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Revealed Preference: A Parable

William Gillis

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Three close friends collectively inherit a house in the country from a departed mutual friend who built it. It's a dream come true for these young friends, sick as they are of city life and longing to grow their own food. The house is big, gorgeous, and well-maintained. It has a large multifaceted kitchen, which is great because the friends prefer to cook separately. There's a large stash of supplies, much equipment, a overrunning well, and acres for growing crops. To make matters better there's a small orchard of genesliced trees that provide a variation of fruit and nuts throughout the year. Avocados, walnuts, peaches, figs, etc. Not enough to get by on exclusively, but — divided three ways — enough to provide a nice complement to whatever the friends grow with more active labor.

But as the friends survey the house they come to a realization. There are three bedrooms, but they are not of equal character. The upstairs bedroom is generally perceived to be the superior room, while the two downstairs bedrooms, although fine in their own right, are less enticing. The upstairs room

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has a bit more space, expansive windows on *both* sides, better sound insulation, and its own bathroom.

Who should have it?

The friends are nothing if not charitable and honest. Each explains why they would prefer the upstairs room.

Amber is an artist and desires the additional floorspace for her painting, she would feel crunched in the downstairs rooms by comparison. Her art is deeply important to her and she prefers to work in her own room.

Brandon is an introvert with slight depression and desires the silence of its insulation from the common space on the ground floor, he also finds the big windows on both ends incredible helpful – sunlight at all times of day, without the risk of people looking in.

Chris can be something of an anxious mess and finds comfort and spiritual reward in many hour long private baths; they would deeply prefer to have their own bathroom, and it wouldn't be fair to the other person sharing the downstairs bathroom.

(Tag yourself.)

Each of the three friends feels their own need quite intensely, and each indicates a cost to their mental health in being deprived of the upstairs room.

These are, however, *close* friends, and so the problem doesn't spiral out into conflict or selfish positioning. Each is sincerely attentive of the others' desires/needs. Each is willing to sacrifice, but at the same time feels their own desire for the room sharply. The friends talk and talk, but it is hard to – by mere talking – figure out who's desire is stronger, or for whom the loss would be harder. What does it mean that someone 'very much' desires the room? How does that compare to someone else saying 'very much' as well? The friends are flummoxed.

Eventually one of them hits upon a possible solution:

“Right now we're all assuming we'll take equal shares of the fruit and nuts produced in our orchard. What if we changed

the percentages so that the person who takes the upstairs room gets less?”

Immediate outrage follows.

“You can’t put a *price* on mental health! It’s offensive. It’s not charitable! It’s not friendly! Surely being good friends means dividing everything equally.”

“Okay, but we’re in a situation with an unavoidable imbalance. We can’t take the house apart, at least not in any reasonable period of time and with the energy and resources we have. I’m simply suggesting we create a counter-balance.”

“But there’s surely *someone* who needs the room more strongly than the others. And that need should be respected, we should be endeavoring to *repair* the damage done to them by that need, not take something away from them in exchange. That would make it transactional, and corrupt or undermine the charity involved in giving the room to the person with the greatest need. And how are we to establish what percentage difference the upstairs room is ‘worth’”

“Okay, but taking the room away from the other two people still incurs damage upon them, surely we should seek to repair that damage. Every month they will feel some additional annoyance or pain at not having the upstairs room, but to have that offset by additional nuts and fruits might salve the damage. Two housemates get more fig spread and avocado toast, the other housemate gets less. In this we *restore* balance. We can go through possible percentages and see what people would be willing to sacrifice the room at what percentage loss of the orchard bounty. A fraction of fruits and nuts is a real, tangible thing; through considering trades we get a glimpse of someone’s actual preferences, in a way that talking in circles about “how intense” you desire something will never truly reveal. And if this exchange rate is later felt to be unfair we can revisit it, trading rooms again at possibly different rates.”

“This is just making the situation worse, because surely we each value nuts and fruit differently. Some of us may enjoy

walnut butter strongly, others not at all. One person may be totally fine to surrender their percentage of the orchard's bounty. This is to say nothing of the *differences* that exist within the category of "fruits and nuts" — are you going to have us trading fractions of our claims to avocados versus figs?"

"Well I wasn't going to get quite so fine-tuned over just a room, I agree that at some level of detail an agreement becomes too legalistic and too attention-consuming to be worth anyone's time, but where's the harm in making some tradeoffs a little more explicitly with one another? And of course the remuneration for the upstairs room doesn't have to come from a portion of the fruits and nuts harvest, it could simply take the form of chores, or labor in the garden, any number of things."

"Oh so you would have the person in the upstairs room pay *RENT* to the rest of us?"

"Well again, this is to remunerate the cost inflicted upon the downstairs housemates for their living situations. The point here is that through considering possible trades we can find a situation where everyone *prefers* their current particulars of room + benefits + chores. Where each person looks at a trade and prefers opposite sides. A positive-sum situation."

"I flatly deny that 'desire' or 'harm' can be generalized. A stress from not being able to take full-afternoon baths is not 'repaired' by extra peach cobbler. Those are separate and incommensurate experiences."

"Are they though? Sure, you're right to some degree. But human consciousness is a very real sense *a single thread*, whatever messy storm of things happen inside our brains, they tend to congeal to a single narrative, a single direction of action. Pleasure and irritation follow this same path to unity in our conscious experience as individuals. We are largely unitary. In every moment we experience many desires, but are forced converge on a single one, or at least a single arrangement of desires. We think 'are we having a good day?' and answer that by aggregating all the delights and troubles of the day into a single

leftist or young person knows there's nothing more insidious than trade.

of mutually beneficial resolutions. Trade can take place in all sorts of ways, trade can be very informal or highly formalized, it can happen in a moment between strangers directly handing goods between one another, or over a period in the form of loans or favors between established community members. The benefit of trade is both the clarity beyond language provided by *revealed preference* and the mutual flourishing of positive sum relationships. Markets can be deformed and enslaved into sites of brutality, certainly. Any tool can be captured and used by hierarchies and tyrants, science and art included. But the brutalities of capitalism did not arise from markets. No gaggle of women trading vegetables in the town marketplace schemed the enclosures into existence. No guild artisan built runaway wealth from his own hand and hired strike breakers. The horrors of capitalism had many mechanisms, its power was built from many invested parties, it often flowed through and was expressed in the marketplace, just as systems of power can flow through and be expressed in literature or engineering, but its power originated always in systemic institutions of violence. Institutions not predicated on the positive sum transaction, but the reverse.”

“I dunno, sounds like what a capitalist would say.”

I will leave it to the reader’s biases to judge which housemate in this parable was which interlocutor.

Suffice to say that obviously the friends did not decide to trade chores or orchard shares for the upstairs room. The friend who got the upstairs room did not convince the others cleanly, as that was impossible without a trade to test everyone’s strength of preference, the others ceded it mostly to avoid conflict and further discussion. But the lack of clarity around the decision meant that those stuck with the downstairs room would every so often fester a little. Mostly though, two of the friends were suspicious of the roommate who had proposed a trade as a resolution. Because every good

conclusion, a single direction to our emotion. Sure, *sometimes* we have trouble reaching conclusions or even a single thread of consciousness, the brain is a messy place. But we are individuals, practically speaking. It may be *interesting* to examine the ways we diverge from such, but a more interesting picture is not the same thing as a more accurate picture, and we must not promote exceptions in our attention until we confuse them with general trends. Generally speaking irritation and delight are weighed against one another in our minds, *can* outweigh one another.”

“This is a very mechanistic and mathematical way of thinking and it risks running rampant. At first you said you wanted us to trade rooms for fractions of our fruit and nut harvest, now I feel you’ve walked into trading chores for fruits and nuts as well as to settle room placements. Where does it stop? Should our every interaction as roommates become a contractual affair?”

“Well, I have noted that I agree there can be diminishing returns to fastidiousness. Much of friendship is being able to relax in our attention to one another, or at least redirect it from the trivial, to not keep close account of many of our interactions. But are explicit contracts always that terrible? Consent is often something we endeavor to make very explicit. In this case because the room placement seems to matter quite strongly to everyone, will possibly have daily impacts upon each of us, I’m merely suggesting that we work out a trade in this instance so that each of us feels better off, preferring our housing situation and chores or orchard shares so that we wouldn’t prefer the bundle another person has.”

“And I’m saying that not only would such a ‘resolution’ do damage to us all by expanding the overall number of situations of inequity from just rooms to *rooms as well as chores and the orchard*, it would also make it acceptable to solve other problems the same way. It’s an infectious way of thinking. One day the space of things we explicitly trade is small, the

next day it might consume the entire house. Until there's no more space for the informal, where every interaction between us requires an increased amount of attention. What if the downstairs housemates get into a conflict over bathroom use? Should they likewise settle their dispute by measuring usage and dividing up rights, trading them against something else? And what happens if someone is simply better at negotiation? What if one of us is revealed to have a more bureaucratic soul and fixates on contract minutia. Sure *both* parties may benefit in these trades, but what if one consistently benefits more? Lastly how is any of this going to be *enforced*? What if we catch one of us stealing more than their share of figs from the orchard? Or the downstairs housemates time each others' bathroom breaks and seek punitive damages for contract violation? No, it's better if we just take a loss from the start. Accept that one person is going to benefit from the upstairs room, and move on. Anything else risks starting a cascading nightmare of trades."

"What holds any of us accountable to anything? Some more explicit negotiations to correct a room imbalance don't have to change our character. If one of us turns into a greedy and legalistic little ass we can deal with that the same way we'd deal with any other misbehavior. I'm not proposing we all fall prostrate before some new god, some new absolute set of rules and heed to them forever and absolutely — ignoring or losing track of the motivation we have for embracing this solution to the rooms — I'm just saying that considering trades for the upstairs room is a useful tool here to reduce the damage done to a few folks and equalize the situation. But note what course of action your fear of trade resolves to in this situation: accepting a decidedly unequal status quo. Sure we *could* go overboard with explicit agreements — every household knows the risk of too much explicitness, something like a giant hyper-detailed chore board with passive aggressive notes — but some degree of explicitness is useful, it helps clear the air and settle prob-

lems. And if you're going to assume malintent among the three of us, why not consider how leaving things up to who argues more persuasively for the upstairs room in a collective conversation is its own can of worms? I could spin another tale here, mirroring yours, about potential runaway situations where a *lack* of explicitness in agreements provides space for someone to seek and gain power. I'm merely saying that proposing trades allows us to have the rubber meet the road in a way that disconnected conversation about our feelings and preferences doesn't. What trade you'll accept because you feel like you'd benefit from it is a powerful way to reveal to everyone your actual preferences. And those trades have to actually be real — concretely actualizable in a change of what the rest of us recognize as "yours" — or else you could lie and we'd never really have comparable knowledge of your actual preferences."

"I've caught you outright! You're really talking about *property* and trade. Titles and markets. Never mind the rotten pedigree of that argument, never mind the horrible people who usually trot out defenses of those, the fact of the matter is *we've done this experiment*. One need only look at the world capitalism built to see where markets get everyone. Thousands of years of history are in: markets enslave and pillage. Once you allow people to claim things and trade their claims to them with one another you get runaway competition, with all the brutal violence that implies, ever growing spoils to the few victors, and a ravaged world."

"Oh come on, that's just historically inaccurate as fuck. Markets have existed throughout human history because humans in virtually every society have recognized and respected people's exclusive title to some things — like a bedroom — and also let them exchange these titles with one another. Sure, different societies varied strongly in what they embraced markets in — the scope, norms, and mechanisms of those markets — but they virtually all embraced markets. Trade is a useful tool for resolving what people's actual preferences are and the creation