

A Theory of Revealed Indirect Preference

Abstract:

We call a preference over menus an indirect preference if there exists a preference over the objects that make up the menus and a menu is ranked over another if it contains an object that is preferred to every object in the other menu. Suppose an observer has information on an agent's ranking over some menus; we develop an empirically implementable test to determine if those rankings are part of an indirect preference. Our result has applications to (1) revealed price preference, (2) coarse rationalizability, (3) testing multiple preferences, and (4) testing minimax regret.