

Critical Thinking Questions

Consumer Goods, Capital Goods, and the Soviet Choice after World War II

Student Name: _____ Date: _____

Directions

Answer each question in complete sentences. Use the production possibilities curve, opportunity cost, tradeoffs, productive capacity, incentives, and institutional quality where appropriate. Strong answers should explain both the economic logic behind the Soviet choice and the long-run weaknesses that resulted.

Questions

- Using a production possibilities curve with consumer goods on one axis and capital/defense goods on the other, explain how the Soviet Union's postwar choice would be shown on the graph. What opportunity cost did the Soviet Union accept by choosing a point closer to capital goods?
- The case study says the Soviet choice was not irrational in the narrow sense. Defend or challenge that statement. In your answer, separate the short-run argument for heavy industry from the long-run consequences for ordinary consumers.
- A country can be on its PPC and still make choices that harm living standards. Explain how this could be true in the Soviet case. Then explain how shortages, poor quality, queues, or unfinished construction might suggest that the economy was operating inside its PPC rather than efficiently on it.
- The Soviet Union achieved industrial and military strength while many households still struggled to obtain better food, clothing, shoes, appliances, and housing. How can both statements be true at the same time? Use the difference between total output and consumer welfare in your answer.
- The case study describes administrative pricing and artificially low official prices. Explain how a shortage can occur even when production is increasing. Why does this show that a PPC graph is useful but not enough by itself to explain the full economic problem?
- The Soviet economy exported energy products and raw materials while importing processed goods, food products, and some consumer goods. What does this trade pattern suggest about the strengths and weaknesses of the Soviet economy? Connect your answer to comparative advantage, productivity, and product quality.
- Higher oil prices in the 1970s helped the Soviet Union pay for imports, but the case study says this masked rather than solved the underlying problem. Explain what it means for a temporary external benefit to mask a structural weakness. How would this affect the economy once oil prices or export revenue weakened?
- Suppose Soviet planners after World War II had shifted more resources toward consumer goods and less toward heavy industry and defense. What would have been the likely benefits and costs of that alternative? Discuss reconstruction, national security, current living standards, and future productive capacity.
- The case study argues that institutions matter because investment only succeeds when it creates productivity, innovation, maintenance, and consumer satisfaction. Explain how weak incentives and poor adaptation to consumer preferences can reduce the payoff from capital investment, even when the nation devotes many resources to capital goods.
- Evaluate the statement: "The Soviet Union collapsed because it neglected consumer goods." Is this statement too simple, partly correct, or mostly wrong? Build a balanced argument that includes the consumer-goods tradeoff along with other causes such as political change, military burden, reform problems, and declining growth.