

Ordered-Reference Dependent Choice

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October 1, 2019

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Abstract

We introduce a unified framework under which the weak axiom of revealed preferences (WARP) and domain-specific standard postulates (e.g., Independence for choices over lotteries, Stationarity for choices over future consumption) are jointly relaxed using a general reference dependence approach. This leads to four models, one for choices over generic alternatives and one each for risk, time, and social preferences, where behavioral departures from WARP and standard postulates are explained by a common source -- changing preferences due to reference dependence. In each model, reference alternatives are given by the maximization of complete and transitive order, which determine the preference parameters that explain choices.

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