Direct Complementarity

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Abstract: I propose a notion of complementarity in consumer theory, called direct complementarity, for which I provide four equivalent definitions including an axiomatization. I point out a novel critique of the leading definition of complementarity, which is based on cross-price effects: such effects are sensitive to changes in the basis used to describe the space of available bundles. Direct complementarity, on the other hand, is defined for preferences over an abstract vector space of bundles, without reference to a particular basis (or list of ``goods''), and provides a consistent definition across all pairs of composite goods, i.e. linear combinations of standard goods. Direct complementarity better captures the intuitive notion of one good's effect on the value of another, hence the term \emph{direct}; cross-price effects are best understood as an \emph{indirect} consequence of such relationships.