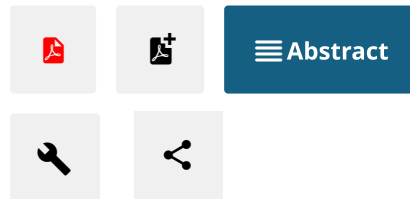




An Economic Theory of Self-Control

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Abstract

The concept of self-control is incorporated in a theory of individual intertemporal choice by modeling the individual as an organization. The individual at a point in time is assumed to be both a farsighted planner and a myopic doer. The resulting conflict is seen to be fundamentally similar to the agency conflict between the owners and managers of a firm. Both individuals and firms use the same techniques to mitigate the problems which the conflicts create. This paper stresses the implications of this agency model and discusses as applications the effect of pensions on saving, saving and the timing of income flows, and individual discount rates.

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