

Welfare Analysis for Discrete Choice: Some New Results

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Abstract

We develop methods of empirical welfare-analysis for multinomial choice under completely unrestricted consumer-heterogeneity. We show that Hicksian welfare-distributions can be nonparametrically identified solely from choice-probabilities in three practically important scenarios, viz., (i) simultaneous price-change of multiple alternatives, e.g., those following firm-mergers, (ii) introduction of new goods or elimination of existing alternatives, and (iii) multinomial choice among non-exclusive options. These results allow for unobserved consumer-heterogeneity of unknown dimension and for arbitrary income-effects, as in Bhattacharya (2015). Welfare-analyses with income-endogeneity, market-level data and interval-reporting of income are briefly discussed. The methods are illustrated with data on school/work choice by Indian teenagers.

Speaker Profile

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