



The Three Basic Questions of Economics

Every nation must answer three basic questions about goods and services. These questions are necessary due to the scarcity of all resources. We call these questions the three basic questions of economics. The questions are:

1. What goods and services should be produced?
2. How should these goods and services be produced?
3. Who will get the goods and services?

Answering these questions is not easy. In fact, world leaders spend a great deal of time trying to answer these questions in the way they think is best for their country.



The amount of government involvement in the economy determines

An economic system is the set of rules that a country follows in answering these three basic questions.

Question #1: What goods and services should be produced?

How a country answers this question will depend on what it hopes to achieve as a country. For example, if a country wants to provide more food for its citizens, it may choose to produce more tractors and farm equipment. If there is not enough land in this country on which to produce food, this country may choose to produce something that it can trade in order to buy the food that it needs.

How this question is answered depends upon the governmental structure of the country.

In a free market economy:

In a mixed economy:

In a command economy: _____

Question #2: How should these goods and services be produced?

The answer to this question depends on how a nation chooses to

_____.

Some countries may produce most of their goods _____.

In other countries, most goods may be made by _____.

In a free market economy this decision is made by

_____.

When making this decision the business owner is driven

_____.

In a command economy, the decision of *how* to produce goods and services is decided

_____.

Question #3: Who will get the goods and services?

Once goods and services have been produced, they must be divided up among the people of the country. Will everyone be given an equal share? Will some people get more than others? On what basis will this question be answered? Because of the issue of scarcity, this is an important problem facing all economic systems.

The United States is considered a "mixed economy" because

_____.

At the same time, _____ determines who will get certain goods and services based on _____.

In a command economy, _____.

The Goal of Economics:

The goal of economics is to minimize the effects of scarcity.

This means

The need to minimize the effects of scarcity has led countries to



This need to minimize the effects of scarcity influences how countries answer the 3 Basic Questions of Economics!

Ways that countries can decide to minimize the effects of scarcity:
