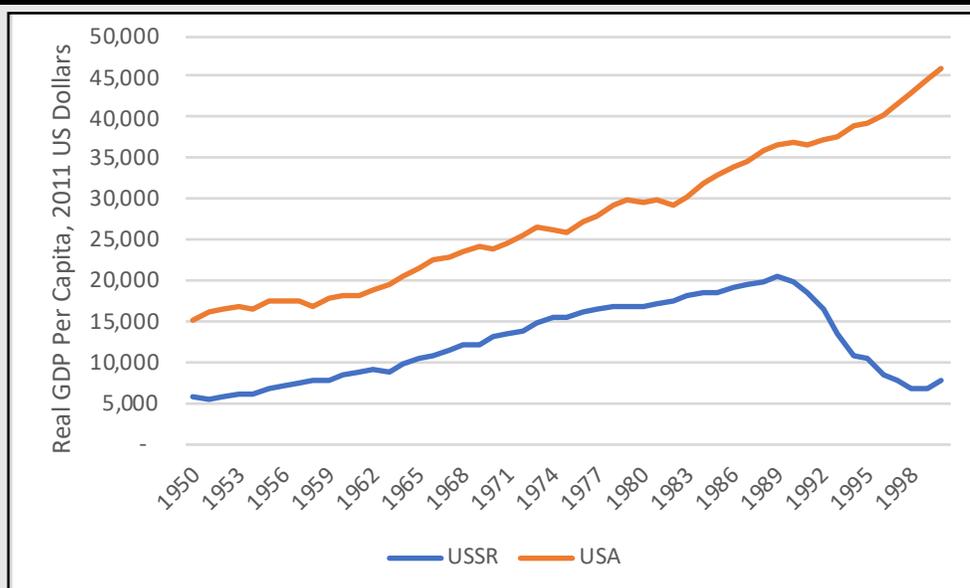


FIGURE 60



Real GDP Per Capita in the U.S. and the U.S.S.R., 1950 to 2000. (Note: Data from 1992–2000 is aggregated across multiple countries that were formerly part of the U.S.S.R.)

Source: <http://www.ggd.net/maddison>.

on Soviet citizens; for example, the low quality of Soviet healthcare and diets contributed to lower life expectancies while poor quality housing often meant less than ideal living conditions.

FIGURE 60 illustrates the differences in real GDP per capita between the United States and the Soviet Union during the Cold War. These data, based on estimates compiled by Angus Maddison, show Soviet GDP per capita never really approached that of the United States throughout this period. (The data also illustrate the devastating economic effects of the collapse of the Soviet Union in the late 1980s and early 1990s.)

The problems the Soviet economy faced were fundamentally a result of a lack of markets; in the United States, prices that emerge as buyers and sellers interact in markets provide valuable signals to guide economic decisions, but in the Soviet system markets and prices were suppressed as they were replaced by centralized planning of the economy. This resulted in shortages of some goods, which forced Soviet consumers to wait in line for those things. When prices are not allowed to allocate goods to consumers, a non-price mechanism (here, waiting in line in a first-come-

first-served system) will play that role. According to economist Mark Harrison, the Soviet system “built the capacity of an authoritarian state to select and direct personnel, to protect its supply chains and to channel and filter information.”⁵⁴ Unlike in the American economy, Soviet consumers had little influence over what was produced, and there was little competition among the producers. As a result, inefficiencies piled up and contributed to economic stagnation. As Philip Hanson put it, the Soviet system repeatedly “ran into the limits on economic progress set by a system that took shape during industrialization in the 1930s.”⁵⁵

But this is not to say that the Soviet economy was incapable of impressive feats. In particular, the industrial capacity of the U.S.S.R. was remarkable at its zenith, and the U.S.S.R. did develop important technology that helped them beat the Americans to space and build what was perhaps the most formidable military power on the planet. The Sputnik program probably best exemplifies Soviet technology at its height. *Sputnik* was the world’s first satellite, launched in October 1957; while it was only a single event, it marked the beginning of the space race between the