

A time allocation model accounting for the paradox of choice

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Abstract

The cost of time has been referred as a key factor to explain the so-called *paradox of choice*. This term refers to the discomfort or paralysis experienced by individuals when facing a choice within a large set of alternatives, as has been evidenced in experiments by behavioural and social psychologists. We introduce a simple model of time use to analyze how increasing the number of options of a given product may change a consumer's allocation of time –in buying, consuming, and working– and in turn affect her welfare. A natural question is: What is the optimal “investment” in buying time as the number of options increases? Moreover, how does the corresponding change in the consumer allocation of time affect her welfare? In particular, does the motto “more options imply more welfare” –which is a guiding principle in our consumer culture– necessarily hold? These issues can be addressed from the proposed model. Specifically, under some conditions, the answer to the third question above is shown to be “no”.