

Conditional Preference for Flexibility: Eliciting Beliefs from Behavior*

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Abstract

Following Kreps (1979), I consider a decision maker with uncertain beliefs about her future tastes. This uncertainty leaves the decision maker with preference for flexibility: When choosing among menus containing alternatives for future choice, she weakly prefers larger menus. Existing representations accommodating this choice pattern cannot distinguish tastes (indexed by a subjective state space) and beliefs (a probability measure over the subjective states) as different concepts, making it impossible to relate parameters of the representation to choice behavior. I allow choice among menus to depend on exogenous states, interpreted as information. My axioms yield a representation that uniquely identifies beliefs, provided information is sufficiently relevant for choice. The result is suggested as a choice theoretic foundation for the assumption, commonly made in the (incomplete) contracting literature, that contracting parties who know each other's ranking of contracts also share beliefs about each others future tastes in the face of unforeseen contingencies.