Exponential discounting anomalies

Notes on Behavioural Economics

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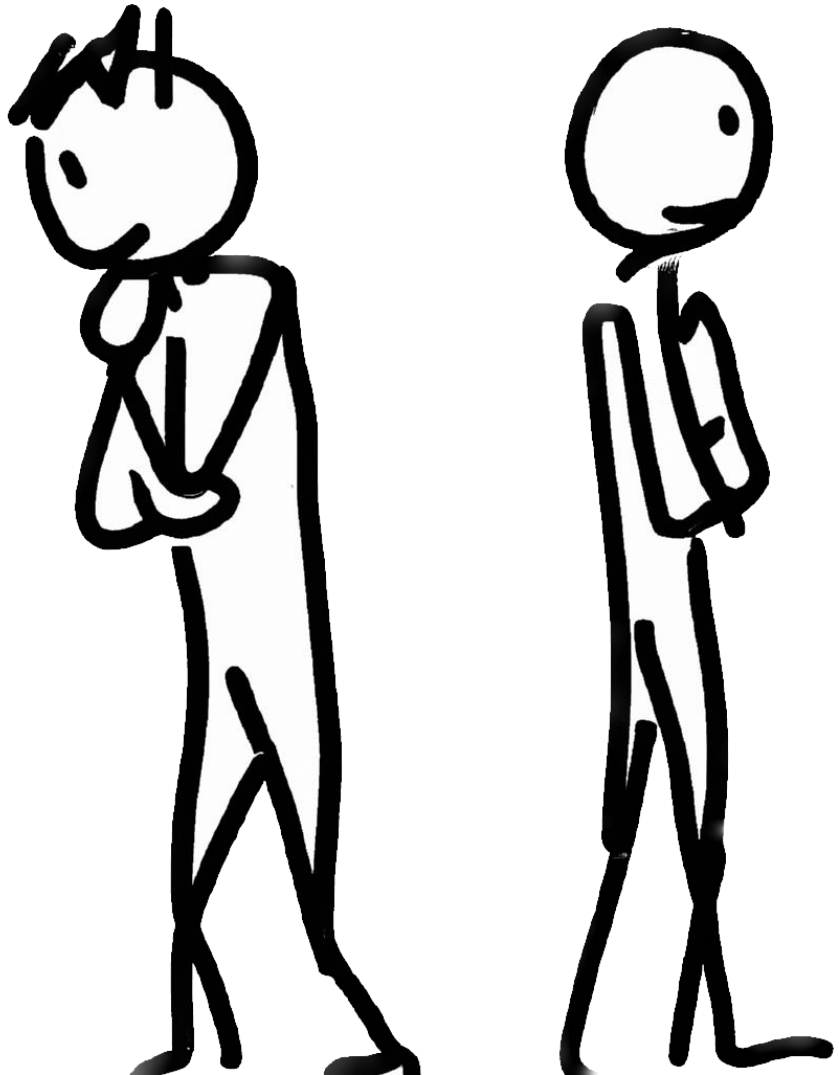


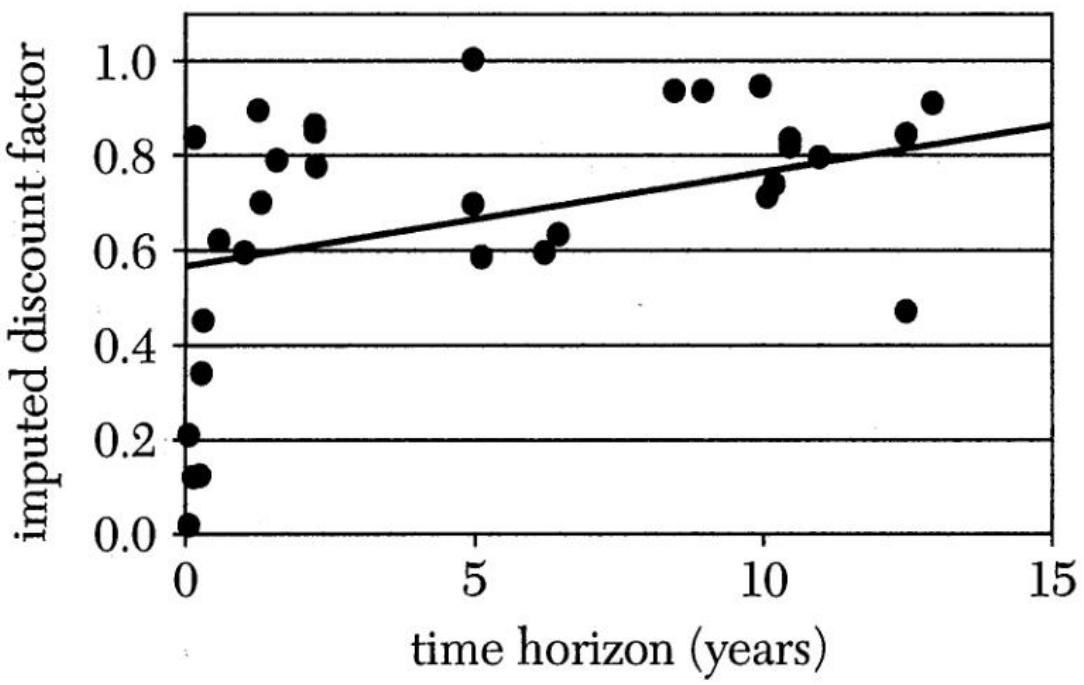


Figure 1a. Discount Factor as a Function of Time Horizon (all studies)

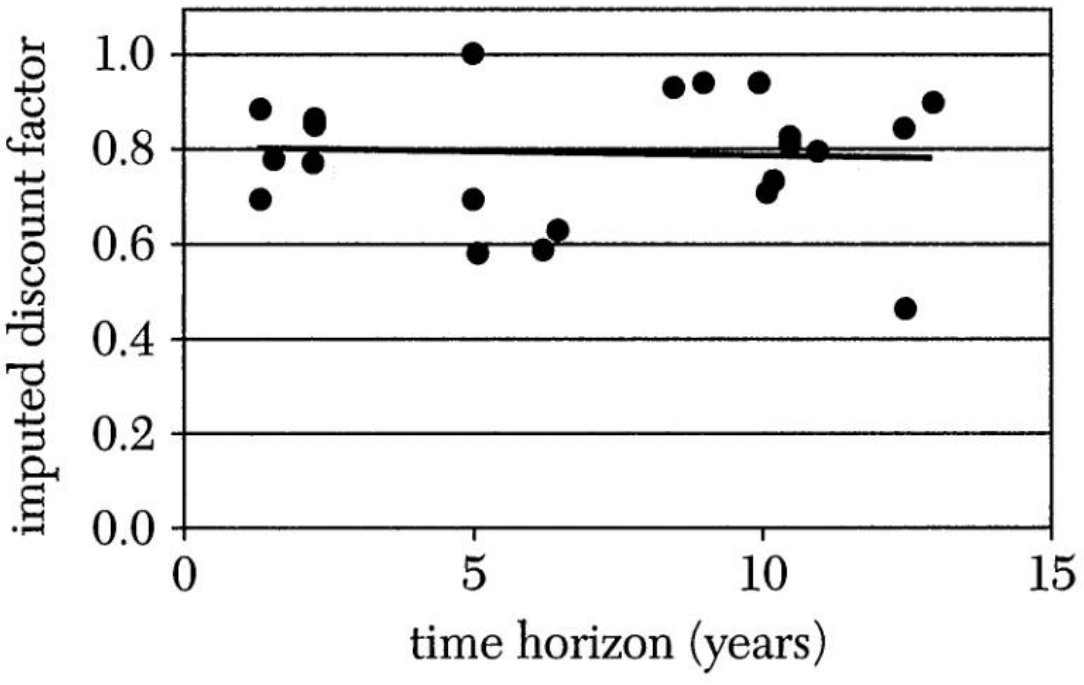


Figure 1b. Discount Factor as a Function of Time Horizon (studies with avg. horizons > 1 year)

Frederick, Shane, George Loewenstein, and Ted O'Donoghue (2002) "Time Discounting and Time Preference: A Critical Review", *Journal of Economic Literature*, 40(2): 351-401

$15

Three months

One year

Three years

$15

Three months	One year	Three years
$30	$60	$100

$15

Three months	One year	Three years
$30	$60	$100
277%	139%	63%

$20 now or $50 in three months?

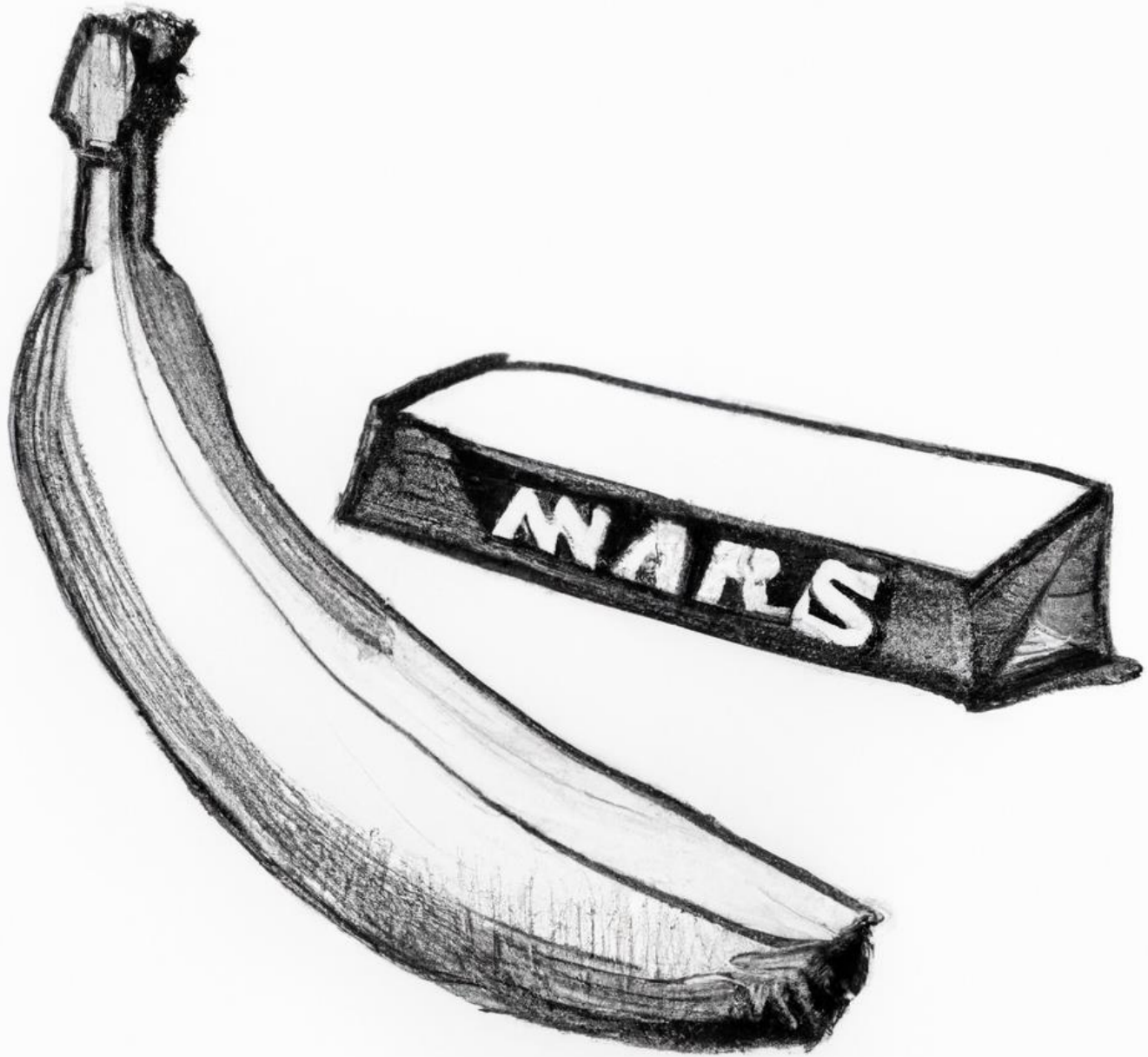
$20 in one week or $50 in three months and one week?

Choice A:

Choose between one apple today and two apples tomorrow.

Choice B:

Choose between one apple in one year and two apples in one year plus one day.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