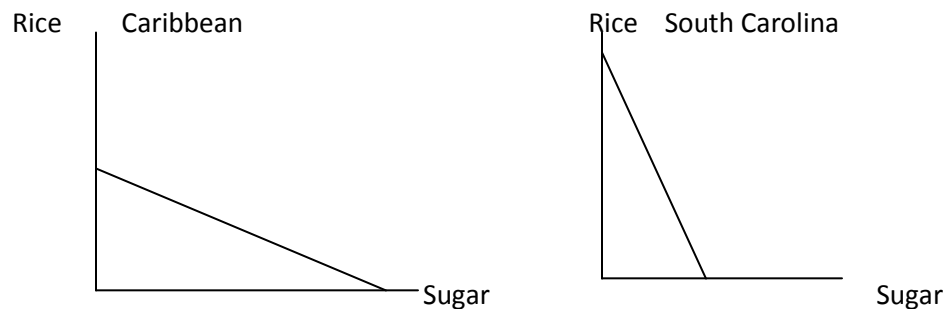


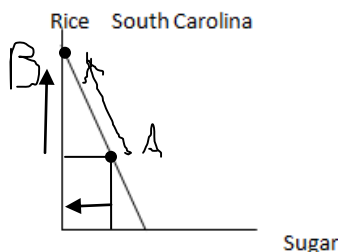
In the early 1700s, rice and sugar could be produced in the British colonies of Jamaica and South Carolina. The climate and land were relatively better for producing sugar in the Caribbean and for producing rice in South Carolina.

- a. **Draw (2 points)** one production possibilities model for South Carolina and one for Jamaica, assuming rice and sugar are the only possible types of production in both colonies. **Explain (1 point) the shapes of your PPCs.**
- b. Due to piracy, trade from North America to the Caribbean (including Jamaica) in 1700 was difficult. Pirates of the Caribbean would board the ships and steal the cargo. Sometimes they would sing songs: "Yo ho! Yo ho! The pirate's life for me!" But between 1720 and 1740, the British Royal Navy successfully eliminated piracy in the Caribbean and along the Atlantic Coast (and the pirates learned songs like "Chain Gang").
 - i. Explain (2points): What impact did defeating the Pirates of the Caribbean have **on trade** and on the **use of land and labor resources in South Carolina**? Why?
 - ii. Draw (1point): Use the Production Possibilities model and the concept of opportunity cost to help explain the changes.

- a. Assuming that the x and y axes represent the same units of measurement, the PPCs show that SC pays a larger opportunity cost for sugar than the Caribbean, and the Caribbean pays a larger opportunity cost for Rice. The PPCs show constant opportunity costs because all land in SC is equally ill suited to sugar and all land in the Caribbean is equally ill suited to rice.



- b. South Carolina could decrease the opportunity cost of Sugar through trade with the Caribbean and farm more rice. Before the Pirates were defeated, trade was too risky, so SC grew both rice and sugar. When the Royal Navy defeated the pirates, the opportunity cost of trade decreased as the risk of lost cargo decreased. Therefore, SC began to give up sugar production and specialize in Rice (moving from point A to point B) and trade for Sugar with Jamaica, because they could give up less rice for more sugar when trading. Total consumption, total exports and total profits would increase, allowing more investment in their economy and greater growth.



If you drew the PPC as having increasing costs, answer (a) will look like this:

- a. Assuming that the x and y axes represent the same units of measurement, the PPCs show that SC pays a larger opportunity cost for sugar than the Caribbean, and the Caribbean pays a larger opportunity cost for Rice. The PPCs show increasing opportunity costs because not all land resources are equally capable of producing both sugar and rice in both colonies.