

Three

basic

economic

As an entrepreneur and as an economic agent, there are three basic economic questions you should ask when deciding how to use scarce resources.

1. What to produce?

- **Which of the possible products and services to produce in the economic system and in a certain period of time?**
- ✓ In a true *command economy*, what to produce is determined by a central economic authority.
- ✓ In a true *free market*, what to produce is determined by individual choices.

2. How to produce?

- ✓ *At what combination of inputs, using what technology should be made of these goods and services?*
- ✓ *Should the production be labor intensive or capital intensive?*
- ✓ *Should the production take place domestically or should it be outsourced to another country?*
- ✓ *Should the business produce all the goods and services it sells by itself or will it bring in outside contractors?*

3. For whom to produce?

Who will buy selected products and services, pay them at the same time removing the benefit? As an entrepreneur, this question should be addressed in the same line of thought as "*what to produce?*"

- ✓ *Who are your customers?*
- ✓ *Will your targeted customers be able to afford the product?*
- ✓ *Are there enough of them to support your business?*

These questions concerning

What?

How?

*For
whom?*

to produce are never easy for any society to answer.. Nevertheless, they must be answered as long as there are not enough resources to satisfy people's unlimited wants and needs.

Questions for check:

1) What are the three basic economic questions?

2) Who defines that to produce in command economy?

3) Who defines that to produce in market system?

4) What fundamental economic problem facing all societies?

5) Why do societies must answer these questions?

