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Yves Sprumont

PII: S0304-4068(18)30083-1
DOI: https://doi.org/10.1016/j.jmateco.2018.07.006
Reference: MATECO 2258

To appear in: *Journal of Mathematical Economics*

Received date : 8 May 2018
Revised date : 24 July 2018
Accepted date : 25 July 2018

Please cite this article as: Sprumont Y., Preference aggregation under binary uncertainty. *Journal of Mathematical Economics* (2018), https://doi.org/10.1016/j.jmateco.2018.07.006

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Preference Aggregation under Binary Uncertainty

Yves Sprumont
Département de sciences Économiques and CIREQ
Université de Montréal*

July 24, 2018

Abstract

Non-dictatorial Paretian aggregation of subjective expected utility preferences is possible under binary uncertainty when differences in tastes are small compared to differences in beliefs. *Keywords: preference aggregation, uncertainty, subjective expected utility. JEL classification numbers: D63, D71.*

1 Introduction

Aggregating a collection of subjective expected utility (SEU) preferences into a single SEU preference is generally difficult. A central result established by Mongin (1995) states that if the Pareto (weak preference) principle is imposed, the social preference must coincide with that of one of the individuals –unless beliefs or utilities are affinely dependent. In particular, two-individual non-dictatorial Paretian aggregation is only possible when tastes or beliefs coincide.

General possibility results must thus weaken the Pareto principle or the SEU restriction on society's preference. Illustrations of the former approach include Gilboa, Samet and Schmeidler (2004) and Gilboa, Samuelson and Schmeidler (2014); examples of the latter are Mongin (1998), Chambers and Hayashi (2006), Keeney and Nau (2011), and Sprumont (2018). See the survey by Mongin and Pivato (2016) for further references.

The current note follows a third route. Mongin's result holds in the Savage framework –it requires a rich set of states of nature.[1] Here, we explore the special case of *binary* uncertainty.

*C.P. 6128, succursale centre-ville, Montréal QC, H3C 3J7, Canada (yves.sprumont@umontreal.ca). This research was supported by a grant from the FRQSC. I am grateful to P. Mongin for comments that greatly helped me simplify and sharpen the analysis. Many thanks also to S. Horan for eye-opening remarks on an earlier draft, and to two referees for constructive comments.

[1] Jackson and Yariv (2015) establish a related impossibility in the context of aggregating time preferences. Their result requires at least *three* time periods.

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