

Samuelsonian Economics and the Twenty-First Century

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*Dedicated to the memory of my sister, Esther;
to the memory of my parents, Henoah and Sara
to my children Naomi and Avi and
their spouses Marc and Tova;
to my grandchildren*

*Elki, Batya, Chanoah, Devorah, Ephraim, Ayala, and Jacob;
and to my wife, Miriam
-M.S.*

*To my wife, Noreena;
to my children Devi, Shanti, Hari, and Rani;
and to my grandchildren Soham and Lakshmi
-L.R.*

*To my wife Ronit, with adoration, and to my children
Libby, Yakov, Raphael, and Tzipora
-A.A.G.*

Cambridge, U.K., Cambridge University Press. Many of the issues discussed here were presented in a lecture I delivered, "Global Public Goods and the Problem of Global Warming," Annual Lecture of The Institut d'Economie Industrielle (IDEI), Toulouse, France, June 14, 1999. The United Nations has a web page devoted to global public goods at www.undp.org/globalpublicgoods/.

Notes

1. Paul Samuelson. (1954). "The pure theory of public expenditure," *The Review of Economics and Statistics*, 36(4), 387–389.
2. This discussion draws upon Jack Hirshleifer in "From weakest-link to best-shot: the voluntary provision of public goods," *Public Choice*, 41, 371–386, 1983.

6

Revealed Preference

Hal R. Varian

6.1 Introduction

In January 2005 I conducted a search of JSTOR business and economics journals for the phrase "revealed preference" and found 997 articles. A search of Google scholar returned 3,600 works that contained the same phrase. Surely, revealed preference must count as one of the most influential ideas in economics. At the time of its introduction, it was a major contribution to the pure theory of consumer behavior, and the basic idea has been applied in a number of other areas of economics.

In this chapter I will briefly describe the history of revealed preference, starting with descriptions of the concept in Samuelson's papers. These papers subsequently stimulated a substantial amount of work devoted to refinements and extension of Samuelson's ideas. These theoretical works, in turn, led to a literature on the use of revealed preference analysis for empirical work that is still growing rapidly.

6.2 The Pure Theory of Revealed Preference

Samuelson (1938) contains the first description of the concept he later called "revealed preference." The initial terminology was "selected over."¹ In this paper, Samuelson stated what has since become known as the "Weak Axiom of Revealed Preference" by saying "if an individual selects batch one over batch two, he does not at the same time select two over one." Let us state Samuelson's definitions a bit more formally.