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Informal Commitments in Planner-Doer Games

Madhav Chandrasekher*

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Abstract: This paper studies the role of informal commitments in dynamic choice under self-control. Informal commitments, in contrast to formal commitments, are ad hoc personal rules of behavior that are not always observable. Moreover, the effectiveness of these rules in constraining future choices is often dependent on the decision-maker. We model informal commitments using an extension of a standard planner-doer model, after [Thaler and Shefrin \(1981\)](#). Taking a preference over menus (i.e. formal commitments) as an observable, our main results show how to elicit and partially identify this model. Our model can explain evidence on self-control behavior that cannot be represented by the [Gul and Pesendorfer \(2001\)](#) model of self-control nor by any of its recent extensions.

Keywords: Planner-Doer Models, Preference for Commitment, Self-Control.

JEL classification codes: D01, D80, D90

1 Introduction

The planner-doer model, introduced in [Thaler and Shefrin \(1981\)](#), is commonly used to model dynamic choice in which decision-makers (DMs) face self-control problems.¹ The model is a game, in which the planner moves first by making a consumption commitment (or plan) which partially constrains the doer. The doer makes a subsequent move, selecting a choice from the residual option set. Equilibrium outcomes can be distorted from the planner’s optimum when: (i) consumption plans only allow imperfect control of the doer and (ii) the decision-maker has time-inconsistent preferences – so that the doer’s preference is different than the planner’s. These two features jointly characterize the DM’s self-control problem.

This paper uses the planner-doer approach to model decision-makers who use a combination of formal *and informal* commitments to mitigate their self-control problems. Formal or “external” commitments are like contracts and they have two defining features: (i) they are observable and (ii) they impose *objective* constraints on future choice behavior (meaning constraints that restrict all DMs equally). Informal or “internal” commitments, by contrast, do not have a commonly agreed upon definition. However, generally speaking, informal commitments (i) are not necessarily

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¹For some recent examples, see [Ali \(2011\)](#), [Bénabou and Pycia \(2002\)](#), [Bénabou and Tirole \(2004\)](#), [Benhabib and Bisin \(2005\)](#), [Fudenberg and Levine \(2006\)](#).

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