Dedicated to the memory of my sister, Esther; to the memory of my parents, Henoch and Sara to my children Naomi and Avi and their spouses Marc and Tova; to my grandchildren Elki, Batya, Chanoch, 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.
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." 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.