

## Explore More—Economic Predictors

**Directions:** *Listen to your teacher talk about the concept of economic predictors, scarcity, and costs and benefits. 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.*

### Not a Wild Guess!

A “predictor” is a factor that makes known in advance something that will happen. It isn't a wild guess! A predictor is a strong indication that suggests that because one thing has happened, it is likely that another thing will happen. For example, “studying hard” is a predictor for good grades in school. It's not absolutely definite that by studying hard you will get good grades in school. However, usually students who study hard do get good grades in school.

Predictors are especially important to experts who specialize in understanding how people and organizations produce, distribute, and manage their wealth. These experts are known as economists. They are very interested in identifying predictors of economic performance. Economic performance relates to how well an economy performs. For example, do people have jobs? Are they saving money? Are they making investments in roads and buildings? Are they investing in new tools and machines to help them become more productive? Are they harvesting many crops? All of these factors help economists predict how well the economy will perform.

Today, economists have lots of information that they can use as economic predictors. Sometimes this is called “hard data.” This means that there are published records that show the exact figures and amounts. For example, they can look at the unemployment rate. They also can look at the rate of personal savings and a country's gross national product. They can find information about tax rates and income distribution.

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## Economic Predictors and Ancient Societies

Unfortunately, we do not have this kind of “hard data” to analyze ancient societies. But that doesn’t mean that we can’t understand a great deal about the economies of people who lived long ago. People of the past faced many of the very same economic issues that we face today. We can look at the economic decisions they made and see predictors of their short-term and long-term economic performance.

Let’s look at a few of the economic issues that affect the way we make decisions today and that also affected the decisions people made in the past.

**Scarcity:** People always have had to make choices about how to use scarce resources. In the case of China around 500 B.C., for example, bronze was a scarce resource. What choices did the Chinese make related to bronze? Governments also have to deal with the issue of scarcity. They have a limited amount of money. What services will they provide with their limited funds?

*Discussion Question: How did the choices that the Chinese made during this time lead to an increase in wealth among nobles and others? (NOTE: Reread pages 174-176 in your textbook.) How did these decisions affect China’s long-term economic performance?*

**Costs and Benefits:** People generally don’t have to make “all or none” decisions. For example, if you have \$50, you can spend some of it on food, some of it on a gift for your friend, and some of it to go to a movie. In other words, you don’t need to spend all of it in one way. You decide how you are going to spend your money. Countries face the same issue. How much should they spend on health services? How much should they invest in education? How much should they use for the military? There are always “trade-offs” in economic decisions. This issue also relates to “opportunity costs.” For example, if the country invests a lot in the military, there may not be much leftover to put into health services and education. The country has lost the chance to invest in its health services and education, a circumstance that is called an opportunity cost. Also keep in mind that economic decisions often have political costs. One way to see the implications of economic decisions is to do a cost/benefit analysis. To do this, ask and answer the following questions: What is the cost of the decision? (And don’t forget to include any opportunity costs and political implications!) What are the benefits of the decision?

*Discussion Question: Imagine that you are king of a small Chinese kingdom who wants to unify all of China and become emperor. Where would you invest your resources? What are the costs and benefits of your choice? Be sure to include opportunity costs and political implications. (Note: In the next chapter, “The Chinese Empire,” you’ll read how one person made this choice and the consequences of it.) ❖*

## YOUR TURN!

Write your answers to the following questions.

1. What is an economic predictor? Give an example.

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2. Describe the concept of scarcity. Give one example of scarcity in China around 500 B.C. and one example in your life today.

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3. What is a cost/benefit analysis?

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### **Want to Know More?**

What would you like to know more about economic predictors, scarcity, and cost/benefit analyses? Frame questions that you can answer by historical study and research. Conduct this research and discuss your findings.