# Economic problem

The **economic problem** – sometimes called the **basic** or **central economic problem** – asserts that an economy's finite [resources](https://en.wikipedia.org/wiki/Resource) are insufficient to satisfy all human [wants](https://en.wikipedia.org/wiki/Want) and [needs](https://en.wikipedia.org/wiki/Need). It assumes that human wants are unlimited, but the means to satisfy human wants are limited. The economic problem is the problem of rational management of resources or the problem of optimum utilization of resources. It arises because resources are scarce and resources have alternative uses

Three questions arise from this:

• What to produce?

• How to produce? &

• For whom to produce?

* What to produce?

'What and how much will you produce?' This question lies with selecting the type of supply and the quantity of the supply, focusing on [efficiency](https://en.wikipedia.org/wiki/Efficiency).

e.g. "What should I produce more; laptops or tablets?"

* How to produce? Capital goods or consumer goods

'How do you produce this?' This question deals with the assets and procedures used while making the product, also focusing on [efficiency](https://en.wikipedia.org/wiki/Efficiency).

e.g. "Should I hire more workers, or do I [invest](https://en.wikipedia.org/wiki/Invest) in more machinery?"

* For whom to produce?

'To whom and how will you distribute the goods?' and 'For whom will you produce this for?' arises from this question. This question deals with distributing goods that have been produced, focusing on [efficiency](https://en.wikipedia.org/wiki/Efficiency) and [equity](https://en.wikipedia.org/wiki/Equity_%28economics%29).

e.g. "Do I give more [dividends](https://en.wikipedia.org/wiki/Dividends) to stock holders, or do I increase worker [wages](https://en.wikipedia.org/wiki/Wages)?"

[Economics](https://en.wikipedia.org/wiki/Economics) revolve around these fundamental economic problems.