Welfare Economic Theory

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The branch of economics called welfare economics is an outgrowth of the fundamental debate that can be traced back to Adam Smith, if not before. It is the economic theory of measuring and promoting social welfare. This entry is largely organized around three propositions. The first answers this question: In an economy with competitive buyers and sellers, will the outcome be for the common good? Welfare economics, branch of economics that seeks to evaluate economic policies in terms of their effects on the well-being of the community. It became established as a well-defined branch of economic theory during the 20th century. Earlier writers conceived of welfare as simply the sum of the satisfactions accruing to all individuals within an economic system. In general, welfare economics studies how economic policies influence the prosperity of the society. It analyses costs and benefits and provides some theoretical principles for particular instruments of public economics. The criteria for evaluation of the common wealth are pretty subjective: its truthfulness or falsity cannot be determined unquestioningly and accurately. Vilfredo Pareto designed the concept of welfare economics theory. Since then, many economists use Pareto efficiency as their ideal efficiency goal.