

Utility Functions Simplified



Cardinal vs. ordinal utility functions

- Problems with cardinal utility functions
 1. Difficult to find the appropriate measurement index (metric)
 2. Invite you to make interpersonal comparisons of utility, which is problematic. Want to focus on *intrapersonal* choices
- Using unit-free *ordinal* utility functions avoids these problems
- Significant progress on positive and normative questions is still possible

From the slide page shown in the picture, please extract all the core concepts behind it. Include some humor in your explanation.



Sure! Here's a breakdown of the slide's core concepts—with a bit of humor sprinkled in:

1. Problems with Cardinal Utility Functions:

- **Difficult to find the right metric (or “happiness ruler”):** Measuring utility precisely is like trying to measure joy with a ruler—totally absurd unless your ruler comes with a “smiles-per-inch” scale.
- **Encourages interpersonal utility comparisons:** Basically, it's saying, “Can I trade your happiness for mine?” which sounds like a setup for a bad sitcom. The focus should instead be on **intrapersonal** choices—your own preferences, not your nosy neighbor's.

2. Ordinal Utility Functions Save the Day!

- These functions are **unit-free**—they don't care about the size of your happiness pie, just the order in which you'd eat the slices. Imagine ranking pizzas without arguing about how many pepperonis are on each slice.

3. Still Making Progress Without the Math Drama:

- Even with just ordinal utility, economists can tackle both **positive questions** (how things are) and **normative questions** (how things should be). Who needs numbers when you can still argue over the “right way” to live, am I right?

So, in summary, the slide says: Let's keep things simple, focus on how you rank your joys (without obsessing over precise amounts), and avoid the messy business of comparing everyone's happiness—because that's a recipe for debates longer than your Netflix queue!