

Accepted Manuscript

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PII: S0022-0531(18)30085-1
DOI: <https://doi.org/10.1016/j.jet.2018.03.002>
Reference: YJETH 4757

To appear in: *Journal of Economic Theory*

Received date: 5 May 2017
Revised date: 19 February 2018
Accepted date: 3 March 2018

Please cite this article in press as: Millner, A., Heal, G. Time Consistency and Time Invariance in Collective Intertemporal Choice. *J. Econ. Theory* (2018), <https://doi.org/10.1016/j.jet.2018.03.002>

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Time Consistency and Time Invariance in Collective Intertemporal Choice

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March 6, 2018

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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