

# End-of-chapter Questions

## Chapter 4: The Social Welfare Function and the Quest for Distributive Justice

1.
  - a. Why is there a need for a social welfare function?
  - b. What is the Bergson-Samuelson individualist social welfare function? What are its arguments?
  - c. What is the pareto condition that it should satisfy?
  - d. Where does the social welfare function come from?
2.
  - a. What are the social welfare indifference curves and how are they related to the social welfare function?
  - b. What is the interpretation of the slope of a social welfare indifference curve?
3.
  - a. What is the bliss point on the utility possibilities frontier?
  - b. What conditions must hold for the economy to be at the bliss point?
  - c. What is the significance of reaching the bliss point for mainstream public sector theory?
4.
  - a. What is the optimal distribution of income? Why?
  - b. If the distribution of income is not optimal, what should the government do to achieve the optimal distribution? Explain how and why your policy recommendation works.
5.
  - a. What is a lump-sum tax or transfer?
  - b. What properties do lump-sum taxes and transfers have? Explain.
  - c. Why are lump-sum taxes and transfers necessary for society to solve the problem of end-results equity or distributive justice?
  - d. Is the government likely to be able to use lump-sum taxes and transfers to achieve the optimal distribution of income? Explain.
6. Describe some of the difficulties associated with the social welfare function.
7.
  - a. What is: (i) The Benthamite/Utilitarian social welfare function?  
(ii) The Rawlsian social welfare function?
  - b. What are the strengths and weaknesses of each of these social welfare functions?
  - c. Why are these two functions considered to be the limiting social welfare functions that societies might choose in solving the problem of end-results equity or distributive justice?

8. Arrow's General Impossibility Theorem is considered an exercise in cooperative game theory. Why is cooperative game theory a compelling framework for thinking about solving public sector problems?
9. Consider the following three policies, A, B, C, that divide \$100 between three people, #1, #2, and #3.

Policy	#1	#2	#3
A	60	20	20
B	20	60	20
C	20	20	60

Suppose each person ranks the policies in a self-interested manner, preferring the policies by the amount of income received under each policy. Does majority voting yield a clear social preference for one of the policies? Indicate why or why not.

10. What have been the three main responses to the difficulties associated with the social welfare function as a concept for solving the problem of end-results equity or distributive justice?