Revealed preferences for diamond goods

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Abstract

When consumers care for not only the quantity but also the value of a product, it could be rational to purchase products as they become more expensive. This study provides nonparametric-revealed preference-conditions to measure consumers’ marginal willingness to pay for value (i.e., diamondness) associated with particular goods. This is the first nonparametric test of price-dependent preferences. The proposed diamondness measure is applied to observational data from the Russian Longitudinal Monitoring Survey. The results show that this diamondness measure is related to a product’s visibility to society, which indicates a certain degree of conspicuous consumption.

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