

# Guided Reading Activity

## What is Economics?

### Lesson 1 *Scarcity and the Science of Economics*

#### Review Questions

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

#### A. Scarcity—The Basic Economic Problem

**Main Idea:** Societies do not have enough productive resources to satisfy everyone’s wants and needs.

1. Explain the difference between a want and a need.

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2. What is the difference between a good and a service? What kinds of goods are available? What are some kinds of services?

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3. What determines the monetary value of a good or service? Why are some necessities less expensive than unnecessary items?

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4. List the four characteristics of the products that make up economic wealth.

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5. Is anything actually “free”? Why or why not?

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# Guided Reading Activity *cont.*

## What is Economics?

### B. Questions All Societies Face

**Main Idea:** Because resources are scarce, all societies must decide WHAT goods to produce, HOW to produce them, and FOR WHOM they are produced.

1. Who makes the decisions about WHAT goods to produce in North Korea? Who decides in the United States? How can the decisions affect the people living in those societies?

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2. What factors go into making a decision about HOW to produce goods? Explain why Japanese producers rely heavily on robots.

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3. Why must societies decide FOR WHOM to produce?

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### C. The Scope of Economics

**Main Idea:** Economics uses description, analysis, explanation, and prediction to study people's efforts to satisfy wants and needs through management of scarce resources. Economics is also a social science because it studies people's behaviors as they deal with scarcity.

1. What is gross domestic product, and how is it a description of economic activity?

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2. How can explanation make it easier to address economic problems in the future?

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