

Explore More—Economies

Directions: Listen to your teacher talk about different kinds of economies. Refer to the maps in your Explore Geography Picture Dictionary to locate the places your teacher mentions. Circle any words you don't understand. Underline or highlight important ideas in the text. Write notes in the margins to help you understand key points. Then answer the questions in your own words.

Basic Economic Questions

In world history, we use the word *economy* to describe the way in which a region, kingdom, country, or empire produces, distributes, and manages its wealth. You will be learning about different kinds of economies as you study world history. Keep in mind, however, that every kingdom and country must answer the same three economic questions:

1. What will we produce?
2. How will we produce this product (or service)?
3. To whom will we sell (or trade) this product (or service)?

These questions are important in all economic systems. For example, early Egypt had a traditional economy. As it grew, its economy became much more complex, but these three basic questions continued to be important. They also are important questions that you will revisit as you encounter different kinds of economies.

Economic Factors

As you study different economies throughout world history, you will begin to identify factors that affect the way in which regions, kingdoms, countries, and empires answer the basic economic questions. Let's take a look at some of these factors.

Incentives: A region, kingdom, country, or empire may be encouraged to make one kind of economic decision over another. In economics, these encouragements are called "incentives." In the case of Egypt, for example, the Egyptians had an incentive to invest resources in pyramids and temples. What

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was their incentive? They wanted to make sure that they honored the gods who they believed controlled nature. As you read about economies throughout world history, think about the incentives that people have to take risks such as protecting trade routes, developing new industries such as silk making, and investing in strong armies and navies.

Interdependence: Regions, kingdoms, countries, and empires are almost always affected by other regions, kingdoms, countries, and empires. Interdependence refers to the connections between economies. For example, think about how the economy of Egypt was affected when Hatshepsut sent a trading expedition to Punt. How were the people who lived in the area of present-day Lebanon connected to Egypt?

Resources: The people and things available in a region, kingdom, country, or empire are its resources. Natural resources refer to things such as minerals, water, land, and animals. Human resources refer to the people in the society. A society's resources—both natural and human—shape the answers to the basic economic questions. For example, the natural resources of an area will determine the kinds of things people who live there can produce. The number and skill of the human resources also determine what, how many, how fast, and how skillfully things can be produced. Does the region have enough healthy and trained workers to produce goods? As you read, at the end of the Old Kingdom (c. 2750-2260 B.C.), Egypt's leaders began to fight a series of civil wars and eventually the government collapsed. No one organized the repair of the irrigation systems. This meant farmers didn't grow as much food. These circumstances greatly affected the Egyptian economy.

Human Capital and Specialization: As you think about human resources, keep in mind the idea of "human capital." This refers to the amount of investment that is made in people. For example, does the region, kingdom, country, or empire invest in training skilled workers? Is there a strong value placed on education? How does this investment in human beings affect the economy? In other words, think about how having highly educated, well-trained specialists might allow an economy to grow and prosper. Why do you think the Egyptians invested so much in scribes and other specialized workers?

Also think about why and how regions, kingdoms, countries, and empires decide whether to specialize or diversify their economies. Specialization refers to a particular area of emphasis in an economy. For example, does the society decide to grow one or two crops to export? Or do they decide to grow many different kinds of crops? Does the society decide to focus only on trade? Or does the society decide to focus on trade and farming? Societies make these decisions based on what they think is in their best economic interests.

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Taxes: Almost all regions, kingdoms, countries, and empires have some kind of tax system. When the Egyptians conquered a region, they forced the conquered people to pay them taxes. Sometimes these taxes were paid in land or goods. Sometimes, they were paid in human beings who became slaves. Every society has a tax system that reflects its ideas about how to support the government. As you learn about different societies throughout world history, think about how the various governments tax, who they tax, and how they use the taxes raised.

Economic Interests

Regions, kingdoms, countries, and empires answer many of these economic questions and address many of these economic issues depending on what is in their best economic interests. What is an economic interest? An economic interest is something that provides a desired benefit. This benefit can come in the short-term or the long-term. For example, the short-term benefit of the Romans building roads was that they were able to employ many people in the empire. The long-term benefit was that the roads connected all parts of the empire, ensuring the flow of ideas and trade goods. Sometimes, however, a decision can bring a desirable economic benefit in the short-term, but result in an undesirable consequence in the long-term. For example, in the last chapter you read about the Assyrians who were very harsh to the people they conquered. In the short-run, this allowed them to exert power over the people of the region. However, in the long-run, the conquered people rebelled and weakened the Assyrian Empire. Soon, the Chaldeans conquered the Assyrians. ❖

YOUR TURN!

Write your answers to the following questions.

1. What are the three basic economic questions? Give an example of each based on the content you read in Chapter 2.

2. In your own words, briefly describe each of these economic terms:

Incentive: _____

Interdependence: _____

Resources: _____

Human Capital: _____

Specialization: _____

Taxes: _____

3. How do people and societies decide if things are in their best economic interests? One way is to conduct an informal analysis. (You will conduct formal analyses in later chapters.) In the space below, make a list of all the reasons why you should spend more time studying and another list that shows all the reasons why you shouldn't spend more time studying. Look at both lists and then decide if studying more is in your economic interests in the short-term and long-term. NOTE: You may find that your answer is different in these two periods.

Economic reasons to get a part-time job:

Economic reasons NOT to get a part-time job:

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In the short-term it _____ in my economic best interests to study more because _____

_____.

In the long-term it _____ in my economic best interests to study more because _____

_____.

Want to Know More?

What would you like to know more about in terms of economies, economic systems, or economic factors? Frame questions that you can answer by historical study and research. Conduct this research and discuss your findings.