



Activity 4.1 Measuring Impatience

When instructed by your teacher, fill in the responses to part A and part B.

Part A:

- Please write the dollar amount that would make the following options equally attractive:
 - Receive \$300 immediately
 - Receive \$_____ in 6 months

Part B:

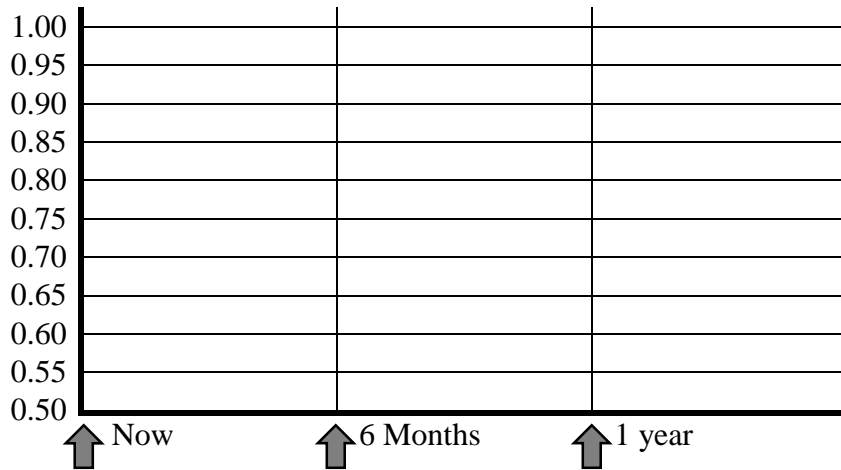
- Please write the dollar amount that would make the following options equally attractive:
 - Receive \$300 immediately
 - Receive \$_____ in 1 year

Calculations:

Divide 300 by the amount you wrote in part A: _____ This is how much a \$1 received 6 months from now is worth to you today.

Divide 300 by the amount you wrote in part B: _____ This is how much a \$1 received 1 year from now is worth to you today.

In the graph below, plot the two numbers you have calculated above. (Note: The graph goes from 0.50 to 1.00 on the vertical axis to better show the changes over time.) The first should be plotted at 6 months. The second should be plotted at 1 year. Finish the graph by plotting 1 on the graph for Now, since \$1 received today is worth \$1 now. Connect your points with a curve.



How impatient are you? The graph illustrates your level of impatience...

- If your graph decreases rapidly, you discount things in the future a lot – you are impatient. Compare your graph to other students. Everyone is somewhat impatient!
- Does your graph drop quickly at first and then flatten out rapidly? If so, you exhibit present bias! In the sample diagram below, the lower line shows present bias because it drops rapidly initially.

Sample graph (yours will be different!):

