

Making Sense of Oil Stamp Saving Schemes

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Commitment devices have attracted a significant amount of research in recent years. Most of this work has used commitment devices to motivate theoretical models with self-control problems (e.g. Laibson, 1997) or to show that such models are the right way to analyse a particular situation (e.g. Angeletos et al, 2001).

In this paper, we argue that there is an alternative explanation why people often use commitment devices: using primary data from several oil stamp savings schemes in Northern Ireland, we show that - at least sometimes - people use commitment devices to protect themselves from the short-sighted behaviour of their partners (rather than their own short-sightedness).

Specifically, we show that collecting oil stamps is strongly correlated with differences in views among household members with regard to how much priority to give to saving for heating oil. To rule out salience effects as an alternative explanation for this finding, we test whether oil stamps are an effective means to improve households savings performance. We find that they are.

In the final part of the paper, we discuss what is at the core of the differences in preferences among household members with regard to saving for heating oil: we provide evidence which suggests that the differences are typically driven by the fact that one household member (the husband in most cases) is myopic - taking into account only his/her immediate needs and desires.

Several policy implications follow from our analysis: one is that - looking at the benefits side only - the case can be made for introducing oil stamp schemes in councils which do not have such a scheme yet/ for introducing a national oil stamp savings scheme.

A second policy implication following from our analysis is that an effective way of promoting existing oil stamp schemes is by decreasing the transaction costs associated with collecting stamps: this could mean to increase the number of outlets selling the stamps; changing to an electronic scheme; or combining the existing scheme(s) with features of a regular savings account (e.g. the possibility of automated transfers etc).

Finally, an important policy implication is that: to the extent that collecting oil stamps is effective primarily with regard to helping households which would have been able to purchase heating oil even in the absence of oil stamps to increase the amount of heating oil they are able to afford, our findings suggest that oil stamps may not be sufficient to get households to purchase heating oil which struggle with the minimum purchase amount of oil to start with.

From a larger perspective, our research raises the question to what extent intra-household conflicts affect savings decisions also in other circumstances (e.g. in the context of household retirement decisions) and whether simple savings vehicles comparable to oil stamps could help households to deal with these problems. A large literature looks at commitment savings vehicles in the context of self-control problems. Much less is known about the need for such vehicles in the context of other control problems.

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