

## ACTIVITY 6.1

**FIVE-STEP DECISION MODEL OF PRODUCTION FOR THE MIDDLE COLONIES**

1. State the colonial producers' problem in the middle colonies:

2. List the production alternatives:

LIST THE ALTERNATIVES AND DETERMINE BENEFITS AND COSTS FOR THE MIDDLE COLONIES			
Production Alternatives	Maximize benefits	Minimize resource costs	Minimize opportunity costs
<i>Alternative 1: Fish</i>	<i>Pounds of fish</i>		
<i>Alternative 2: Wheat</i>	<i>Pounds of wheat</i>		

3. List the criteria:

4. Evaluate:

5. Decide:

6. How did trade between the New England and Middle Colonies benefit both regions when they operated on the basis of comparative advantage?

## ACTIVITY 6.2

### WHAT SHOULD THE COLONIES PRODUCE?

1. **Consider the problem in each region.** Each region has limited productive resources, and people in each region want to produce the maximum amount of output, given scarce resources. The production possibilities table below displays what each region can produce if it only produces fish or wheat.

Natural resources, capital and human resources	Produce only fish (pounds)	Produce only wheat (bushels)
New England	500 Fish, 0 Wheat	0 Fish, 100 Wheat
Middle Colonies	600 Fish, 0 Wheat	0 Fish, 1200 Wheat

2. **Consider the alternatives.**

a. New England:

- i. How much fish can New England produce if it only produces fish?
- ii. At what cost does New England produce 500 fish when all resources are allocated for fish production? Consider this in comparison to the opportunity cost of producing wheat.
- iii. What is the cost of producing 1 pound of fish?
- iv. What is the cost of producing 1 bushel of wheat?
- v. Which product requires lowest opportunity cost when all else is held constant?

b. Middle Colonies:

- i. How much fish can the Middle Colonial Region produce if it only produces fish?
- ii. At what cost does the Middle Colonial Region produce 600 fish?
- iii. What is the cost of producing 1 pound of fish?
- iv. What is the cost of producing 1 bushel of wheat?
- v. Which product requires lowest opportunity cost when all else is held constant?

c. Which region has a comparative advantage in producing fish and wheat? Explain.

d. Should these regions trade? Explain.

e. Are there any disadvantages to operating on the basis of comparative advantage?