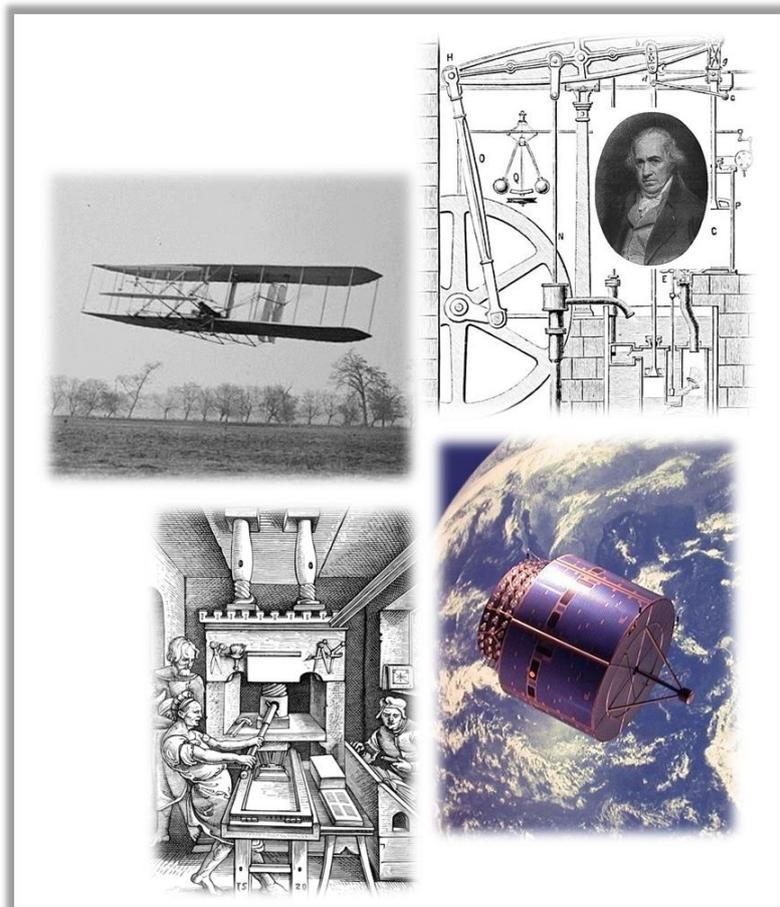


US vs. USSR rivalry

What makes the economy tick series

Understanding our economic future through history



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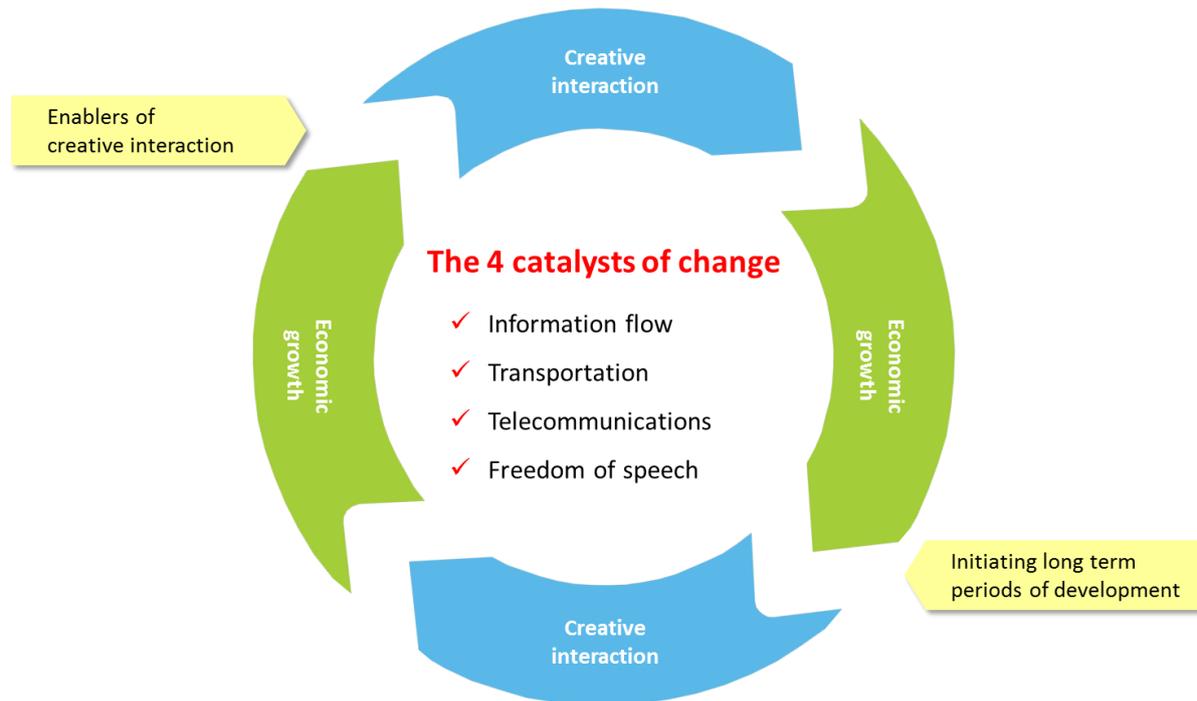
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*“Creativity is just connecting things. When you ask creative people how they did something, they feel a little guilty because they didn’t really do it, they just saw something. It seemed obvious to them after a while”, **Steve Jobs***

A new way of understanding growth

Ever wondered why the United States prevailed in the Cold War against the Soviet Union? Or what led to the collapse of the Soviet Bloc in the 1990s?

Based on the methodology presented in a recent post, titled "[What makes our world and the economy tick?](#)", in order to understand these growth dynamics, we should seek for significant progress in the following key areas: information flow, transportation, telecommunications, and freedom of speech.



These advancements, apart from being important on their own, act as a **catalyst** for future growth by boosting effective communication, thus facilitating business and economic transactions, free exchange of ideas, and other types of **creative interaction**, therefore, resulting in the initiation of a virtuous cycle of more innovation and economic activity.

The theory was tested in the three most recent periods of the modern western civilization, the Renaissance, the Industrial Revolution, and the Globalization Era, and it turned out to work fine.

In this post, we will use the same framework to explain the gradual fall of the USSR and explain why the US eventually prevailed in this forty year war.

Information flow and Telecommunications

These are two areas where both countries made significant advancements, but with a different scope of application. The USSR focused mainly on the espionage part, using a huge team of well-trained spies and high tech equipment to acquire and transfer sensitive information from the US to the USSR. The US, on the other hand, used information and communication technologies to facilitate communication between everyone, in or out of the US. Overall, the US scores much better in the Information flow and the telecommunications areas, not necessarily due to the use of more advanced technology, but more due to its broadest possible application to the society, business, and everywhere.

Transportation

Again, this is not just the development of the right technology but also its scope of application. We see advancements in transportation technologies, such as in cars, airplanes, or other relevant areas, affecting the whole world, including the two countries. However, the USSR chose to use these mainly for military purposes, where the US used them everywhere. Actually, one of the key investment areas of President Roosevelt's New Deal just before WWII, was the drastic improvement of the transportation infrastructure of the US, including roads, bridges, etc. Not only that helped the US, along with subsequent war spending, to bring the country out of the Great Depression, following Keynes economic suggestions to FDR, but also gave the US a competitive edge in the transportation and logistics area.

Freedom of speech

The US was established as a democratic state before two centuries and it successfully adheres to this doctrine till our days. Russia, on the other hand, in all its state and political forms, including the USSR, was never a democracy until the last few decades. Even now, Russia still scores high on the [corruption](#) of the public and the private sector, a factor that significantly limits free thinking with obvious repercussions to the innovation capacity of the country.

Conclusion

In all the aforementioned factors of change, the US scores much higher than the USSR. So, perhaps, it's not a surprise that the US eventually won the Cold War and is still the dominant economic power of the world, despite it faced many challenges over the years, by other countries like Germany, the USSR, Japan, and more recently China.

Based on these thoughts, it seems that the outcome of the Cold War was to some extent "predetermined". The authoritarian and military oriented nature of the Soviet Union, directed investments in relevant areas of interest, thus limiting the scope of technology usage and knowledge distribution mainly to non-commercial government applications. If the USSR was established from the beginning as a democratic state, with more freedom of speech, focus on entrepreneurship, and more rights granted to its citizens, then, perhaps, it would have a better chance of winning the Cold War. Of course, in this scenario, it is possible that there wouldn't be a Cold War to speak of...