

Campus Parking Activity-Answers

1. What central problem does Stanford face in parking spaces?

Because the supply of parking spaces is limited, the scarce good must be allocated among people who want parking spaces.

2. What are the three ways societies deal with scarcity?

Tradition, command and the market

3. Categorize the five methods Stanford could use to allocate parking spaces. Which use tradition?

Command? The market?

Leave things as they have been: tradition

First-come, first-served: tradition and command

Markets and a price system: the market

Democracy: a political solution, which is command

Random choice: command with some market because of reselling

4. For each proposed method, explain what behaviors are encouraged or discouraged by different groups.

Leave things as they have been: Faculty are rewarded; student parking is discouraged.

First-come, first-served: People with low opportunity costs for time are rewarded; those who have high opportunity costs for time and many productive activities are penalized. For example, a professor might spend time for research on hunting for a parking space.

Markets and a price system: People with higher incomes and more important time alternatives are rewarded; those with low opportunity costs for time or with lower incomes are penalized.

Democracy: People with political clout are rewarded.

Random choice: People with luck, regardless of cost, are rewarded; the unlucky are penalized.

5. If the goal is equity, which system would you adopt and why?

It is impossible to say because equality or fairness depends on each individual's perspective. Many students will choose first-come, first-served or random choice because everyone has an "equal chance."

6. If the goal is efficiency, which system would you adopt and why?

The market system leads to the greatest efficiency because every choice has an opportunity cost. There is an incentive to make choices that minimize opportunity cost. Each person makes choices based on his or her costs and benefits.

7. Which system of allocating parking spaces do you recommend? Why?

Answers will vary. However, an answer should be based on either equity or efficiency as the basis for the answer.