Revealed Attention[*]

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Abstract

The standard revealed preference argument relies on an implicit assumption that a decision maker considers all feasible alternatives. However, the marketing and psychology literatures provide well-established evidence that consumers do not consider all brands in a given market before making a purchase (Limited Attention). In this paper, we illustrate how one can deduce both the decision maker's preference and the alternatives to which she pays attention and inattention from the observed behavior. We illustrate how seemingly compelling welfare judgements without specifying the underlying choice procedure are misleading. Further, we provide a choice theoretical foundation for maximizing a single preference relation under limited attention.

JEL Classification: D11, D81.

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