[Glossary]

Social Welfare Function, Welfare Maximization, Fair Allocation, Envy and Equity, Arrow's Impossibility Theorem

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Glossary

Compensation criterion: if any change in economic organisation or policy makes some people better off and others worse off, then that change can increase social welfare only in case, gainers could compensate the losers, and still being better off.

Constrained Bliss: It is the point where social welfare function and grand Utility possibility frontier meets.

Efficiency: It is the state of allocation of goods and services produced and the marginal benefit of last unit produced is equal to the marginal cost of that good or service.

Equity: Equity can only be possible if every person in the universe feels the same happiness as the other.

Fair Allocation: An allocation is said to be fair only if the allocation is both Pareto efficient and equitable.

Grand Utility Possibility Curve: The GUPC is the locus of all those Pareto optimum points of production and exchange, where no reorganisation of the Production-distribution process can make some one better off without making someone else worse off.

Pareto Optimal: An allocation of commodities is said to be Pareto optimal if distribution cannot be reorganized to increase the utility of one or more individuals without decreasing the utility of some other individual.

Welfare Economics: It is a branch of Microeconomics which deals with the optimum allocation of resources and their effect on social wellbeing.