Abstract

This paper studies the limited attention model along the line of Masatlioglu et al. (2012). Based on observed choice behavior, our main theorem provides a necessary and sufficient condition to test the joint hypothesis that (i) the agent has limited attention, and (ii) the agent is maximizing her preference under her limited attention. As a main departure from existing studies, we allow the possibility that choices on some feasible action sets may not be observed. By applying the main theorem, we provide a robust inference on possible choices on such action sets, as well as the inference on agent's preference, attention, and inattention.

URL: http://www.waseda.jp/fpse/gse/assets/uploads/2016/04/32-16-001.pdf