Economics of Monotonicity Conditions

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Abstract :
This paper examines how economic incentives can aid the nonparametric identification of treatment effects in multi-valued choice models. We offer a general yet simple framework that employs revealed preference analysis to translate choice incentives into non-trivial identification conditions. We show that particular schemes of choice incentives can rationalize the assumptions commonly evoked in the policy evaluation literature, such as monotonicity and separability conditions. On the other hand, we show that the revealed preference analysis generates choice restrictions that subsume standard monotonicity conditions given a set of choice incentives. We illustrate the benefits of the framework by reexamining the design of well-known social experiments in the economic literature.