

# FOUNDATIONS OF ECONOMICS UNIT

## THE BASIC ECONOMIC PROBLEM

IB CORE CONCEPTS AND NOTES SPECIFICALLY RELATED TO THIS VIDEO

IB Core Concept	Standard Level and High Level Concept
Foundations of IB Economics	<ul style="list-style-type: none"><li>Explain the basic economic question: <i>What to produce? How to produce it?</i> and <i>For whom to produce?</i></li></ul> <p>Source: IB Economics Subject Guide</p>

### The Basic Economic Problem

- **What?**
  - What should be produced and in what quantities?
- **How?**
  - How should things be produced?
- **For Whom?**
  - For whom should things be produced?
- **Key Point!** How and who makes these decisions is the key to economic study.
- There are two theoretical allocation (rationing) systems—the **free market** and the **planned economy**.
- In reality, all economies are mixed or a combo of both.
- The extent to which governments should intervene in any economy is the source of debate and will be addressed throughout this companion.

Source: Jocelyn Blink and Ian Dorton. IB Economics: Course Companion, Second Edition.