

# The Fundamental Economic Questions

In a world where there are **unlimited wants**, but there are **limited resources**, people must make decisions about how to obtain the goods and services needed to fulfill their **needs and wants**. The path government's take to answer these questions for their citizens determines which of the four types of **economic system** they adopt.

**I. WHAT WILL BE PRODUCED?** *This is one of the economic choices that people in a society, both producers and consumers, are forced to make with regard to "what" should be produced in a world with limited resources.*

**Some specific examples of this question:**

- \* *If resources are limited, should a local government use resources to build a new school, repair an old highway, or construct a new recreation center?*
- \* *If resources are limited, should American producers use resources to make goods for national defense or to provide services for retired people who are too old or ill to work?*
- \* *If resources are limited, should a farmer grow wheat, cotton, or lettuce?*

**II. WHO WILL PRODUCE IT?** *A second choice that society has to make is "how" to produce.*

**Some specific examples of this question:**

- \* *How should we obtain crude oil to meet our energy needs?*
- \* *How much pollution should we allow firms to generate when producing goods?*
- \* *How should hogs be raised before they become food?*

**III. FOR WHOM WILL IT BE PRODUCED?** *After goods and services are produced, a society must determine how the goods and services will be distributed among its members.*

**Some specific examples of this question:**

- \* *Who should receive the limited supply of flu vaccinations?*
- \* *Who should benefit from the construction of a new school?*
- \* *Who should a shoe manufacturer market their products toward?*