From a technical perspective, economics is the study of how various alternatives or choices are evaluated to best achieve a given [objective](https://www.boundless.com/economics/definition/objective/). The domain of economics is the study of processes by which [scarce](https://www.boundless.com/economics/definition/scarce/) [resources](https://www.boundless.com/economics/definition/resource/) are allocated to satisfy unlimited wants. Ideally, the resources are allocated to their highest valued uses. [Supply](https://www.boundless.com/economics/definition/supply/), [demand](https://www.boundless.com/economics/definition/demand/), preferences, [costs](https://www.boundless.com/economics/definition/cost/), benefits, production relationships and exchange are tools that are used to describe and analyze the market processes by which individuals allocate scarce resources to satisfy as many wants as possible.

The five basic questions that are asked in the study of the allocation problem are:

1. What goods and services should be produced? This requires a valuation or ranking of goods and services from most valued to least valued.

2. How many units of each good (or service) should be produced? Since not everything can be produced, some goods must be sacrificed for other goods.

3. How should those goods (and services) be produced? There are often different ways to produce a good. The amount of the good to be produced may influence the ways in which a good is produced

4. When should the goods (and services) be produced? The time that a good (or service) is available may affect its value. Producers of skis must have their new equipment ready for the ski season. Economists, accountants and others use the concept of [present value](https://www.boundless.com/economics/definition/present-value/) to adjust the value of goods (or money) that will be acquired at some point in the future. Generally, goods to be obtained or consumed at some future date are perceived to have a lower value than those available currently.

5. How should those goods (and services) be distributed among the members of society? Societies must devise rules or principles that govern how goods are shared or distributed among its members. The ways that goods are distributed may alter [incentives](https://www.boundless.com/economics/definition/incentive/) that influence the behavior of individuals. The distribution of goods among the members of society may also influence the ways in which different goods are valued.

Source: Larry Reynolds. “Economics as a Study of the Allocation of Scarce Resources.” *Basic Microeconomics*. Boundless, 20 May. 2016. Retrieved 06 Sep. 2016 from https://www.boundless.com/users/233414/textbooks/basic-microeconomics/nature-of-economics-1/economics-as-a-study-of-provisioning-18/economics-as-a-study-of-the-allocation-of-scarce-resources-50-14707/