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## Attention: Theory and Experiments

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### Abstract

Attention recently became an economic notion. Broadly speaking, two main ways of analyzing attention have been developed. First paying attention is considered as a rational decision, second limited attention is linked with bounded rationality. As for the first, the idea of rational inattention is that attention is a bounded resource and therefore individuals have to decide how to allocate (optimally) their attention to the different sources of information and choose optimally their alternative among a subset of the available alternatives. Different models have been developed some based on information theory (Sims, 2003), on risk and ambiguity, on stochastic choice. As for the second, limited attention implies a form of "bounded rationality" (Gabaix and Laibson, 2005, Gabaix et al., 2006) where individuals are not able to choose the alternative optimally, due to the cost of attention in the choice process itself (standard maximization can be too costly in term of attention).

In this paper our aim is first to propose a specific model of limited attention. This model is based on Kreps (1979) two period model of the decision making with 1) choice of a menu and 2) choice from the menu. We then adapt Gul and Pesendorf (2001) but assume incompleteness of preferences.

Second we propose a set of original experiments to test our model as well as concurrent one, e.g. Directed Cognition model (Gabaix et al., 2006). We present to players a pay-off choice in two steps (first the selection of a subset of pay-off and second a selection of

pay-off among this subset), with different levels of information and/or difficulty of computation, these experiments permit us to integrate and separate the cost of attention both from the information acquisition and from choice process. These experiments will be run in the LEEN (Laboratoire d'Economie Expérimentale de Nice) in April 2015.

## References

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