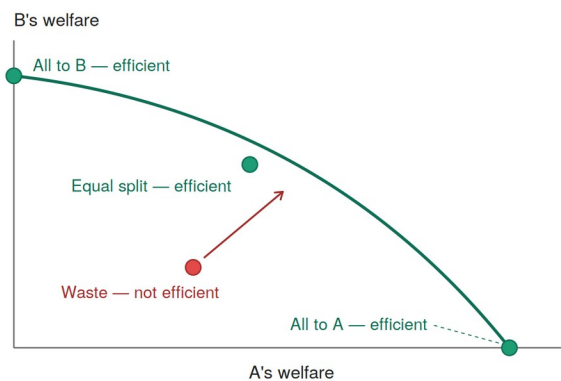


Efficiency says nothing about distribution

Pareto-efficiency: no reallocation can make someone better off without making someone else worse off. It is a test for *waste*, not for *fairness*.



The whole green curve is Pareto-efficient. Only points inside it, like the red one, are not.

	A	B	Efficient?
(i)	50	50	Yes — giving A more means taking from B
(ii)	100	0	Yes — giving B anything means taking from A
(iii)	40	40	No — 20 units wasted

The criterion separates (iii) from the other two. It **cannot** rank (i) against (ii): moving between them makes one person better off and the other worse off. To call that an improvement you must weigh B's gain against A's loss — an **interpersonal comparison of utility**, which is a value judgement. Pareto refuses to make it. That refusal is what makes the criterion objective, and exactly why it is silent on distribution.

Two traps. (1) *Efficient* does not mean *good* — extreme deprivation can be Pareto-efficient, since relieving it requires taking from someone. (2) There is no single efficient outcome, but a whole frontier: efficiency picks out the curve, and **choosing a point on it is the equity question**.

Study Guide 1 (Immers & Stada), §2.1: Pareto-efficiency says nothing about the division of prosperity amongst individuals.