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# Mood-driven Choices and Self-regulation\*

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## Abstract

We model a decision maker who can exert costly effort to regulate herself, thereby reducing internal conflicts between her normative objectives and mood-driven choices. We provide an axiomatic characterization of the model, and show how costs of self-regulation can be elicited and compared across individuals. In a consumption-saving problem we show that self-regulation can generate unintended income effects, which have important implications for public policies on saving behavior. We also provide several examples to illustrate how self-regulation can rationalize many well-known choice anomalies. These behavioral implications follow from a key feature of the model that self-regulation decisions can respond to changes in incentives.

**Keywords:** choice anomalies, consumption-saving, desire for commitment, internal conflict, random Strotz, self-regulation.

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