SSEF1c – List a variety of strategies for allocating scarce resources

Supply and Demand (Prices/Auction):

- This allocation strategy allows rationing of a resource based on who can afford the price set by the market. The more desirable and relatively scarce the item, generally, the higher the price. This method is efficient because one can easily tell whether or not the resource can be allocated based on their willingness and ability to pay the price. However, this method will exclude people from markets if they lack the money to pay the price.

Authority:

- This allocation strategy allows for quick action because a person or a group of people in power can make and implement the decision quickly. In countries where the government makes and carries out decisions by force, economic changes can happen quickly because the government decides how to distribute resources and enforces the decision through military/police power.

Random Selection (Lottery)

- This allocation strategy can be handled quickly and gives everyone who wants the resource equal odds of receiving it. This strategy can be inefficient because it may allocate the resource to a purpose of person who does not need it or know how to produce using it. If the government randomly selects individuals to receive farmland, the land may go to someone who has a knowledge of farming techniques and the resource may be underutilized.

Personal Characteristic:

- This allocation strategy allows resources to be distributed based on need or merit. Ideally, the person who gets the scholarship or the job is the one best qualified for it. However, personal characteristics can also be used negatively such as when one does not get a job due to discrimination against a personal characteristic of the individual.

Contest:

- This allocation strategy can distribute the resource to the person who wins. The "winning" could be based on running a race (who is fastest), in academics (valedictorian has the highest GPA), or in a test of knowledge/skill (Jeopardy contestant or chess champion). This strategy can be inefficient on a day to day basis. You don't want to run a race to see who gets the last slice of pizza in the cafeteria. It would take too long.