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Time Consistency and Time Invariance in Collective Intertemporal Choice

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Abstract

Recent work on collective intertemporal choice suggests that non-dictatorial social preferences are generically time inconsistent. We argue that this claim conflates time consistency with two distinct properties of preferences: stationarity and time invariance. While time invariance and stationarity together imply time consistency, the converse does not hold. Although non-dictatorial social preferences cannot be stationary, they may be time consistent if time invariance is abandoned. If individuals are discounted utilitarians, revealed preference provides no guidance on whether social preferences should be time consistent or time invariant. Nevertheless, we argue that time invariant social preferences are often normatively and descriptively problematic.

JEL codes: D60, D71, D90

Keywords: Collective decisions, intertemporal choice, time consistency

1 Introduction

Many important decisions in economic life require groups of people with heterogeneous time preferences to implement a collective consumption plan. Examples abound: families

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