

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 their 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)?

Traditional, Command, and Market Economies

These questions are important in all economic systems. For example, early Rome 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. For example, the Inca of South America, who you will read about later, had what economists call a “command economy.” The government centrally controls this kind of economy. The Spanish and French colonies in the Americas were command economies, too. You will learn more in coming chapters about market economies. A market economy is decentralized. In other words, a central government does not control it. A market economy is based on the buying and selling of goods. The United States has a market economy.

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:

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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 the Roman Empire, the Romans had an incentive to invest resources in roads. What was their incentive? They wanted to connect all parts of their empire, which would allow the flow of communication, trade goods, and taxes. As you read about economies throughout world history, think about the incentives that people have to take risks such as beginning new businesses.

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 Octavian defeated Cleopatra and Marc Antony at the battle of Actium. How was the Roman Empire’s economy affected when large groups of Germanic people began pouring into the empire?

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, during the 200s thousands of people died from disease in the Roman Empire. This meant that there were not enough farmers to grow food. People could not pay their taxes. These circumstances greatly affected the Roman 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. Also think about why and how regions, kingdoms, countries, and empires decide whether to specialize or diversify their economies.

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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 decide is in their best economic interests.

Taxes: Almost all regions, kingdoms, countries, and empires have some kind of tax system. When the Roman Empire 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 Roman slaves. Every society has a tax system that reflects its ideas about who should pay support to the government. In the next unit, you will read how people who converted to the majority religion paid a lower tax than people who wanted to keep their own, minority religion. 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, when Roman soldiers returned home to find their farms in ruin, they could decide to rebuild them or sell them. Many sold their farms and took their families to the cities. However, when they got to the cities, they could not find work and the money they had received from the sale of their farms soon ran out. ❖

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 get a part-time job and another list that shows all the reasons why you shouldn't get a part-time job. Look at both lists and then decide if getting a part-time job 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.

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| <p>Economic reasons to get a part-time job:</p> <p>Economic reasons NOT to get a part-time job:</p> <p>=====</p> <p>In the <u>short-term</u> it _____ in my economic best interests to get a part-time job because _____ _____.</p> <p>In the <u>long-term</u> it _____ in my economic best interests to get a part-time job because _____ _____.</p> |
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Want to Know More?

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