Any discussion of the Lausanne tradition involves at least three major questions. Is there such a thing as the Lausanne school? Can we speak of a tradition? How do we delineate the interpretive literature?

That there is a school in the history of economic thought that would have bloomed in Lausanne at the end of the nineteenth century is a very seriously challenged interpretation. Though the expression is now commonly used, it is somehow difficult to talk of a school of only two men: one, namely Walras, who felt so isolated that he went on from depression to depression, his only hope being that posterity would be more generous to him than his contemporaries were; the other, Pareto, progressively acquired the conviction that there were too many dead ends in economics, and shifted to sociology and politics. On the other hand, their joint impact on contemporary economic thought is of such magnitude that it is worth reexamining more carefully what happened at the end of the last century in Lausanne to generate such a transformation in our discipline.

But if this is so, can we legitimately speak of a tradition? The word *tradition* may sound quite inappropriate to mathematical economists who

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are still devoting most of their time to solving the major problems involved in, and raised by, the Walrasian model. For them, what we are talking about is the hard core of modern economics, and not an event that could be described as historically closed and self-perpetuating. At the opposite end of the spectrum there are also economists, though probably far fewer today than 30 years ago, who argue that we can hardly identify a Lausanne tradition per se, as distinct from, say, the classical paradigm, since what was elaborated by Walras and Pareto was "a framework for organizing our ideas," without any substantive content" (Friedman, 1955). At best we could speak of a remodeling, barely of a revolution that would have instigated a distinctive tradition.

Notwithstanding this opposition, if one looks at any textbook for advanced students in microeconomics, one can hardly deny the major importance of Walras and Pareto in modern analysis. But here is the source of a new difficulty: writing on these authors today is almost never a pure exercise in the field of the history of economic thought, or just interpreting what Walras actually meant, let us say, when he introduced the notion of entrepreneur. Almost each "historical" interpretation is the source of, or interferes with, a theoretical debate within economic theory today. It is therefore impossible most of the time to delineate interpretive literature so as to isolate it from major advances in contemporary economics.

What all these problems mean is that the Lausanne tradition is alive and kicking, and accounts for a substantial part of our daily life as economists. It also signifies that it will be impossible, in one single chapter, to review all the reinterpretations and debates related to the reading of Walras and Pareto. Our program is much less ambitious. Its aim is to identify some major issues that were raised in the interpretive literature properly speaking, as well as in some theoretical debates, so as to give a broad and general picture of the importance of the Lausanne tradition for us today. We will do so in three sections. The first part of the chapter has a more historical nature and is focused on the Lausanne revolution. The second section is devoted to the major theoretical contributions of Walras and Pareto as they can be reevaluated almost one century later. In the third and final part, we shall try to evaluate some controversial arguments on the empirical relevance and the normative biases of that tradition.

1. The Lausanne Revolution: What Really Did Happen?

Although Walras and Pareto are now jointly recognized as cofounders of the so-called Lausanne school, there are several prerequisites necessary to