

Fundamental Economics

Economists have to deal with a whole range of economic problems. Misery of Unemployment, Inflation, and Exchange rates Financial Debts.

Despite this extensive range of issues, which economists are trained to consider, they often talk about “The Basic Economic problem”. This is the fundamental or main problem from which everything else arises.

The economic problem is explained as the fact that we have scarce resources (resources that will run out or limited factors of production) and as people we have unlimited wants. So the problem occurs when we as the people have unlimited wants that can't be satisfied by the limited availability of resources.

“Scarcity” Leads to people making a choice. In order to make a product that the consumer desires or wants, a certain amount of resources has to be dedicated into making that product, but if you look at it from another aspect the same resources could have been used to make a different type of product. This point is general is opportunity cost which means the cost of something (resource, money, time) given up to achieve another thing.

The exact definition of Opportunity Cost is the cost expressed in the next best alternative forgone.

So when the Economic problem arises (scarce resources in relation to unlimited wants)

There are 3 Main Questions Economists Ask

1. What to produce?
2. How to produce?
3. For whom to produce?