choice? The representation of time is typically assessed in a retrospective manner (i.e. how much time has passed). Intertemporal choices are fundamentally prospective. How does the representation of the past affect the representation of the future?

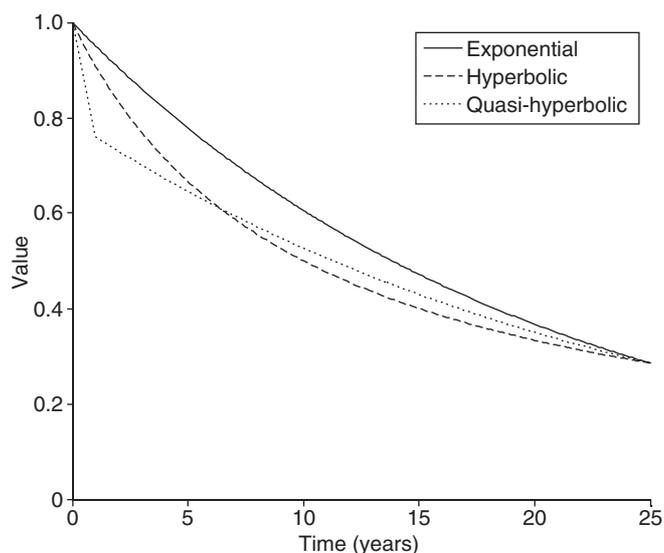


Figure 1. Discount functions. Exponential discounting assumes a constant rate of discounting, e.g. δ^t where δ is the discount rate (here, $\delta = 0.95$). Hyperbolic discounting is generally greater for short time periods than long periods, and can be described by a function of the form $1 / (K * t + 1)$. Here, $K = 0.1$. Quasi-hyperbolic discounting is a piecewise function that follows a form similar to exponential discounting after the first discount period (i.e. the first year): $1, \beta \cdot \delta, \beta \cdot \delta^2, \dots, \beta \cdot \delta^t$. Here, $\beta = 0.792$ and $\delta = 0.96$.