

B A Semester IV

MJC-5

Topic

Revealed Preference Theory

प्रकट अधिमान सिद्धांत

कृपया web link

[https://mdu.ac.in/UpFiles/UpPdfFiles/2020/Jan/Micro%20Economic%20Analysis%20M.A%20Econimics%20\(Previous\).pdf](https://mdu.ac.in/UpFiles/UpPdfFiles/2020/Jan/Micro%20Economic%20Analysis%20M.A%20Econimics%20(Previous).pdf)

को खोलें और

इसका पृष्ठ संख्या 152 - 156 पर प्रकट अधिमान सिद्धांत दिया गया है। इसका अध्ययन करें।

Revealed Preference Theory



- Indifference curves analysis had limitations in terms of its highly theoretical structure and simplifying assumptions.
- Samuelson came up with an approach to assessing consumer behaviour and introduced the term '*revealed preference*'.
- The basic hypothesis of the theory is '*choice reveals preference*'.
- Demand for a commodity by a consumer can be ascertained by observing the actual behaviour of the consumer in the market in various price and income situations.
- This gives us a demand curve for an individual consumer on the basis of observed behaviour.

Revealed Preference Theory

Introduction:

Samuelson introduced the term 'revealed preference' into economics in 1938. The revealed preference hypothesis is considered as a major breakthrough in the theory of demand, because it has made it possible the establishment of the 'law of demand' directly without the use of indifference curves. Discussing the revealed preference theory, we shall first examine the derivation of the 'law of demand'; we shall then show how indifference curves can be established.

Assumptions:

This theory is based on following assumptions:

1. Consumer is Rational:

It means consumer is rational. He is well aware of market prices, his income and preferences.

2. Axiom of Consistency:

This approach assumes that consumer is consistent in his decisions. It means if in one period he prefers "A" combination to "B" combination, he will never prefer "B" combination to "A" combination in any other period.

3. Axiom of Transitivity:

This assumption means that if $A > B$ and $B > C$ then $A > C$.

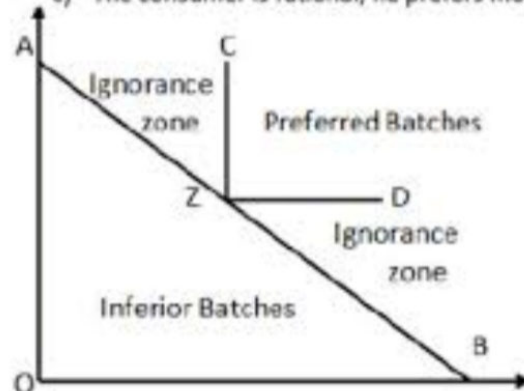
4. The Revealed Preference Axiom:

The consumer, by choosing a collection of goods in any one budget situation, reveals his preference for that particular collection. The chosen bundle is revealed to be preferred among all other alternative bundles available under the budget constraint. The revealed preference for a particular collection of goods implies the maximisation of the utility of the consumer.

Derivation of Indifference Curves:

Indifference curves can be derived and their convexity proved by the revealed preference hypothesis. It requires less information than the neoclassical cardinal utility theory. The revealed preference allows us to construct the indifference map of the consumer just by observing his behaviour at various market prices, provided that:

- His choice is consistent
- His tastes are independent of his choice over time and do not change
- The consumer is rational, he prefers more to less.



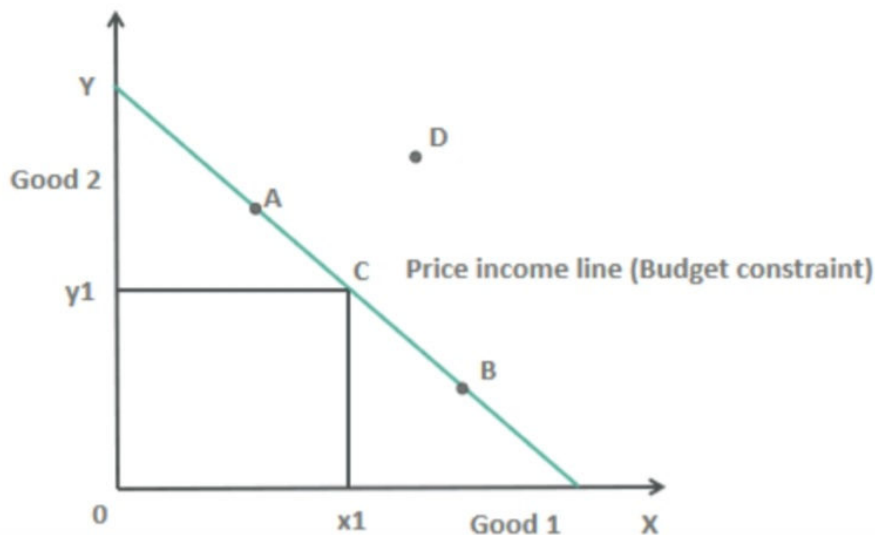
Explanation:

Assume the initial budget line of the consumer is AB and he chooses a batch Z. All those point on the budget line and below it denote inferior batches to Z. If we draw perpendicular through Z as ZD and ZC, all the batches on these lines, and in the area defined by them to the right of Z, are preferred to Z because they contain more

Assumptions

- **Rationality:** Consumer prefers those bundles of goods that contain more quantities of commodities.
- **Consistency:** If $A > B$, then B is not strictly preferred to A.
- **Transitivity:** If in any particular situation $A > B$ and $B > C$, then $A > C$.
- **Revealed preference axiom:** the consumer by choosing a particular bundle of good at given budget reveals his preference for that particular bundle.

Revealed Preference Theory



ऊपर दिए गए assumptions/ मान्यताओं का आधार पर यह कह सकते हैं कि किसी व्यक्ति का चुनावों से उसकी वरीयताओं का ष्टा चलता है।

दिए गए चित्र में उभोक्ता किसी एक बजट स्थिति में बंडल c का चयन करता है जबकि उसके सामर्थ्य में बजट रखा क ऊर और अंदर सभी बंडल प्राप्य थयानी बंडल c क प्रति उद्घाटित/प्रकट रू सवह अना अधिमान व्यक्त कर रहा है।

अतिरिक्त संदर्भ स्रोत

<https://www.wallstreetmojo.com/revealed-preference-theory/>

<https://spureconomics.com/revealed-preference-theory/>