

Allocation Strategies, Rational Decision Making, and Social Economic Goals

Lesson by

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Lesson description

One of the basic economic questions all societies must answer is, “Who will share in what is produced?” or “For whom will the good or service be produced?” To answer this question, students will learn about the different allocation strategies a society can use. They should also consider how the strategies a society uses imply the social economic goals favored by that society.

Concepts

Allocation Strategies

Price
Majority rule
Contests
Force
Sharing
Random selection
Authority
Competition
First come, first served
Personal characteristics

Social Economic Goals

Freedom
Security
Equity
Growth
Efficiency
Price stability
Full employment
Sustainability

Basic Economic Questions

What to produce?
How to produce?
For whom to produce?

Objectives

Students will be able to:

1. Define and model the allocation strategies used to decide who should share in what is produced.
2. Allocate a good using multiple allocation strategies and a rational decision-making matrix.
3. Define the social economic goals.
4. Analyze allocation strategies to determine how well they meet the social economic goals.
5. Identify examples of how goods and services are allocated in the U.S. economy.

Related content area

Economics

Time required

45 minutes

Materials

[Allocation Strategies PowerPoint](#)

Projector to display presentation

Small items to allocate (candy, bonus point coupons, homework passes, and so forth)

Handout 1: "Allocation Strategies Activity" (one per student); Answer Key for teachers

Method for timing the students

Preparation

Download the accompanying PowerPoint presentation. If you are allocating something other than a candy bar, edit this information on slides 2, 3, 7, and 8. Purchase or make the items you will allocate during the activity. Make copies of Handout 1.

Procedures: Instructions for the PowerPoint presentation are in italics below.

- Open the Allocation Strategies PowerPoint and display slide 1.* To begin the lesson, tell students that all societies have to decide how people will receive the goods and services produced in that society. Explain that the pictures on slide 1 illustrate different strategies people use to decide who gets a good or service. Beginning with the top left-hand picture, ask student to identify what strategy is used and explain their answers. Below, you will find possible answers.
 - Pharmacy: The woman may receive the medicine by paying the **price** of the medicine and showing a prescription identifying her as someone with a **personal characteristic** that allows her to receive the medicine.
 - Fencing: The winner of this **competition** may receive a medal or other prize for beating an opponent.
 - King: This person with **authority** decides who receives goods and services and may use **force** to back the decision.
 - Tickets: These people are waiting in line and will receive their tickets on a **first-come, first-served** basis. They will also likely have to pay a **price** for the ticket.
 - School bus: Most schools provide this service to public school children. All children assigned to a bus route must **share** the bus.
- Display slide 2.* Distribute Handout 1 to all students. Divide students into groups of four. Ask them to follow the instructions on slide 2 and complete the "alternatives" section of their matrix. Tell students that they are going to experience a variety of allocation strategies as they



decide who in their group is going to take ownership of a candy bar (or other item the teacher has specified). Tell them they will fill in the “criteria” section during the activity.

3. *Display slide 3.* Tell students to write **majority rule** in the first criteria blank in their matrix. Explain that each group member will have 10 seconds to give a speech to the other members about how he or she is the best person in the group to receive the candy bar. Get your timer ready and tell the first speaker to “go!” Every 10 seconds, say “switch!” After all students have spoken, ask each group to vote for the person who they think made the best case for getting the candy. Tell students they cannot vote for themselves. After the vote, have students mark the person with the most votes as a (+) and everyone else as a (-) under majority rule.
4. *Display slide 4.* Tell students to write **random selection** or **lottery** in the second criteria blank in their matrix. Each person should get a piece of scratch paper and write his or her name on the paper. Ask the students to fold up their papers and place them in the middle of their groups. The teacher should go to each group, pull a name at random, and read it aloud to the group. After identifying the name, have students mark the person whose name was randomly pulled as a (+) and everyone else as a (-) under random selection.
5. *Display slide 5.* Tell students to write **authority** in the third criteria blank in their matrix. Explain that the group member selected in the last round will now be the king or queen of their group for a few moments. Tell the king or queen to choose one member of their group (other than him- or herself) to receive a (+). Ask the groups to mark the person as a (+) and everyone else as a (-) under authority.
6. *Display slide 6.* Tell students to write **competition** in the fourth criteria blank in their matrix. Explain that group members will now play rounds of best out of three in a game of rock-paper-scissors to determine who gets the last (+). Make sure all students know how to play. In a group of four, two groups of two will play each other first. Then the winners will play each other until one group member is the overall winner. Ask the groups to mark the winning person as a (+) and everyone else as a (-) under competition.
7. *Display slide 7.* Tell students to go across each row and add up the number of (+) signs for each member. The member with the most (+) signs gets the candy bar. If there is a tie, ask those individuals to play one more round of rock-paper-scissors to break the tie. Give the candy bar to the winner.
8. *Display slide 8.* Tell students they will now have a chance to write about their experience. Assign the questions on Handout 1 to students. Discuss their answers as time allows.



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Handout 1: Allocation Strategies Activity

		Criteria				Total
Alternatives						

List of All Allocation Strategies	List of All Social Economic Goals
<p>Price: you receive the item if you can pay the charge</p> <p>Majority rule: you receive the item if people vote that you can receive it</p> <p>Competition: your receive the item if you win it</p> <p>Everyone shares: no one person owns it, everyone can use it</p> <p>Random selection: you receive the item by chance</p> <p>Authority: you receive the item because someone in power says you will receive it</p> <p>First come, first served: you receive the item because you got to it first</p> <p>Personal characteristics: you receive the item because you have an attribute designating you to receive it</p>	<p>Freedom: ability to make your own economic choices for work, business, and consumption</p> <p>Security: provides for a social safety net in the case of hard economic times</p> <p>Equity: everyone has access to the same opportunities or everyone shares equally in what is produced</p> <p>Growth: the economy continues to produce more goods and services than it did in the past</p> <p>Efficiency: producing the greatest output with the smallest number of resources possible</p> <p>Price stability: maintaining the purchasing power of money in the economy</p> <p>Full employment: everyone in the labor force who is willing and able to work is employed</p>

Handout 1: Allocation Strategies Activity (Continued)

1. Which allocation strategy do you think is most efficient? Why?
2. Which allocation strategy do you think is most fair? Why?
3. What do you think is more important, economic efficiency or economic equity (fairness)? Why?
4. How satisfied were you with the methods used to allocate the candy bar? Explain.
5. What benefits and/or costs do you foresee if our government allocated public goods and services in the same way?
6. Look at the full list of allocation strategies. For each of the strategies, identify one thing in the United States that we allocate using that strategy.
7. Look at the full list of social economic goals. Which two goals do you think are valued most highly in the United States? Give evidence to support your assertion.



Handout 1: Allocation Strategies Activity (Answer Key)

		Criteria				Total
Alternatives	Answers to the matrix will vary.					

List of All Allocation Strategies	List of All Social Economic Goals
<p>Price: you receive the item if you can pay the charge</p> <p>Majority rule: you receive the item if people vote that you can receive it</p> <p>Competition: your receive the item if you win it</p> <p>Everyone shares: no one person owns it, everyone can use it</p> <p>Random selection: you receive the item by chance</p> <p>Authority: you receive the item because someone in power says you will receive it</p> <p>First come, first served: you receive the item because you got to it first</p> <p>Personal characteristics: you receive the item because you have an attribute designating you to receive it</p>	<p>Freedom: ability to make your own economic choices for work, business, and consumption</p> <p>Security: provides for a social safety net in the case of hard economic times</p> <p>Equity: everyone has access to the same opportunities or everyone shares equally in what is produced</p> <p>Growth: the economy continues to produce more goods and services than it did in the past</p> <p>Efficiency: producing the greatest output with the smallest number of resources possible</p> <p>Price stability: maintaining the purchasing power of money in the economy</p> <p>Full employment: everyone in the labor force who is willing and able to work is employed</p>



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Handout 1: Allocation Strategies Activity (Answer Key Continued)

1. Which allocation strategy do you think is most efficient? Why? *Answers will vary. Efficiency is about the best use of resources. Students are likely to say that the most efficient allocation strategy is authority because it used very little time and no additional resources like paper.*
2. Which allocation strategy do you think is most fair? Why? *Answers will vary. Fairness, or equity, is everyone having the same opportunity or everyone having the same amount. In the activity, the strategy they are likely to think is most fair is random selection because all people in the group had the same chance of getting the (+) sign.*
3. What do you think is more important, economic efficiency or economic equity (fairness)? Why? *Answers will vary.*
4. How satisfied were you with the methods used to allocate the candy bar? Explain. *Answers will vary.*
5. What benefits and/or costs do you foresee if our government allocated public goods and services in the same way? *Answers will vary. Students may say that some of the strategies like competition would take too long and would discriminate against people who lack the physical or intellectual ability to compete. They may say that random selection does not provide the item to the person who will make the best use of it such as starting a business.*
6. Look at the full list of allocation strategies. For each of the strategies, identify one thing in the United States that we allocate using that strategy.

Price: *Cookies in the grocery store are priced according to perceived value.*

Majority rule: *A city council may decide who gets a city service contract by voting with its members.*

Competition: *Scholarships are given out to the people who write the best essays.*

Everyone shares: *City, state, and national parks may be open to everyone who wants to use them.*

Random selection: *The United States randomly selects up to 55,000 qualified applicants every year to receive green cards.*

Authority: *A hiring manager at a business or government agency decides who will receive a job.*

First come, first served: *Tickets for a popular event sold to whomever orders them first.*

Personal characteristics: *Government education grants like the Pell Grant distributed to people based on their family's income.*

Handout 1: Allocation Strategies Activity Answer Key (continued)

7. Look at the full list of social economic goals. Which two goals do you think are valued most highly in the United States? Give evidence to support your assertion. *Answers will vary.*

National Voluntary Standards for Economics

Content Standard 2: Allocation

Students will understand that: Different methods can be used to allocate goods and services. People acting individually or collectively must choose which methods to use to allocate different kinds of goods and services.

Students will be able to use this knowledge to: Evaluate different methods of allocating goods and services, by comparing the benefits to the costs of each method.

There are different ways to distribute goods and services (by prices, command, majority rule, contests, force, first come, first served, sharing equally, random selection or lottery, personal characteristics, and others), and there are advantages and disadvantages to each.