

Dynamic Contemplation

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Abstract

I study a decision maker facing dynamic decision situations involving intertemporal trade-offs, as in consumption-savings problems. She experiences taste shocks contingent on the state of the world and attempts to resolve this uncertainty through contemplation. I consider preferences over state contingent infinite horizon consumption problems. The preferences can be represented as if she engages in contemplation about her uncertain consumption utilities depending on the observable state, and contemplation in the present period influences her utilities in subsequent periods.

KEYWORDS: Dynamic preferences, taste shocks, intertemporal contemplation constraints, subjective state space.

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