

Australia's economic objective of resource allocation

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The objective of efficient resource allocation refers to an economy's ability to meet its obligations in ensuring that all social and economic objectives are met without waste, for example to allocate resources so that they are distributed efficiently to improve the standard of living. This is the only way that we can ensure that we will be able to maximize the number of goods and services that we are able to provide. In addition, we will also be more likely to guarantee the long term availability of the resources that are currently available to us.

The current target for efficiency target concerning labor is 1. -2% per year or more. Thus, the economic objective of efficiency in resource allocation exists when our productive inputs are used to create the highest possible value of national output (GDP is at its highest level). In turn, having more GDP available helps to ensure the maximum satisfaction of our society's needs and wants. In Economics, we distinguish between four different types of efficiency: 1. Productive (or Technical) efficiency: Is about firms producing GDP using the least-cost method and by minimizing the quantity of resources used.

This is perhaps the easiest type of efficiency to understand. In this instance, we are interested in ensuring that any time we produce a good or service we are able to do so by using the smallest number of resources. If I use a tree to make four cricket bats, and you can produce five cricket bats from a tree of the same size, then your productive efficiency is better than mine. Another example is also sometimes a higher level of investment spending by firms on new equipment rather than simply employing more staff is the cheapest way

to lift output per worker. . Allocation efficiency: ensures that resources are only used to make those particular types of G&S that best satisfy society's needs and wants. That is, we want to produce those things most desired by the community first. This is a problem experienced by many of the world's poorer countries, especially those which suffer from poor governance.

Corrupt leaders will often use a countries scarce resources to provide elaborate palaces, rather than ensuring that their people have access to clean drinking water.

This is very poor allocation efficiency. 3. Dynamic efficiency: entails that firms are able to respond quickly to changing economic circumstances. To be dynamically efficient means that firms are aware of the changing circumstances, and they are able to adapt to meet those new needs ND tastes of customers. For example, astechnologyhas improved, many businesses Australia's Economic Objective of Resource Allocation By dreary the correct software and training the staff.

In going through this process, the firm is demonstrating their dynamic efficiency. 4. Enter-temporal efficiency: means that there is a suitable balance between resources being allocated towards current consumption and saving that becomes available tofinancefuture investment. Causes of efficiency of resource allocation: cyclical changes in domestic economic activity resulting from changes in demand side conditions that affect efficiency in source allocation. Supply side structural causes of changes in labor in lobular and capital productivity.

Demand Side CYCLICAL Factors levels of AD and EAI slow leading to a recession (due to weak demand-side conditions like drops in business confidence/consumer), labor efficiency can suffer for at least 4 reasons. 1 . Firms are reluctant to sack experienced staff during a slowdown of sales, as they hope that recovery is not far away and thus save them the cost of hiring and training new staff. This leads to over staffing which lowers the level of output per hour worked. 2.

Prolonged or severe cyclical recessions in EAI causes higher cyclical unemployment as staff are cut in numbers, slowing down efficiency rates because more of labor resources are idle. 3. Business confidence about sales and profits, once down, can partly cause recession. This causes the firm to cut investment on new P with new technology, consequently productivity slows. 4. Cyclical slowdown in domestic productivity sometimes follows trends in the level of EAI and productivity overseas. Productivity also slows when there is an inflationary boom following cyclical rises in the level of domestic economic activity.

This is true when the growth in AD exceeds the economy's productive capacity. Productivity may slow down in this situation. 1 . Workers may not work as hard as they feel secure in the Jobs when the economy is stretched to its capacity. Abstentions can rise, along with strikes and industrial unrest, cutting efficiency. 2. When the economy is at its full capacity, there can be diminishing returns resulting from equipment breakdowns, labor shortages, leading to less efficient natural, labor and capital resources. In new technology and equipment, slowing efficiency. . Investment used for

expanding the business through plant & equipment can be impede into less productive or more speculative areas (egg real estate and stock market activities.) This is a MIS allocation of resources that slows down productivity. So, when EAI is weak due to reduced level of AD, productivity falls due to pessimism, reduced investment, unemployed resources, and labor hoarding. However, at the opposite extreme, excessively strong spending and EAI means that productivity suffers from the above reasons.

Productivity is likely to be maximized when AD and domestic EAI are at ideal levels and demand side conditions are positive but are neither too weak nor too strong. Business Confidence - Optimism of business (egg A consumer confidence, A household disposable incomes) has a cyclical impact on efficiency. This results in the business investing in new equipment with latest technology, leading to the worker having a greater value/amount of machinery to use in the production process than previously (capital deepening), thus raises the level of GAP per hour worked.

Interest Rates - Higher business overdraft means that firms are more reluctant to borrow in order to purchase new, more efficient plant equipment due to increased repayments. Investment thus is reduced and productivity slows. Company Tax Rates - Impacts the level of the firm's investment spending. Reduced tax rates increased investment spending and better productivity. Supply Side Structural Pastorally factors are far more significant than demand factors when we are considering the impact that certain events will have on our ability to allocate our resources efficiently.

If you think about this for a moment it is logical - supply factors are those things that affect the ability and willingness of producers to supply a good or service at a given price. When the US economy experiences an increase in GAG, we should see an increase in output without any pressure on productive capacity that may result in inflation. This is a sign that resources are being allocated more efficiently. As a result, we can conclude that any factor that will lead to an increase in aggregate supply will also lead to a more efficient allocation of resources.

For example during the asses the Australian economy saw the introduction of technology on a larger scale. This improvement in capital assets, combined with the necessary support in the form of training for the workforce, resulted in significant efficiency. Climatic conditions - Drought and below average rainfall (2002-03 - 06-07), floods, yeses (coastal Northern SLD 2006) impacted efficiency in resource allocation because national output is reduced far more than the volume of inputs of labor or capital resources.

Drought also had an impact in the efficiency in water, gas and electricity sectors that is, the same labor inputs have been used but less output has been produced. Sporting events (Before and After) - Events like the Sydney Olympics (2000) and Méléé's Commonwealth Games (06) may have helped in slowing productivity. Studies show during these events that worker efficiency fell perhaps due to distractions and allocates and worker fatigue from watching TV replays at night.