

SOPHISTICATION ABOUT SELF-CONTROL

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NON-TECHNICAL SUMMARY

People often find it difficult to exercise self-control when making inter-temporal choices. They struggle with temptation and may be unable to sufficiently delay pleasant activities, yet procrastinate when faced with unpleasant tasks. Behavioral economic theory predicts that people's self-control capacity—along with their sophistication about (awareness of) their own self-control problems—are both integral to the choices they make. We can draw on the disparity between people's ideal, predicted, and actual choices to identify whether they lack self-control and, if so, whether they are aware of it. Specifically, there is a correspondence between actual and ideal choices of people with self-control (time-consistent individuals), which is lacking for those who lack self-control (i.e., are time-inconsistent). Sophisticates are aware of this discrepancy—and predict it—whereas naïfs expect to make the ideal choice, but then fail to do so. This theoretical classification has had considerable influence. However, economists' conceptual understanding of the importance of sophistication in inter-temporal choice has far outstripped their empirical understanding.

We contribute to closing this gap by proposing and implementing a novel empirical strategy for measuring people's sophistication versus naïveté regarding their capacity for self-control. Our approach is applicable not only to specific contexts or subgroups, but can be easily incorporated into large-scale, representative surveys. Specifically, we use information from the nationally representative Innovation Sample of the German Socio-Economic Panel (SOEP-IS) on people's ideal as well as their predicted and actual body weights to classify them as time-consistent, naïve, or sophisticated.

We demonstrate that self-control problems are pervasive—only about one-third of the population behave in a time-consistent manner, underscoring the potential for self-control problems to result in serious welfare losses. Among everyone else, slightly more than half are at least partly aware of their self-control problems. The rest are completely naïve. Compared to naïfs, sophisticates have higher IQs, better educated parents, and are more likely to take up commitment devices. We also investigate and confirm the predictive power of our weight-based classification of self-control types for choices across several different domains, ranging from health-related behaviors to financial decision-making and choices regarding education. We demonstrate that being sophisticated has generally positive and, in many cases, sizeable, consequences for people's health and wellbeing. In the case of investments involving immediate costs with future benefits, being sophisticated fully compensates for the penalties associated with having limited self-control. Raising people's awareness of their own self-control limitations may thus assist them in overcoming any adverse consequences.



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ABSTRACT

We propose a broadly applicable empirical approach to classify individuals as time-consistent versus naïve or sophisticated regarding their self-control limitations. Operationalizing our approach based on nationally representative data reveals that self-control problems are pervasive and that most people are at least partly aware of their limited self-control. Compared to naïfs, sophisticates have higher IQs, better educated parents, and are more likely to take up commitment devices. Accounting for both the level and awareness of self-control limitations has predictive power beyond one-dimensional notions of self-control that neglect awareness. Importantly, sophistication fully compensates for self-control problems when choices involve immediate costs and later benefits. Raising people's awareness of their own self-control limitations may thus assist them in overcoming any adverse consequences.

Keywords: self-control, sophistication, naïveté, commitment devices, present bias

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