The Rise and Fall of Ordinalism in the History
of 20th Century Economics

Masahiro Kawamata

This paper shows how ordinalism finished its mission in the history of 20th century microeconomics. Ordinalism was put forward by Vilfredo Pareto in the framework of Walrasian general equilibrium theory. Lionel Robbins justified ordinalism on the basis of Weber's methodology of social sciences, which emphasized the significance of distinguishing positive analysis from normative analysis. As the general equilibrium theory formed a mainstream Scientific Research Program (SRP), ordinalism became dominant because it showed sufficient conditions of preference ordering for the existence, stability, and uniqueness of general equilibrium in a competitive market. Economists who adopted ordinalism established new welfare economics based on the Bergsonian social welfare function. However, ordinalists could not produce useful theorems in the fields of applied economics and economic policy. Arrow proved General Impossibility theorem to show that such a social welfare function does not exist in general. Although a number of economic theorists attempted to solve Arrow's paradox, they did not succeed, and eventually realized that the program of new welfare economics was not operational. Since 1980s, game theory has become a mainstream SRP. It has been used in several fields of applied economics, and has produced useful results in these fields. Game theorists assume a utility function to be cardinal, independent of affine transformation. In fact, a cardinal utility function is necessary to analyze a strategic behavior of players and prove the existence of equilibrium in a non-cooperative game.

JEL classification number : B 21.