

Costly Subjective Learning

Youichiro Higashi, Kazuya Hyogo, and Norio Takeoka

Abstract

Information acquisition is an important aspect of decision making. The existing literature typically assumes that the cost for information acquisition is independent of the benefit of information. However, in several instances, the cost may be payoff-dependent in a complex manner. We investigate a choice theoretic foundation for information acquisition under possibly payoff-dependent costs, which serves as a test focusing solely on the essence of information acquisition without relying on particular features such as the payoff-independence of the cost function. This study takes a preference over menus as primitives and provides a generalization of the axiomatization for the payoff-independent cost of information acquisition in de Oliveira, Denti, Mihm, and Ozbek (2017).

Keywords: costly information acquisition, rational inattention, payoff-dependent costs, preference for flexibility, preference over menus.

JEL Classification: D11, D81, D91.