

	<p>6.4. In this game, can the Pareto efficient condition achieve equality? (No. Under the Pareto efficient condition, four students have five candies and all the others have only one. Tell students that Pareto efficiency does not ensure equality. Sometimes, if we choose Pareto efficiency, we have to forgo equality, vice versa. Also, let students know that equality in the distribution of goods and services may lead to Pareto inefficiency in the real world.)</p>	
Variations of this experiments	<ul style="list-style-type: none"> ➤ If the class size falls below twenty students, you can assign zero candies when two or more students write down 5. That means the minimal number of students allowed to write down 5 should be adjusted according to class size. ➤ If time permits, teacher can let students have a second round of the game, before discussion, in which students are allowed to talk to discuss how they can be better off, especially for the class which gets zero candy in the first round. ➤ Besides the above suggestion, teacher can tell students in the beginning of the second round that the names of those students who choose 5 will be revealed. This may simulate ‘social punishment’ and see how different the outcome can be. 	
Tools	<ul style="list-style-type: none"> ➤ Prepare enough small blank papers for students. ➤ Candies or any small gift items. 	
Definitions	<ul style="list-style-type: none"> ➤ Equity – it refers to economic justice or fairness. (Parkin, 1996) ➤ Efficiency – it refers to efficiency in allocation; it is equated with the Pareto condition. (Lam, 1996) ➤ Pareto-efficiency – it exists in the condition in which it is no longer possible to reallocate the use of resources so that one individual will gain without loss to another. (Lam, 1996) ➤ Pareto-inefficiency – it exists in the condition in which it is possible to reallocate the use of resources so that one individual will gain without loss to another. (Lam, 1996) 	
Past Experience	<ul style="list-style-type: none"> ➤ When the author of this experiment used this game, he discovered that students often differed from one another in 	

	<p>their assessment of how important it is to maintain perfect equality and how important it is to maintain Pareto efficiency.</p> <ul style="list-style-type: none"> ➤ Students in several classes of the author assigned several of their classmates to write down 5 in order to get more candies. Then, each member of the class will then have an equal probability of receiving the higher payoff by drawing the candies out of a hat. ➤ In one of the classes, three students persisted to write 5 on the papers, even in the face of intense social pressure to alter their choices from students who had a strong preference for equality. Also, several students who would have been happy with less payoff suddenly became militant and sabotaged the rest of the class by changing their selection from a small to a large number on their papers, thus causing everyone to get zero, even though they had nothing to gain from it (other than the satisfaction of observing perfect equality). This class got into a fairly heated argument and tried to ‘gang up’ on the three people who were intending to write down a larger number. With emotions running high, author pointed out how insignificant their problem was compared to the gross inequalities in the distribution of housing, health care, food and education. 	
References	<ul style="list-style-type: none"> ➤ Source of the experiment: <ul style="list-style-type: none"> ➤ Peterson, Ken, 1995, Equity and Efficiency in a Game, <i>Classroom Experiments</i>, vol.4(1), pp. 1-2 ➤ Definitions of the key words: <ul style="list-style-type: none"> ➤ Parkin, M., 1996. <i>Economics 3rd ed.</i> USA: Addison-Wesley Publishing Company, Inc. ➤ Lam, Pun Lee, 1998, <i>Advanced Level Macroeconomics</i>, Macmillan Publishers (China) Ltd. 	