Hugo Sonnenschein's accomplishments as an advisor began in the classroom. There, his charismatic personality combined with mastery of the material to produce a compelling educational experience. Along with rigorous, ambitious treatments of the major topics of economic theory, he communicated values: the goals of clarity and generality, the importance of acknowledging others' ideas, and the cooperative nature of learning and research. One of the results was the exceptional sense of rapport among his advisees. That is probably why I learned so much from my fellow students at Princeton, most of all Vijay Krishna and Dilip Abreu.

We all knew that we had a wonderful dissertation advisor. But it was only years later that I understood just how unusual Hugo's generosity was. Through group meetings after class or in the summertime, parties he and Beth gave, and the long walks during which he brought limitless concentration to bear on an advisee's ideas, Hugo made himself continuously accessible to us. When Vijay Krishna and I organized a student workshop on the implementation of social choice rules, Hugo turned out enthusiastically every Wednesday night to help us. I guess he had little else to do, apart from editing *Econometrica*, raising his family, teaching, publishing and shepherding the lot of us.

Written in 1983, the paper that follows was the second essay in my doctoral dissertation. At the time the microeconomic literature on time inconsistency pioneered by Strotz was largely forgotten, and the new wave of work by Rabin, Laibson and others was not yet on the horizon. The main essay in the dissertation, on rationalizability, was simple heresy when it was written. Years later, when I tried to thank him for giving me the freedom to pursue such risky topics, Hugo just flashed one of those famous smiles and asked: "Do you actually imagine I had any choice?"
Nonpaternalistic Sympathy and the Inefficiency of Consistent Intertemporal Plans

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Abstract: Perfect equilibria of intertemporal “cake-eating” models in which generations care about one another’s utilities, are shown to be inefficient. Systematic consumption bias is generated without the temporally asymmetric assumptions used in earlier papers where the same phenomenon arises (4,16). The definition of subgame perfect equilibrium (13,14) is substantially generalized to apply to the well-defined strategic situation analyzed, which is formally not a game.

1. Introduction

Strotz’ path-breaking paper (15) concerns the dilemma of an individual who realizes that he cannot trust himself to carry out (over time) the course of action that he currently views as optimal. The literature spawned by that work discusses a set of interrelated problems including taste formation, the desire for precommitment, and the existence and efficiency of consistent intertemporal plans (see, for example, Pollak (10), Phelps and Pollack (9), Blackorby, Primont, Nissen and Russell (1), Peleg and Yaari (8), Hammond (6), Yaari (16), and Goldman (4,5)). As these authors recognize, identical issues arise when economic decisions are made by successive generations having interdependent preferences. In this context Goldman (4) gives conditions guaranteeing the inefficiency of an interior subgame perfect equilibrium (Selten (13,14)) of an intergenerational “cake-eating” game and the existence of a “slower” consumption programme that Pareto dominates the equilibrium outcome. The latter result suggests a “bias” in the decision process, favouring overly rapid consumption.

The model presented here is almost identical to Goldman’s, except that instead of being interested in one another’s consumption levels, generations care about one another’s utilities. Such preferences seem rather natural: if generation $i$ is sympathetic to $j$, and $j$’s utility rises, this should please $i$, regardless of whether the increase in $j$’s utility results from increased consumption, or from an improvement in the welfare of some other generation $k$ toward whom $j$ is favourably disposed. This kind of interdependence might be called liberal, or nonpaternalistic, sym-

* I wish to thank Dilip Abreu, Bob Anderson and Hugo Sonnenschein for their searching questions and invaluable technical advice. I enjoyed helpful conversations with Ed Green, Greg Mankiw, Barry Nalebuff, Evan Porteus, Richard Quandt and Dan Usher.