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, controlling for disposable income, other socio-demographics, and credit constraints. (JEL D12, D14, D91)

Citation

Meier, Stephan, and Charles Sprenger. 2010. "Present-Biased Preferences and Credit Card Borrowing." *American Economic Journal: Applied Economics*, 2 (1): 193-210.

DOI: 10.1257/app.2.1.193

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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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