

CRITICAL THINKING 6

COMPARING RATIONING AND THE PRICE SYSTEM

Making comparisons is an important skill because it helps you choose among alternatives. For example, economists have compared the allocation systems of price and rationing to find out which system has fewer difficulties.

Directions: Make your own comparison of price and rationing as systems to allocate scarce resources. Use the phrases below to complete the chart.

PRICE	RATIONING

- Favors neither the producer nor the consumer
- Entails decision-making for fair allocation
- Accommodates change from natural disasters to war
- Requires high administrative costs
- Diminishes people's incentive to work for a larger allocation
- Has no cost of administration
- Understood well enough to allow people to make decisions quickly and efficiently
- Encourages people to use their allocation carelessly

Based on the information in the chart, which system do you think economists might prefer?
Explain your answer.
