

*The Hong Kong Polytechnic University
Department of Logistics and Maritime Studies
Research Seminar*

The Mnemonics of Contract Overchoice

by

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**Date: 21 September 2018 (Friday)
Time: 10:30am - 11:30am
Venue: R602, Shirley Chan Building
The Hong Kong Polytechnic University
(Conducted in English)**

Abstract:

Consumers may systematically overchoose contracts that seem ex post suboptimal. This is typically interpreted as evidence for naivete about present-biased preference. We offer an alternative theory of contract overchoice as optimal responses to limited memory. Motives underlying contract choice may be forgotten. As ex ante screening facilitates subsequent retrospection, a front-loaded contract may be favored as self-motivating instrument for future consumptions. In the absence of ex ante sorting, memory constraints would yield endogenous overconsumption that can nevertheless be self-regulated by a back-loaded contract. Furthermore, equilibrium market response to memory management can restore social welfare and improve consumer surplus.

Keywords: contract choice, beliefs, intertemporal preference, memory management

Bio:

Liang Guo is a Professor of Marketing at Chinese University of Hong Kong. He received a Ph.D. in Business Administration from University of California at Berkeley, and a B.A. in Economics from Beijing University. His research interests include economics of psychology, marketing strategy, industrial organization, and applied economics. His research work has been accepted at top journals such as Journal of Marketing Research, Management Science, and Marketing Science. He is on the editorial boards of International Journal of Research in Marketing and Marketing Science, and serves as an Associate Editor at Management Science. He was named the “MSI Young Scholar” in 2009.

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All are welcome!