README file for Giné et al.. "Revising Commitments"

Motivation for simulation

We assess the level of consistency of the subjects in the experiment by comparing their choices to those of hypothetical subjects. In particular, we follow Choi, Fisman, Gale and Kariv (2007) and generate 1,000 random samples of 2,285 subjects who solve problem (P) with error. We assume that agents have period power utility $u_t(c_t) = u(c_t) = c_t^{(1-\sigma)}/(1-\sigma)$ and that the likelihood of the error is decreasing in the utility cost of the error. More precisely, we assume that the probability of choosing a given consumption pair $\mathbf{c}_t = (c_t, c_{t+30})$ is given by

$$Pr(\mathbf{c}_{it}) = \frac{e^{\gamma U(\mathbf{c}_{it})}}{\sum_{j=1}^{N} e^{U(\mathbf{c}_{jt})}} \tag{1}$$

where $U(\mathbf{c}_t) = u(c_t) + \delta u(c_{t+30})$ and $N = 21$ denotes the number of available consumption pairs (c_t, c_{t+30}), ranging from $(2000, 0)$ to $(0, 2000(1+r))$. The precision parameter γ reflects sensitivity to differences in utility. The choice of the consumption pair in problem P is purely random when $\gamma = 0$, but it approaches the choice that maximizes expected utility as γ increases. In the published version of the paper we only consider the case when $\gamma = 0$, corresponding to random choice. The simulation also computes the cases of $\gamma = 1$ and $gamma = 2$ when choices are more rational. We set $\delta = 1$ and as in Choi, Fisman, Gale and Kariv (2007) $\sigma = 0.5$.

Hypothetical subjects in each random sample make the same 10 choices according to the probability in 1 as do human subjects in the experiment.

Main Files

sim_random.do: do file that generates the output for Table 2 (simulated data) and Table D10.

sim_data.dta: dta file that is called by sim_random.do

sim_output.dta: dta file generated by sim_random with the output for Table 2 (simulated data) and Table D10.

sim_output.txt: txt file generated by sim_random with the output for Table 2 (simulated data) and Table D10.

sim_results_random_table.xlsx: Table D10 formatted.