

Decision Processes Colloquia

Monday, October 21, 2024

Where: JMHH F 55

When: 12:00 – 1:20 pm

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Do Mandated Financial Disclosures Help People Make Better Choices?

ABSTRACT:

Regulators operate on the assumption that making select financial terms on loan products easier to access and salient to process helps borrowers make better choices. In this talk, I propose that improved access is a double-edged sword.

In a first set of laboratory choice studies, I will present results that examine whether the provision of credit card terms and conditions in an easy-to-read table (the so-called Schumer boxes) and making the borrowing costs salient can help a subset of consumers. However, for people who use the card only for convenience, the salience of borrowing costs might actually backfire.

In a second set of incentive-compatible studies using a realistic replica banking website, we tasked participants with finding the best credit card onsite. We randomly varied whether the costs of borrowing was relevant to their financial situation, as well as the accessibility of this information. Improved access led to better choices when costs were relevant and worse ones otherwise. Clickstream data show the effect arises because participants are exposed to more cost information with easier access, and that the effect is exacerbated with higher financial literacy.

