

Thinking about fairness and efficiency

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Abstract: The healthy and stable development of a society depends not only on the level of efficiency, but also on the degree of fairness. With the development of the market economy, the efficiency of the competitive market mechanism has been greatly improved, but the disparity between the rich and the poor has gradually expanded, accompanied by social equity issues. Fairness and efficiency, as the two main themes of the development of human society, have actually fallen into the "prisoner's dilemma" to a certain extent. Based on the hypothesis of a rational economic person, this article analyzes and proposes a personal point of view of adhering to the principle of "efficiency first, and fairness."

1. Introduction

1.1 The rational economic man assumes

The term "economic man" was first proposed by Pareto, but its widespread acceptance and application in economics should be attributed to Adam Smith, who used a rationalist approach to introduce humanity into economics. First person, he creatively put forward the basic ideas of the "economic man" theory.

First, people are self-interested, and self-interest is the essential characteristic of people as social people. Second, man is rational. This kind of rationality is reflected in the "economic man" always driven by the "self-interest" towards the direction of "maximizing benefits", that is, people are always thinking about how to use the least sacrifice. To meet your biggest needs. Third, this pursuit of "maximization of interests" will not only harm the interests of others, but will also increase the interests of the entire society.

1.2 Fair

Fairness. The connotation of fairness is justice and equality. Many times, fairness is a moral rhetoric, and moral issues are essentially interest issues. Historically, the fairness criterion has a strict scope of application. Generally, it only applies to the same circle. If it crosses the circle, it will be invalid immediately. The fairness advocated in the beginning mainly refers to fair conditions and fair opportunities. But with the further development of society, people's demands for fairness will often rise directly from fair conditions and fair opportunities to fair results. The so-called fair outcome often means that the collectivism is a big pot, regardless of individual contributions, but only for wealth sharing. This is how a welfare society is established.

1.3 Efficiency

The connotation of efficiency. Efficiency is the input / output of unit production factors in unit time, that is, the input / output ratio of production factors in unit time. Efficiency emphasizes competition and survival of the fittest, emphasis on optimizing resource allocation, and emphasis on allowing the best people to do the most suitable work to maximize the overall benefits. How is high efficiency achieved? That is the brutal survival of the fittest, the unsuitable are all eliminated, and the

rest are suitable. The realization of efficiency also requires the establishment of a positive feedback incentive mechanism, so that the strong can get greater benefits, so as to encourage him to further work actively. Therefore, an increase in efficiency often leads to one result: the strong and the strong.

2. The contradiction between fairness and efficiency

There is always a contradiction between fairness and efficiency, and this contradiction is irreconcilable. Emphasizing fairness often means sacrificing efficiency, but emphasizing efficiency cannot balance fairness. Although China's official documents have never acknowledged the contradiction between the two, and always emphasized that "both efficiency and fairness are required," in the actual implementation process, we must be able to prioritize and lose sight of each other.

2.1 Prisoner's dilemma of fairness and efficiency

Dealing with efficiency and fairness has always been a topic of debate, and the reasons are as follows:

In terms of efficiency, governments need to reduce taxes. As a result of reducing taxes, the tax burden of enterprises has been reduced, enterprises have more incentives to develop, more wealth has been created for society, and the economy has become more vibrant. The laissez faire market mechanism to self-regulate the economy without sacrificing social equity, the inevitable result is that the income disparity is increasing, which causes social and political turmoil and seriously affects social stability. In order to achieve fairness or equality, the government's use of administrative, legal, and taxation methods is undoubtedly the transfer of the efforts of some people to the income of others, that is, the government levies more taxes to promote the social welfare system and so on. This will inevitably hurt people's enthusiasm, often leading to negative labor and poor management, which will ultimately be harmful to the development of the economy and increase income.

2.2 Convenience store positioning game

Assume that consumers are evenly distributed on a straight line of a given length. In this market, both manufacturers sell the same products to consumers. Under the condition that the manufacturers sell products at the same price, each consumer will be away from himself. Go to the nearest manufacturer to buy the product. Therefore, the demand of each manufacturer's product is determined by the number of consumers it attracts, that is, the length of a given line segment occupied by the manufacturer. The competition between manufacturers becomes how to choose a point on a given line segment To maximize the line segments that you occupy. As shown in Figure 1, the convenience stores at the first two points A and B will tend to point C after each selection, and eventually reach point C, that is, point C is the equilibrium point.

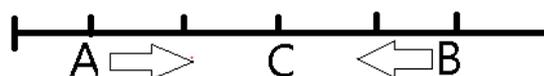


Figure 1. thinking figure

The situation of political parties and politicians fighting for voters is actually the same as the convenience store positioning game. For example, in the United Kingdom, the Conservative Party is seeking efficiency, and the Labour Party is seeking fairness. In the election campaign, the Labor Party must display the banner of a labor spokesperson, so he is standing on the left and his territory is on the left. But only the left half of the voters are not enough to guarantee victory. In order to win the election, he must find a way to win over voters in the middle swinging between the two parties. The best way is to move your election program to the "right" side a little bit, and even in the election

announcement, you must also take care of the interests of the middle class. Similarly, the original party was originally formed on the "right" side of the Conservative Party. During the election process, it also had to lean to the left to win more voters. In this way, during the long election process, the actual program continued to approach, until the two parties were close to each other at the midpoint, which was a stable Nash equilibrium.

3. Comparison of fairness and efficiency

The contradiction between fairness and efficiency is a common problem in countries around the world. Different countries have different emphasis on fairness and efficiency based on different economic operation models and social policies. Among them, the United States and Sweden and other Western market economy countries have the most representative choices for fairness and efficiency.

The United States is a highly developed capitalist market economy country and advocates a strong emphasis on individualism and economic liberalism. American social policy is affected by the free market economy. It believes that members of society enjoy equal opportunities for competition. The cause of poverty is the individual rather than the country. Therefore, the United States insists on "efficiency first, fairness second". The United States is a later welfare state. The main object of the welfare system is the low-income class and poorer members of society. The purpose is more to prevent the increase of poverty rather than to improve the overall welfare of the society.

The Swedish government has always adhered to the principle of "fairness first, efficiency second" in formulating economic and social development policies. Although the Swedish government emphasizes fairness first, the government has realized transfer payments by taxing wealth creators, and has always established relatively developed social welfare. System, putting economic efficiency second, but in fact, since the mid-1980s, the low unemployment rate in Sweden has been 2.7% and the fastest growing rate among European economies at the same time. From this point of view, Sweden is not only one of the countries with the smallest wealth gap in the world, but also maintains a high economic speed.

4. Give priority to efficiency and give consideration to fairness

By thinking about the contradiction between fairness and efficiency and comparing the two examples, I think that efficiency should be given priority and fairness should be taken into account.

We all snatched seats in the school library. Sometimes I woke up early and formed a long line. When the library opened the door, I tried to squeeze everyone out and finally grabbed a seat. By paying time cost, physical cost, etc., the benefit of using a seat is finally obtained, which is a behavior that can bring maximum utility. Sometimes, you do n't have to pay too much for the luck, but the risk of grabbing a seat also increases, so seat occupation occurs. Some students do not want to get up early to grab a seat, but also want to have a seat, and discuss "mutual assistance and cooperation" with another classmate, take turns with a cup or book. This behavior is in line with the maximization of the utility of the individual, especially the person occupying the seat, with the minimum cost in return for the maximum benefit, which is in line with the "rational person" self-interest thinking. However, this behavior of occupying seats has led to the inefficient use of seats. The "public resources" of seats have not achieved a fair and efficient supply, resulting in a waste of resources.

Compared to the system of free use of library seats, college libraries have successively introduced seat selection apps to deal with seat occupation behavior. The seat selection app focuses more on providing a plan to reserve seats for the library. Its "efficiency priority": more students do not have to pay too much cost, and at the same time, make efficient use of seat resources, and "consideration for fairness": after the appointment time expires Seats are automatically cancelled.

This adherence to "efficiency first, and fairness" is in keeping with our present and future times. In this new era, the physical role of workers will continue to decline until they disappear completely,

and the intelligence of workers is becoming more and more important. In order to improve efficiency, smart minds should think more, and mediocre minds do nothing. As a result, most ordinary and mediocre laborers may not be able to participate in the wealth creation process at all, and become truly "unemployed." On the other hand, because the optimized allocation of intellectual resources has brought about a great increase in production efficiency, the material wealth produced can meet the needs of all people, including those who have not contributed any power to the creation of material wealth. At the same time, a welfare society will be established to take account of equity and prevent poverty from increasing.

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