

Forward-Looking Behavior, Well-Being Representation,
and Time Inconsistency

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The talk will develop the view that future consumption matters to an agent only insofar as he cares about his future well-being, and that well-being at any period is determined by utility from contemporaneous consumption and well-being at later periods. A well-being representation of preferences will be presented and axiomatized, which generates time inconsistency except for the special case where the agent cares only about current consumption and well-being of his next-period self.

Additional separability and stationarity axioms lead to a generalized form of beta-delta discounting of well-being, and to usual beta-delta discounting under some further assumption on the marginal rate of substitution of consumption. This, in turn, implies beta-delta discounting of consumption, for beta-delta parameters that are simple functions of the beta-delta parameters in the well-being representation. Extensions to inter-generational social choice, continuous time, dependence on past well-being, and another interpretation of geometric discounting in terms of partially forward-looking behavior will also be discussed.