

Guided Reading Activity

What is Economics?

Lesson 3 *Using Economic Models*

Review Questions

Directions: Read each main idea and answer the questions below. Refer to your textbook as you write the answers.

A. Economic Growth

Main Idea: Economic growth is essential to produce more goods and services for an expanding population.

1. What risks does economic growth require? Why does growth require sacrifice?

2. How does the production possibilities curve describe economic growth?

3. Explain how productivity affects economic growth.

4. What is human capital, and what is one important way you can invest in your own human capital?

5. How do division of labor and specialization contribute to economic growth?

Guided Reading Activity *cont.*

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6. Give a reason why economic interdependence can benefit economies. Give a reason why it can challenge economies.

B. Circular Flow of Economic Activity

Main Idea: The product market and the factor market in an economy connect businesses and individuals in a cyclical flow of economic activity.

1. Where do buyers and sellers go to exchange a specific product?

2. What is the type of market where productive resources are bought and sold? What is the type of market where goods and services are bought and sold?

C. Thinking Like an Economist

Main Idea: Simple models can explain complex economic ideas.

1. How do economic models help us understand unlimited and competing wants and help us make the best choices?

2. Describe a cost-benefit analysis you might make in your daily life.

Guided Reading Activity *cont.*

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3. Why would you want to use small steps to get to a big economic goal?

D. The Road Ahead

Main Idea: Knowledge of economics can help you understand how the U.S. economy functions, see the effects of decisions on your standard of living, better perform your civic duties, and understand the world around you.

1. Who makes production decisions in a free enterprise economy?

2. How can studying economics help you in your day-to-day life?

3. How can understanding economics make you a better citizen?

Guided Reading Activity *cont.*

What is Economics?

Summary and Reflection

Directions: Summarize the main ideas of this lesson by answering the questions below.

How does economic growth affect you? Why does understanding economics matter to you?
