



[Summary]

The Revealed Preference Theory

Subject:	Business Economics
Course:	B.A., 1st Semester, Undergraduate
Paper No. & Title:	Paper – 101 Microeconomics - I
Unit No. & Title:	Unit – 2 Consumer Demand: The Revealed Preference Theory
Lecture No. & Title:	Lecture – 5 The Revealed Preference Theory

Summary

Revealed preference theory shows the choices of the consumers when they are given certain options. This theory is studying the behavior of consumer which is more realistic way of studying consumer's behavior. It also replaces the assumption of continuity of indifference curve theory of Hicks and accepting the strong and weak order assumption which is superiority of this theory over Hicksian theory, but there are some limitations also as Revealed preference theory is assuming that the consumer is rational while making choices and that is a base of this theory that choices reveals preferences but it is not always correct many times consumer does not act rationally.