

Subject/Title	From Pareto Efficiency to Marshall Efficiency: On the Evaluation of Economic Efficiency of Institutions
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Abstract	<p>In the field of social science, "Pareto efficiency" is a commonly used criterion for evaluating institutional efficiency. However, the strict limitation of Pareto efficiency that no harm should be imposed on anyone, makes it impractical. Therefore, the "Marshall efficiency", which aims at maximizing the total surplus, becomes a useful alternative. This paper indicates that the design of institutions should first satisfy the Marshall efficiency in advance and further compensate the individuals who suffer in the system. Thus joint institution could satisfy the strict Pareto efficiency too. In addition, this paper makes a connection between economic efficiency and individual's utility levels. Based on this connection, this paper attempts to define a concept of local efficiency, which could reflect effectively the relativity of economic efficiency. Lastly, this paper illustrates that the "voluntary exchange" can improve institutional efficiency. Voluntary exchange will satisfy not only the Marshall efficiency but also the Pareto efficiency.</p>
Keyword(s)	Pareto Efficiency ; Marshall Efficiency ; Utility ; Voluntary Exchange