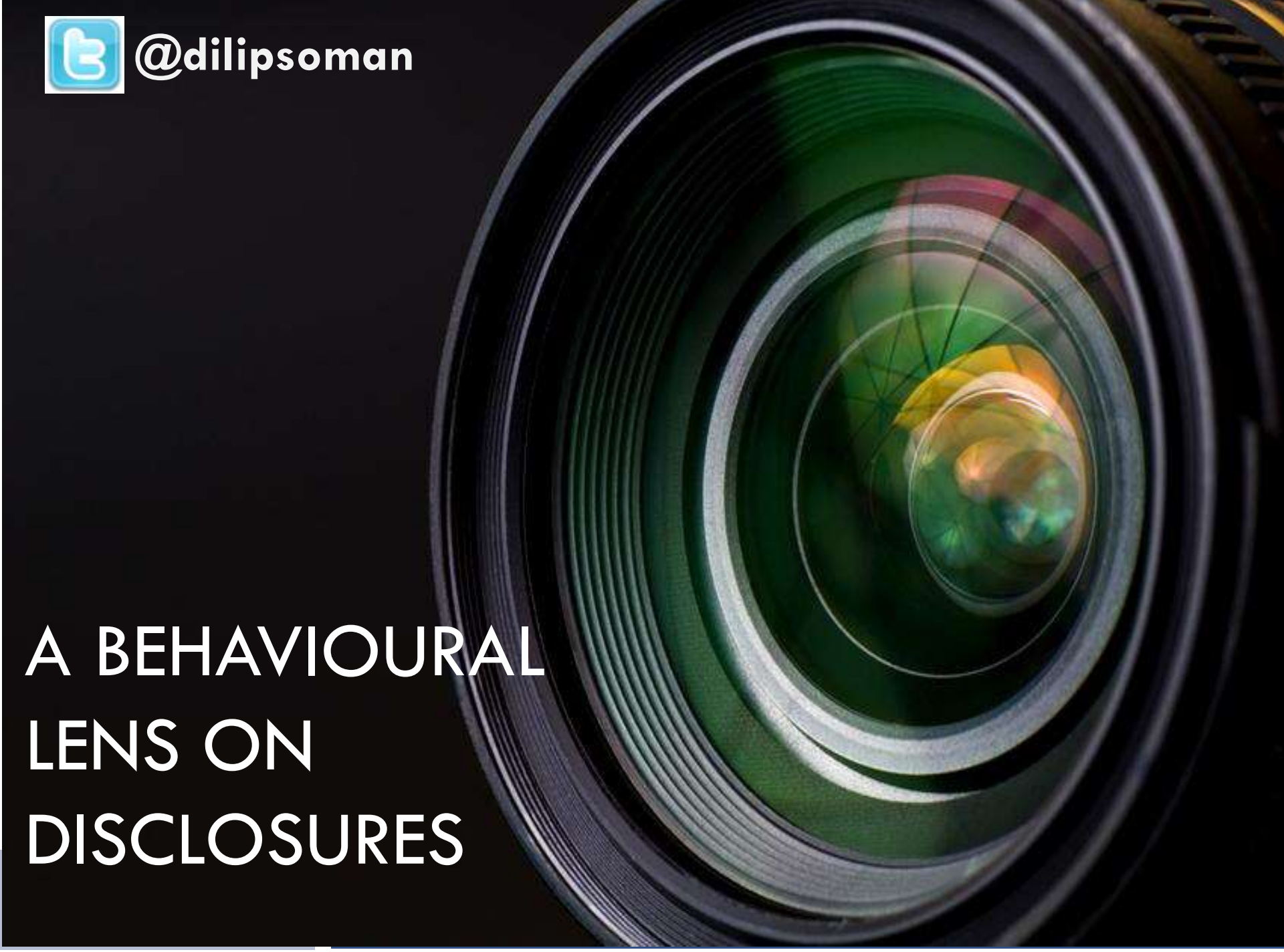
@dilipsoman



A BEHAVIOURAL LENS ON DISCLOSURES

15.B.2 Consider an E Box with consumers w/ C-D utility:

$u_1(x_{11}, x_{21}) = x_{11}^{\alpha} x_{21}^{1-\alpha}$ $\quad u_2(x_{12}, x_{22}) = x_{12}^{\beta} x_{22}^{1-\beta}$ $\quad (\omega_{11}, \omega_{22}) >> 0$

Solve for Equilibrium price ratio + allocations.

How do these change w/ a differential Δ in ω_{11}?

Consumer 1: $\max_x \; u(x) \quad x_{11}^{\alpha} x_{21}^{1-\alpha} - \lambda[p_1 x_1 - p_2 x_{21} - p\omega_1]$

FOC: $\partial u/\partial x_{11}: \alpha x_{11}^{\alpha-1} x_{21}^{1-\alpha} - \lambda p_1 = 0$

$\partial u/\partial x_{21}: (1-\alpha) x_{11}^{\alpha} x_{21}^{-\alpha} - \lambda p_2 = 0$

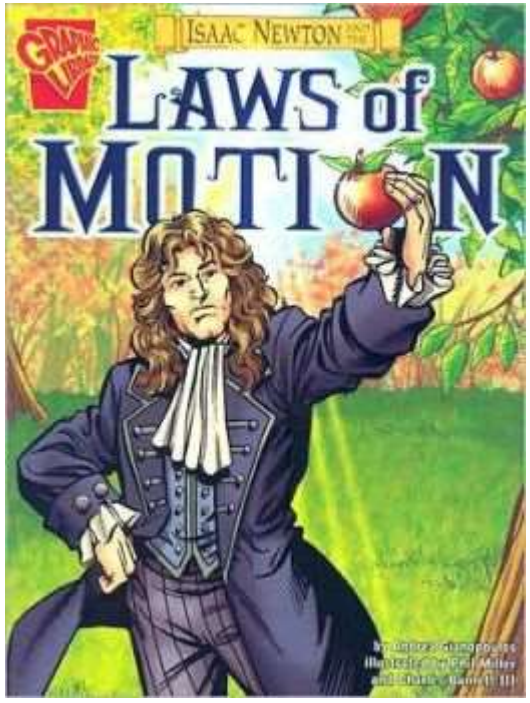
$$\frac{\alpha x_{11}^{\alpha-1} x_{21}^{1-\alpha} = \lambda p_1}{(1-\alpha) x_{11}^{\alpha} x_{21}^{-\alpha} = \lambda p_2} \Rightarrow \frac{\alpha}{(1-\alpha)} x_{11}^{-1} x_{21} = p_1/p_2 \Rightarrow x_{21} = \frac{p_1}{p_2} x_{11}\left(\frac{1-\alpha}{\alpha}\right)$$

$$p_1 x_{11} + p_2 x_{21} = p\omega_1 \Rightarrow p_1 x_{11} + p_2\left[\frac{p_1}{p_2} x_{11}\left(\frac{1-\alpha}{\alpha}\right)\right] = p\omega_1$$

$$p_1 x_{11}\left[\frac{1}{\alpha}\right] = p\omega_1 \Rightarrow x_{11} = \frac{\alpha p\omega_1}{p_1}, \; x_{21} = \frac{(1-\alpha)p\omega_1}{p_2}$$

24 HOUR
FITNESS

Three Simple Insights



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Plus Clean
Super Clean
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147.1
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TACTROL ADDITIVE
TACTROL ADDITIVE
TACTROL ADDITIVE
PUSH TO START
OCTANE
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94

7:17
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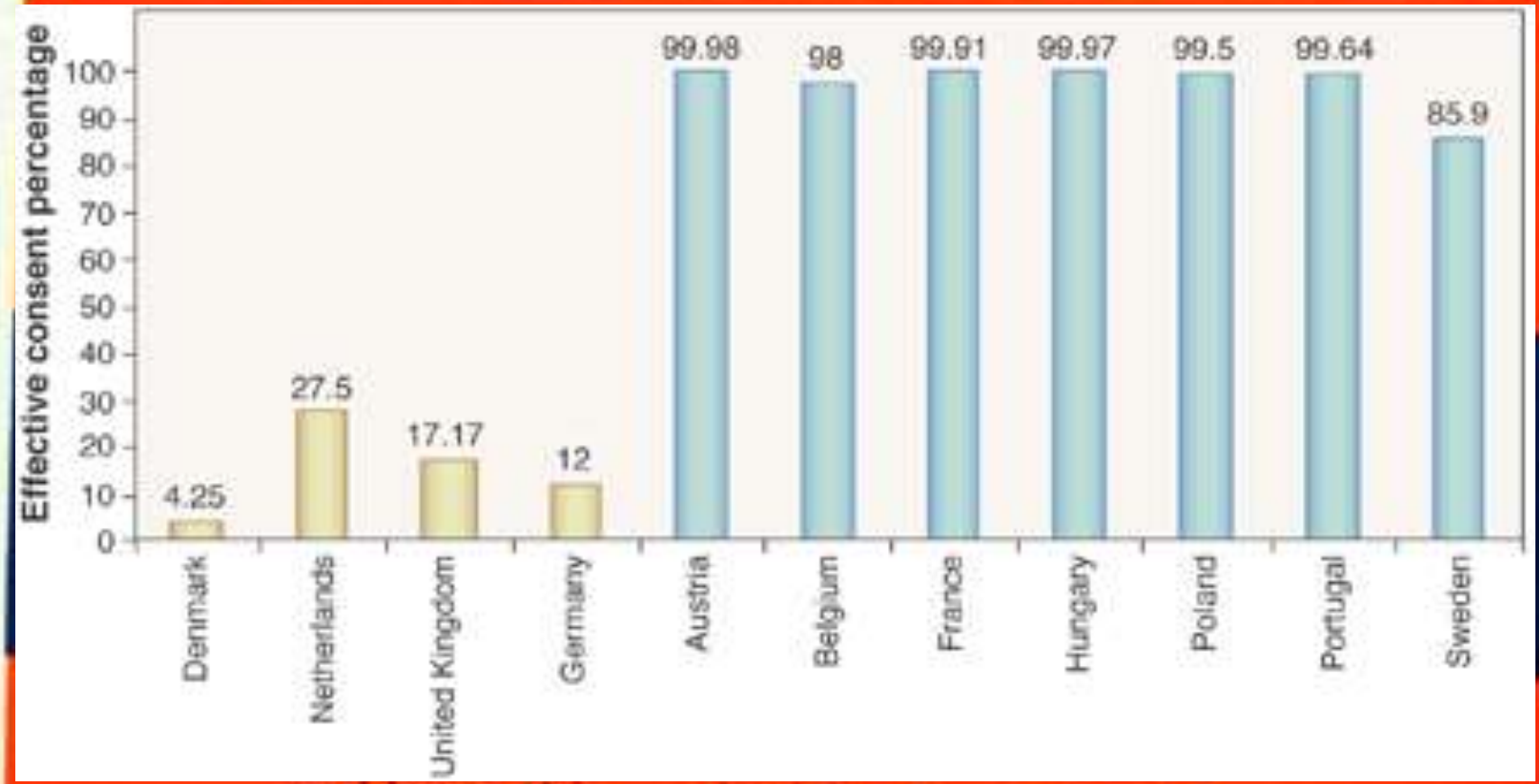
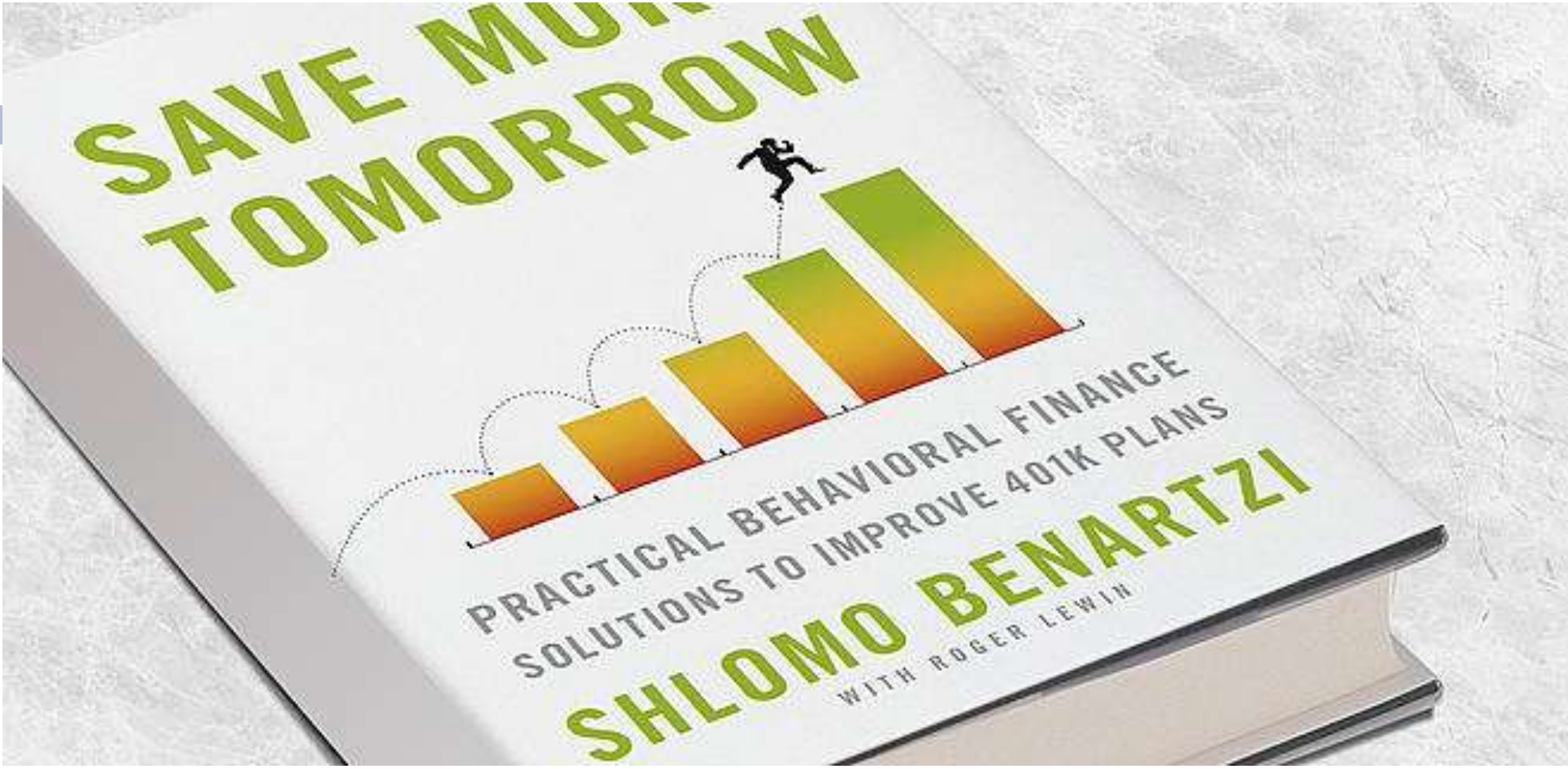
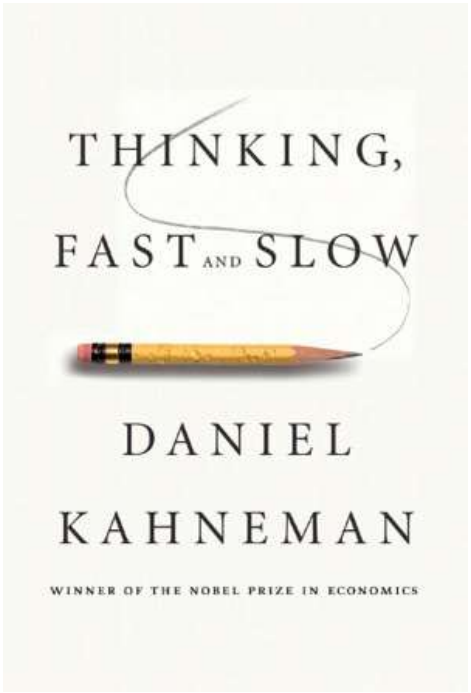
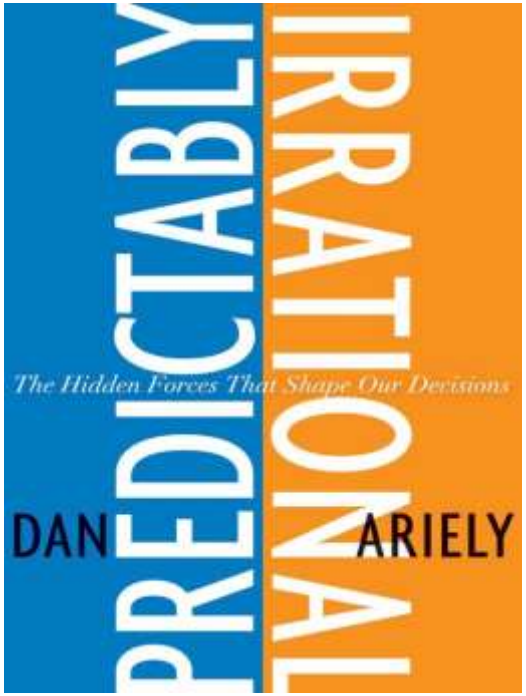
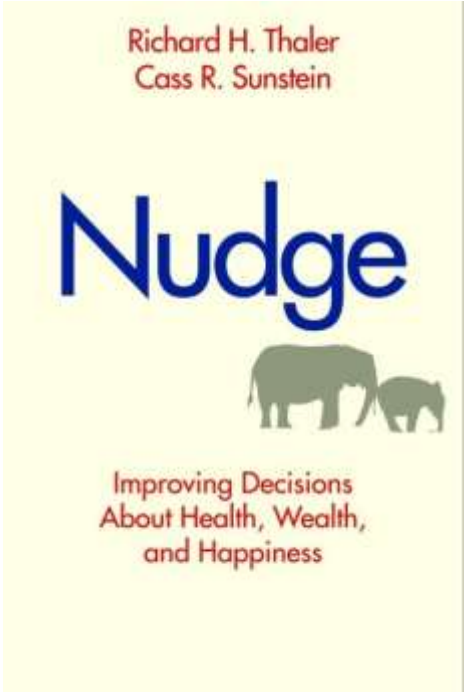


and keep this card with you at all times.

Getting Flu Shots


SAVE MORE
TOMORROW
PRACTICAL BEHAVIORAL FINANCE
SOLUTIONS TO IMPROVE 401K PLANS
SHLOMO BENARTZI
WITH ROGER LEWIN

Themes

1) Heuristics versus deliberation
2) Information overload
3) Limited attention → Passive acceptance
4) More disclosure ≠ More comprehension ≠ Better use of information
5) Format matters
6) Disclosure could have perverse effects
7) Effective disclosure = Simplicity + Relevance + Customizability + Timing

Further Readings