

Imperfect perception of attributes and contextual choice effects

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Resumo/Abstract:

The paper studies the relationship between the rational choice paradigm and several contextual choice effects. It is shown that with one additional assumption on imperfect attribute perception, the classical rationality assumptions can give rise to these contextual choice effects that were thought to be evidences against the rational choice paradigm. It is assumed that when confronted with a choice problem, the decision maker cannot perfectly perceive the attributes of each choice alternative. She has better perception about the relative difference between objects and less accurate perception about the exact location the objects in the attribute space. She Bayesianly updates her perception of each alternative, and chooses the one with highest posterior expected utility. This stylized model simultaneously exhibits several contextual choice effects, including attraction effect, phantom decoy effect, compromise effect and similarity effect. And under the model, violation of transitivity and joint-separate evaluation reversal are naturally accommodated. Within the model, some of the sufficient conditions for such effects to arise are identified. A discussion on conditions under which the model expect some of these effects to fail is given. Additionally we show that this model is mathematically equivalent to a reference point model in which the reference point emerges through endogenous learning.