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Visual 7 Why Boris Couldn't Buy Much with His Rubles

The former Soviet Union was a super power in mineral wealth, military power, and space exploration.

Yet this strong and proud nation had difficulty producing simple, commonplace things—good shoes, for example, or good shirts, cars, bread, or French fries.

Why did a super power capable of building ICBMs not produce high quality consumer products?

Handy Dandy Guide

1. People *choose*.
2. People's choices involve *costs*.
3. People respond to *incentives* in predictable ways.
4. People create *economic systems* that influence individual choices and incentives.
5. People gain when they *trade* voluntarily.
6. People's choices have consequences that lie in the *future*.

Activity 7 Why Boris Couldn't Buy Much with His Rubles

Directions. Read the *Handy Dandy Guide* and the mystery. Read the clues assigned to your group. Be careful. While all the clues are correct, only some are *useful* in solving the mystery. Decide which clues are most relevant to solving the mystery. Use the clues and one or more of the ideas from the *Handy Dandy Guide* to figure out a solution to the mystery. Write your solution.

Handy Dandy Guide

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The Mystery

The former Soviet Union was a super power in mineral wealth, military power, and space exploration. Yet this strong and proud nation had difficulty producing simple, commonplace things—good shoes, for example, or good shirts, cars, bread, or French fries.

Why did a super power capable of producing ICBMs not produce high quality consumer products?

The Clues

1. The Soviet Union had a vast store of natural resources including timber, gold, and minerals of all sorts.
2. The Soviets strictly limited trade with the West.
3. The Soviets held several records in space exploration, including the first successful launch of an earth satellite.
4. Soviet enterprises did produce consumer products, but the products were often shoddy and in short supply.
5. The Soviets had vast reserves of oil.
6. In 1991, the Soviet Union collapsed.
7. The largest car manufacturing plant in the history of the auto industry was built in the Soviet Union.
8. The command form of economy established under Joseph Stalin offered few rewards to people who produced consumer goods.

Record your solution and explain it briefly here:

they might make other plans—deciding, perhaps, to drive to their destination instead (Clue 3). Even for airborne infants sitting on their parents’ laps and not in a safety seat, flying is safer than riding in a car (Clue 4). Thus, the Federal Aviation Administration is saving infant lives by refusing to require the use of safety seats for infants on airplanes. This is a case where doing nothing is the better option when it comes to saving lives.

LESSON 5

Having Many Children or Few

Most people eventually get married and have a family. But sometimes the number of children people decide to have is a puzzle. People in poor nations generally have more children than people in rich nations.

Why do people who can barely pay for life’s necessities have more children than people who are more affluent?

Clues 2, 3, 6, and 7 are important for solving this mystery.

Solution

For people in poor nations, the benefits of having children must outweigh the costs. For people in wealthy nations, the costs of having children must outweigh the benefits.

The benefits of having children in a poor nation include the joy children bring to their parents. The children may also be an economic asset, contributing income to the family and looking after their parents in their parents’ old age (Clue 3).

The costs of raising children in a poor nation are relatively low. Women in poor nations—owing to relatively low levels of education—often have a low opportunity cost for having children (Clue 2). They give up little in the way of alternative possible uses of their time.

The main benefit of having children in a wealthy nation is the joy the children bring. Children contribute little to family income (Clue 7). The costs of having children include a high opportunity cost for women

(many of whom do give up important alternative uses of their time to focus on child care) and high direct costs including the cost of clothing, housing, recreation, and post-secondary education (Clue 6).

LESSON 6

Scarce Health Care in the Inner Cities

At a political rally, Senator Phogbound waxed eloquent about a complicated plan he had introduced to improve health care for low-income residents in America’s inner cities and rural areas. The plan would cost billions. As the Senator went on and on, a voice from the audience called out: “Ease up on our immigration restrictions, Senator and more people will have access to health care!” Easing up on immigration restrictions would cost very little.

How could easing immigration rules help to provide health care to those who need it most?

Clues 2, 5, and 6 are the most important for solving this mystery.

Solution

Changing the rules of the game may influence choices and incentives. Many physicians choose not to practice in America’s inner cities (Clue 2). If our immigration rules were changed to encourage the immigration of International Medical Graduates (IMGs) to the United States, more health care would be available (Clues 5 and 6). Many newly-arrived physicians would take up neglected family practices, especially in rural areas and in large cities. Moreover, such an increase in physicians would decrease the cost of health care, if nothing else changed.

LESSON 7

Why Boris Couldn't Buy Much with His Rubles

The former Soviet Union was a super power in mineral wealth, military power, and space exploration. Yet this strong and proud nation had difficulty producing simple, commonplace things—good shoes, for example, or good shirts, cars, bread, or French fries.

Why did a super power capable of producing ICBMs

not produce high quality consumer products?

Clues 2, and 8 are the most important for solving this mystery.

Solution

While the former Soviet Union was a super power in mineral wealth, military power, and space exploration, its command economy was driven by decisions made in Moscow. These decisions favored such national goals as keeping a strong military and competing with the West in space exploration. Very little emphasis was placed on producing what consumers wanted (Clue 8). Moreover, the rules of the command system prevented importing goods from the West; as a result, Soviet state enterprises were never exposed to competition (Clue 2).

LESSON 8

Why Would Mexico Want to Trade with the United States and Canada?

The people of Mexico are proud of their heritage, and they dislike outside interference in their affairs. Over the years Mexico has often been in conflict with its prosperous neighbor—the United States. Mexico and the United States have fought a war with each other, have had many border clashes, and have often disagreed about immigration and drug enforcement policies. Moreover, the two nations are economically different. Mexico has a relatively small economy, while the U.S. economy is the world's largest.

Mexico has joined the United States and Canada in agreements aimed at increasing trade among the three countries.

Why would a nation like Mexico, with a proud past and small economy, want to increase trade with the United States—a former enemy with a larger economy?

Clues 4, 5, and 6 the are most important for solving this mystery.

Solution

The North American Free Trade Agreement (NAFTA) significantly reduced trade barriers be-

ated voluntary trade among businesses in these nations. The results included more jobs in Mexico and, thanks in part to increased imports from the United States and Canada, lower prices for consumers (Clue 5). The United States also benefited from trade with Mexico; increased exports from the United States produced new jobs (Clue 6).

LESSON 9

The Heart Throb Mystery

Every news stand sells magazines featuring glamorous, stylish people. Many Americans admire these attractive people. Some fantasize about meeting or even dating the heart throbs of *People Magazine*, *Glamour*, *GQ*, and the rest.

Yet social scientists have found that people who are physically very attractive—those who seem most desirable—are less likely to marry than people whose appearance is more ordinary.

You might think the heart throbs would have suitors lined up outside their doors, eager for marriage. Why is this not so? What happens to the heart throbs on the way to the altar?

Clues 2, 3, and 4 are the most important for solving this mystery.

Solution

Though we may not think about it in these terms, dating and marriage have something to do with choices, costs, and attention to future consequences. Highly attractive individuals offer a unique set of costs and incentives to potential suitors. For some suitors, the costs of competing for (and keeping) an attractive spouse are seen as too high (Clues 2 and 4). They prefer to seek a less glamorous spouse. Attractive people themselves face risk in courtship and marriage. They worry that potential suitors are interested only in physical attraction rather than a relationship built on character, respect, and mutual interests (Clue 3). The Heart Throb Mystery is a good one to use around Valentine's Day.



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