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Present-Biased Preferences and Credit Card Borrowing

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Abstract

Some individuals borrow extensively on their credit cards. This paper tests whether present-biased time preferences correlate with credit card borrowing. In a field study, we elicit individual time preferences with incentivized choice experiments, and match resulting time preference measures to individual credit reports and annual tax returns. The results indicate that present-biased individuals are more likely to have

credit card debt, and to have significantly higher amounts of credit card debt, disposable income, other socio-demographics, and credit constraints.

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Additional Materials

[Replication Package \(42.95 KB\)](#)

[Appendix \(98.17 KB\)](#)

JEL Classification

D12 Consumer Economics: Empirical Analysis

D14 Personal Finance

D15 Intertemporal Consumer Choice; Life Cycle Models and Saving

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