

“The Inter-personal Dutch Book Argument: Unifying the Insights of Henry George and Thorstein Veblen”

Abstract

Rationality is the art of allocating one’s scarce resources among competing ends. One may not have enough time, money or other resources to satisfy all of one’s desires, in which case, those desires stand in a relation of *contingent joint unsatisfiability*. If one’s ends do not exceed the resources available to satisfy them, then questions of rational action do not arise at all. Hume made a similar observation concerning the virtue of justice, which does not arise in an Edenic state in which everyone’s ends can be satisfied by the available resources. Justice and rationality are both virtues that arise only in the case of scarcity: they concern how to best allocate scarce resources to competing ends, in the social and individual cases.

But there is another case to consider: one in which one’s ends themselves are *incoherent*—such that they cannot be jointly satisfied no matter how many resources are available. Incoherent sets of preferences are always bad for the people who have them. Someone with such preferences cannot decide how to act, since an action to satisfy one preference will always impede the satisfaction of another preference. Incoherent preferences are bad because they limit the amount of well-being an individual can achieve.

Jointly unsatisfiable sets of preferences present even more interesting and deep problems when the incompatible preferences are possessed by different individuals. If John and Bill both want to be Mary’s true love, and Mary can have only one true love, then at most one of John and Bill can derive well-being from having his preference satisfied. The individual with jointly unsatisfiable preferences is doomed to perpetual dissatisfaction; John and Bill are collectively doomed to perpetual dissatisfaction as well.

*Collectively incoherent preferences* do not pose a problem only in esoteric cases of lovers’ quarrels: they are unfortunately a ubiquitous social phenomenon. Some of our preferences are jointly incompatible because there are not enough resources available to satisfy everyone’s preferences; in this case a theory of justice is required to allocate scarce goods to the most deserving individual. But a large portion of our preferences are jointly incompatible because they are collectively incoherent. Collective incoherence puts a ceiling on the amount of welfare that is achievable in society. One of the main sources of collective incoherence are desires that everyone has for positional goods: goods whose value is determined not only by intrinsic features but rather in part by how the good compares to goods consumed by others.

In this paper, I propose a social technology that can mitigate some of the pathological effects of collectively incoherent preferences: a progressive consumption tax. This tax, it turns out, has a similar justification to the land value tax. Both taxes are laid on factors with an intrinsically fixed supply: positional goods and natural resources. For this reason, they are efficient and do not result in waste like typical taxes; on the contrary, they reduce wasteful competition over a fixed stock of resources and so they can improve everyone’s welfare.

Here is how the paper will proceed. First, I will explicate what is wrong with incoherence in an individual’s ends. Second, I extend this analysis to the social case, identifying what is bad about

collectively incoherent preferences. Third, I analyze the nature of positional consumption and positional goods, drawing on Veblen's *Theory of the Leisure Class*. Fourth, I compare Veblen's analysis to that of his contemporary Henry George. Finally, I identify the common virtue of a land value tax and a progressive consumption tax. Both penalize people who pursue ends that are incompatible with the ends of others, and subsidize people who pursue ends that are compatible with the ends of others, eliminating wasteful competition over scarce resources.