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The news of the death of welfare economics is greatly exaggerated

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Abstract The paper reexamines the controversy about Bergson–Samuelson social welfare functions (BSFs) that took place between welfare economists and social choice theorists as a consequence of Arrow’s (1951) impossibility theorem. The 1970’s witnessed a new version of the theorem that was meant to establish that BSFs “make interpersonal comparisons of utility or are dictatorial.” Against this, Samuelson reasserted the existence of well-behaved “ordinalist” BSFs and generally denied the relevance of Arrovian impossibilities to welfare economics. The paper formalizes and reassesses each camp’s arguments. While being also critical of Samuelson’s, it eventually endorses his conclusion that welfare economics was left untouched by the controversy. It draws some connections of BSFs with contemporary normative economics.

“Many readers can be forgiven for thinking that Arrow has proved the impossibility of a Bergson Social Welfare Function, thereby dealing a death blow to the magnificent edifice of modern economics” (Samuelson PA (1967) Arrow’s mathematical politics. In Hook S (ed) Human values and economic policy. New York University Press, New York, p. 418)

1 Introduction and preview

Welfare economics does not enjoy a flattering reputation among today’s economists. Nearly all of them believe that it is a theory of the past, and if a few writers exceptionally lament its “strange disappearance” (Atkinson 2001), the larger number believe that it was conceptually flawed and deserved its fate anyway. Our paper aims at critically re-examining—and as will be seen, rebutting—this received view

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