
WHY UNITED STATES REMAINED A SUPERPOWER AND THE SOVIET UNION DID NOT? AN INSTITUTIONAL ANALYSIS

Adrian Eugen PREDA

Scientific Research Assistant, PhD, “Constantin Brâncuși” University of Târgu Jiu

Abstract: *THE PRESENT PAPER REPRESENTS A COMPARISON BETWEEN THE POLITICAL AND ECONOMIC INSTITUTIONAL SETTINGS OF THE UNITED STATES AND SOVIET UNION IN THE MOMENT OF THE END OF THE COLD WAR, FROM THE THEORETICAL LENSES PROVIDED BY THE NEW INSTITUTIONAL ECONOMICS MODEL AS DEvised BY DARON ACEMOGLU AND JAMES A. ROBINSON. THIS PAPER TRIES TO ANSWER THE QUESTION OF WHY THE UNITED STATES PRESERVED THE SUPERPOWER STATUS AND THE SOVIET UNION DID NOT. THIS PAPER ARGUES THAT THE UNITED STATES HAD BETTER POLITICAL AND ECONOMIC INSTITUTIONS THAN THE SOVIET UNION. THEREFORE, THE SUPERIOR CHARACTER OF THE AMERICAN INSTITUTIONS MADE THE DIFFERENCE AT THE END OF THE COLD WAR, THE UNITED STATES BEING ABLE TO PRESERVE ITS SUPERPOWER STATUS, WHILE THE SOVIET UNION COLLAPSED AND DISAPPEARED AS A STATE.*

Keywords: EXTRACTIVE INSTITUTIONS, INCLUSIVE INSTITUTIONS, SOVIET UNION, UNITED STATES

**Contact details
of the
author(s):** Email: adrian.e.preda@gmail.com

INTRODUCTION

During the Cold War, two opposite social and economic systems competed to gain the primacy in the world. These two systems were the Western capitalist system, with the United States as its leader, and the Eastern socialist system, led by the Soviet Union. Having so much power compared to the other tier two powers, both states were labelled as superpowers and behaved accordingly, with their own agenda and world interests. After the Cold War, one of these leaders – the Soviet Union – collapsed as a state, and its successor – the Russian Federation – lost the status of superpower, while the other – the United States – preserved its position, remaining the sole superpower in the world. The question that arises is: why the United States preserved its superpower status, while the Soviet Union



collapsed? I argue that the answer (at least one of them) can be given by the nature of the internal political and economic institutions. Therefore, did United States had better institutions than the Soviet Union?

The present paper addresses the reasons for which the United States remained the sole superpower in the world after the end of the Soviet Union, based on the institutionalist arguments provided by Daron Acemoglu and James A. Robinson, and their dichotomy between inclusive and extractive institutions. In this essay I argue that the United States retained their status because it had some internal political and economic institutions which were more performing than those of the Soviet Union. The main idea is that the difference between the United States and the Soviet Union was made by the liberal regime from the United States. More exactly, the hypothesis of the present paper states that the United States remained a superpower because it had inclusive internal institutions, while the Soviet Union has fallen because of its extractive internal institutions.

The paper is organized as it follows: the first part is reserved for a short presentation of political and economic institutions, as devised by Acemoglu and Robinson; the second part is reserved for a presentation of the international context around the fall of the Soviet Union; in the third part follows a comparison of the American and Soviet political regimes and economies; in the fourth part follows the analysis based on the theoretical framework; while the final part is reserved for the conclusion.

INCLUSIVE AND EXTRACTIVE INTERNAL INSTITUTIONS

According to the institutionalist approach in Political Science, the success of the social interaction, being economic, political or of other social nature, is highly influenced by the institutional setting designed by the human factor. The institutional setting can take the form of political or economic institutions, that can regulate human activity in these areas. As Douglass C. North put, the institutions are “the rules of the game”, that “define the way the game is played”, with organizations acting as the players (North, 2005, p. 22). Thus, a democratic regime can encompass a web of institutions, such as free speech, free and fair elections, freedom to speech etc., with parties or NGOs acting as players in the democratic game, as designed by the institutional setting. Accordingly, a capitalist system encompasses institutions such as free movement of goods and services, free and fair competition and, above all, a free market, while actors such as the firms or even the state can represent the players. According to Daron Acemoglu and James A. Robinson, there are two types of economic and political institutions, *extractive* and *inclusive* (Acemoglu & Robinson, 2012), which influence the economic success (Acemoglu & Robinson, 2012, p. 57).

The *inclusive economic institutions* allow and encourage the great mass of people to take part to economic activities, guaranteeing private property, impartial laws and a public services system in order for individuals to have exchanges and contracts between them. People are allowed to choose their careers and to open firms. This kind of institutions backs the productivity raise and prosperity, while the private property motivates people to invest and be more productive (Acemoglu & Robinson, 2012, p. 58).

Private property is not guaranteed by *extractive economic institutions* and the majority of the population is forbidden to take economic decisions, given the coercive nature of the system. The state does not provide public services for prosperity and the laws are one-sided. These institutions are economically advantageous for a minority (Acemoglu & Robinson, 2012, p. 59).

The *absolutist (extractive) political institutions* involve unlimited and unconstrained power. They favour people in power, who back extractive institutions for consolidating their position and accumulate wealth by extracting it from the society (Acemoglu & Robinson, 2012, p. 61). The *pluralist (inclusive) political institutions*, involve constrained power, which rests within a wide coalition. The



power is not concentrated by a single individual or a restrained group (Acemoglu & Robinson, 2012, p. 61).

The design of political and economic institutions can exert a great influence on the economic performance of a nation or other political groups, as both types of institutions can influence each other. Authoritarian or totalitarian political elites tend to be in favour of absolutist/extractive political institutions in order to be free to exert their rent seeking objectives. In democratic/liberal regimes, the political power is constrained by a wide diffused group, which can exert some kind of a checks and balances system, in order to limit the power of the political elites.

THE INTERNATIONAL CONTEXT AROUND THE FALL OF THE USSR

The international relations after the Second World War until 1989/1991 were dominated by two superpowers, that emerged victorious in the war against the Axis powers, namely the United States and the Soviet Union, as leaders of the Western and the Eastern blocs, being in an antagonistic posture and separated by a so-called “iron curtain”. The Soviet Union dissolved in December 1991 and its place was taken by the Russian Federation and 15 independent former composing republics, while 11 of them formed the Commonwealth of Independent States (Kenez, 2006, pp. 275-277), with the nationalist tendencies expressed by the peoples encompassed by the Soviet Union as one of the causes (Beissinger, 2009). The USSR dissolution was the last stage from a process starting with the coming to power of Mikhail Gorbachev in 1985 (Pașcu, 2014, p. 21), who tried to reform the Soviet political and economic systems (or institutions, for this case), with the aim to save the entire Communist system, by the so-called *glasnost* and *perestroika* reform programs (Kotz & Weir, 2007, pp. 57-104). It can be also argued that the dissolution has started earlier, from the Brezhnevian irreversible period of stagnation (Brown, 2009, pp. 398-418). The changes from the interior were completed by others at the international level. In 1989 the Communist regimes from the satellite states had collapsed and began to look towards the West (Soulet, 2008; Tismăneanu, 2007) and in 1991 the Warsaw Pact dissolved (Bohlen, 1991). Thus, in 1991, the Soviet Union remained alone, without its former allies from the Warsaw Pact – Poland, Romania, Bulgaria, Czechoslovakia, Hungary and the German Democratic Republic, united with Western Germany – while was struggling with an internal crisis.

AMERICAN AND SOVIET POLITICAL REGIMES AND ECONOMIES: A COMPARISON

The American political system is based on the state separation of powers (legislative, executive and judicial branches) (The Constitution of the United States, 2023), on two levels: federal and state (Arnold & Malamud, 2004). As the United States are a constitutional federal republic, the American political system is based on a Constitution, a framework for government organization and also an instrument to limit the governmental powers (Arnold & Malamud, 2004, p. 3). According to the American republican organization, the people is the holder of power and exert it by regular elections of the President, Congress and other representatives (Arnold & Malamud, 2004, p. 3), from the two dominant political parties, Republican and Democrat (Vile, 2007, p. 45).

The American economic system is organized according to the principles of a capitalist market economy, based on private property and initiative, encouraging competition and risk taking (Namba & Friedman, 2012, p. 3). In the American economic system, the market is the primary economic institution, where different products are sold, mostly by private enterprises, which are some of the most important economic entities. As in any democratic system, people in the United States have a role in outlining the policies through voting. After experiencing a recession in the 1970s and early 1980s, since 1983 the American economy has begun to recover, due to tax cuts and limitation of the governmental body and interference in economy (Plunkert, 1990; Feldstein, 1994). Moreover,



president Ronald Reagan came with the Strategic Defence Initiative military program and embarked on a massive rearmament program, concerning the modernization of the strategic and conventional forces (Korb & Brady, 1984-1985, p. 5), thus relaunching the arms race and international competition with the Soviet Union. After successive increases in economy, in 1990 the American GDP was \$5.96 tn. (The World Bank, 2023a), while the defence budget was around 5.6% from GDP (The World Bank, 2023b), at a value of \$325.13 bln. (The World Bank, 2023c).

According to the last Constitution, from 1977, in the Soviet political system the Communist Party of the Soviet Union was the only party allowed, being “[t]he leading and guiding force of the Soviet society and the nucleus of its political system, of all state organisations and public organisations” (USSR Constitution [1977] 2023). As the depository of Marxism-Leninism, the CPSU, had the role to determine the general lines in societal development and external affairs (USSR Constitution [1977] 2023). Over time, the members of the CPSU had become a new exploiting social class (Djilas, 1957; Silverstone, 1983). The secret police, KGB, was the main organization with the aim to suppress the so-called threats to the state authority and undesired views within the people, while the media was censored by the Party, even tough, after *perestroika* was initiated, the control was undermined (Richter, 2007, p. 4). The elections were single-candidate, serving various purposes, among them to consolidate the regime to the population (Karklins, 1986, p. 449).

The economic system, according to the 1977 Constitution, was based on state and cooperative property, completed by collective farms, more exactly “the socialist ownership of the means of production” (USSR Constitution [1977] 2023). Also, “[n]o one has the right to use socialist property for person gain or other selfish ends” (USSR Constitution [1977] 2023). The state controlled the labour activity and consumption, while the entire economy was planned by the state. The only private economic activity was allowed in individual or family activities (USSR Constitution [1977] 2023). During the Brezhnev reign, the Soviet economy stagnated (Sakwa, 2002, p. 7) and Mikhail Gorbachev, after coming to power, tried to reform the political and economic system of the USSR, by inspiring from capitalist ideas, but his reforms failed (Gaddis, 2006, p. 234). The Soviet economy started to go down, as in 1990 and 1991 the GDP had fallen by 2%, respectively 8% (Shleifer & Vishny, 1991, p. 341), with a total of \$2,7 tn. (UNData, 2023), only a half of the American economy. Regarding the defence budget around the year of 1990, due to lack of data clarity and transparency, the estimates vary, from 9% to 15% of GDP (Steinberg, 1990, pp. 676-677).

ANALYSIS. WHY THE UNITED STATES REMAINED THE SOLE SUPERPOWER AND THE SOVIET UNION COLLAPSED?

The analysis is based on the framework of inclusive – extractive political and economic institutions, applied on the institutional settings of the United States and the Soviet Union. The main difference between the United States and the Soviet Union is that both superpowers were based on opposing political and economic institutional settings. In the United States, the political institutions were designed according to the principle of separations of powers and the citizens had the right to elect between various candidates, from two major parties, the Republican and the Democratic. Therefore, the power of the elites in society was restrained by the will of the people, who can also influence the economic policies through voting. As a result, in the United States the people had the right to choose between policies and leaders and the power was distributed widely in the society. The same happens also in the present. As for economic institutions, as nowadays, the American people had the right to private initiative and ownership of the means of production in order to satisfy their needs and sell their products on the market, facing risk and competition with other participant economic actors. The state guarantees the existence of a market where everyone can participate in exchanges within it and buy the products from private firms. As the statistical data had shown above, after 1983, the American



economy had begun to raise, which permitted a greater allocation for defence budget. In sum, the American political and economic institutions were inclusive, allowing a greater part of the population to participate in taking political decisions and in economic life, while the power of the political elites was restrained by the nature of the institutional setting.

In contrast, in the Soviet Union the power was unrestrained, the political life being under the single control of the Communist Party of the Soviet Union. The people did not have the right to choose between other parties or candidates, because of single-candidate elections. Thus, the power did not rest in the people, but in the leadership, the Soviet political elites. Also, control of the population was exercised the state through its repressive bodies, such as the KGB, or by media. As a result of Party control, the economy was centralized and organized according to a plan and did not allow the free initiative, especially that there was no private property and the economy was state planned. Therefore, the people were not enjoying freedom to make their own businesses (except individual or family) and to sell products on the free market. The free initiative was not allowed by the state. As a result, when Mikhail Gorbachev tried to reform the economic institutions, the Soviet system began to collapse, especially that the Soviet Union maintained a high military budget, which was a burden for the economy. In sum, the Soviet political and economic institutions were designed in an extractive fashion and did not allow the majority of the population to freely participate in political and economic processes.

Therefore, the United States managed to survive as a state and superpower because it had better inclusive political institutions which backed the economic institutions, thus allowing a stable political system and also a performing economy, able to meet the requirements of the competition with the Soviet Union. In contrast, the Soviet Union had extractive political and economic institutions, which after Mikhail Gorbachev's attempts to reform, had driven the collapse of the Soviet state and economy. Finally, the Soviet economy was not able anymore to fuel the requirements of the competition with United States and it collapsed.

CONCLUSION

In conclusion, the hypothesis of the present paper is validated, therefore the United States managed to remain the sole superpower because it had better institutions than the Soviet Union, namely inclusive political and economic institutions, in contrast with the Soviet ones, which were extractive. The American institutional system, both in political and economic terms, fostered a democratic political regime and an open, capitalist, economic system, that, as a symbiosis, ensured a durable long-term economic growth, despite some drawbacks in the 1970s and early 1980s. The American institutions fostered a sustainable economic growth which enabled the United States to be stable and to meet the requirements of the military competition with the Soviet Union, which collapsed due to its difficulties given by a rigid economy and one-party state. Therefore, the American political and economic institutions were both inclusive, being favourable to long-term and sustainable economic growth, doubled by a stable political system, that permitted the United States to remain the sole superpower after the Cold War. In contrast, the Soviet Union had an internal institutional framework, with a totalitarian single-party repressive political regime, as well as a centralized economy, that was functioning in favour of a small party elite. Even though some efforts were made by Gorbachev, the last USSR leader, to liberalize the Soviet political and economic system, namely, political and economic institutions to an inclusive direction, all the attempts failed, and the Soviet Union eventually collapsed, incapable to reform itself.

In order to develop the argument line, the paper was organized in the following manner. First, a short presentation of political and economic institutions from the viewpoint of Acemoglu and Robinson was delivered. In the second step was presented the international context around the fall of



the Soviet Union. The third step involved a comparison of the American and Soviet political regimes and institutions, with focus on the institutional character. The fourth step was reserved for a comparative analysis, based on the institutional perspective of Acemoglu and Robinson, with the aim to analyse the reasons behind the American status preservation and Soviet downfall after the Cold War. The final step was devoted to the present conclusion.



1/2023

REFERENCES

- Acemoglu, D. & Robinson, J. A. (2012). *Why nations fail: the origins of power, prosperity, and poverty*. New York: Crown Publishers
- Arnold, P. A. & Malamud, P. (2004). *About America: How the United States is Governed*. Herndon: Braddock Communications, Inc.
- Beissinger, M. R. (2009). Nationalism and the Collapse of Soviet Communism. *Contemporary European History*, 18(3), 331 – 347. DOI: 10.1017/S0960777309005074
- Bohlen, C. (1991). Warsaw Pact Agrees to Dissolve Its Military Alliance by March 31. *The New York Times*. Retrieved from <http://www.nytimes.com/1991/02/26/world/warsaw-pact-agrees-to-dissolve-its-military-alliance-by-march-31.html>
- Brown, A. (2009). *The Rise and Fall of Communism*. New York: Harper Collins Publishers
- Djilas, M. (1957). *The New Class: An Analysis of the Communist System*. London: Thames and Hudson
- Feldstein, M. (1994). American Economic Policy in the 1980s: A Personal View. In M. Feldstein (ed.). *American Economic Policy in the 1980s* (pp. 1-80). University of Chicago Press
- Gaddis, J. L. (2006). *The Cold War*. London: Allen Lane an imprint of Penguin Group
- Karklins, R. (1986). Soviet Elections Revisited: Voter Abstention in Noncompetitive Voting. *The American Political Science Review*, 80(2), 449-470. Retrieved from <http://www.jstor.org/stable/1958268>
- Kenez, P. (2006). *A History of the Soviet Union from the Beginning to the End* (2nd ed.). Cambridge: Cambridge University Press
- Korb, L. J. & Brady, L. P. (1984-1985). Rearming America: The Reagan Administration Defense Program. *International Security*, 9(3), 3-18. Retrieved from <https://www.jstor.org/stable/2538585?origin=JSTOR-pdf>
- Kotz, D. M. & Weir, F. (2007). *Russia's Path from Gorbachev to Putin. The demise of the Soviet system and the new Russia*. London and New York: Routledge
- Namba, N. & Friedman, M. J. (eds.). (2012). *Outline of the U.S. Economy*. No place: Bureau of International Information Programs, United States Department of State
- North, D. C. (2005). Institutions and the Performance of Economies Over Time. Ménard, C. & Shirley, M. M. (Eds.). *Handbook of New Institutional Economics* (pp. 21-30), Netherlands: Springer
- Pașcu, I. M. (2014). *Bătălia pentru NATO: raport personal* (2nd ed.). No place: Rao
- Plunkert, L. M. (1990). The 1980's: a decade of job growth and industry shifts. *Montly Labor Review* (pp. 3-16). Retrieved from <https://www.bls.gov/opub/mlr/1990/09/Art1full.pdf>
- Richter, A. (2007). *Post-Soviet Perspective on Censorship and Freedom of the Media*. Seaman, S. (trans.). Moscow: UNESCO Moscow Office
- Sakwa, R. (2002). *Russian Politics and Society* (3rd ed.). London: Routledge
- Shleifer, A. & Vishny, R. W. (1991). Reversing the Soviet Economic Collapse. *Brookings Papers on Economic Activity*: 2 (pp. 341-360). Retrieved from https://www.brookings.edu/wp-content/uploads/1991/06/1991b_bpea_shleifer_vishny.pdf
- Silverstone, B. (1983). Soviet economy – a system of exploitation. *Unity*, 6(15). Retrieved from <https://www.marxists.org/history/erol/nem-7/lrs-ussr-economy.htm>
- Soulet, J. F. (2008). *Istoria Europei de Est de la al doilea război mondial pînă în prezent*, trans. Roman, M. (trans.). Iași : Polirom
- Steinberg, D. (1990). Trends in Soviet military expenditure. *Soviet Studies*, 42(4), 675-699, DOI: 10.1080/09668139008411896
- The Constitution of the United States. (2017). Retrieved from <http://constitutionus.com/>
- The World Bank. (2023a). *GDP (current US\$) - United States*. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=US>
- The World Bank. (2023b). *Military expenditure (% of GDP) - United States*. Retrieved from <https://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS?locations=US>
- The World Bank. (2023c). *Military expenditure (current USD) - United States*. Retrieved from <https://data.worldbank.org/indicator/MS.MIL.XPND.CD?locations=US>
- Tismăneanu, V. (2007). *Reinventarea politicului: Europa Răsăriteană de la Stalin la Havel* (2nd ed.), Vlad, A. (trans.). Iași: Polirom
- UNData. (2023). *Per capita GDP at current prices - US dollars – Former USSR*. Retrieved from <http://data.un.org/Data.aspx?d=SNAAMA&f=grID%3A101%3BcurrID%3AUSD%3BpcFlag%3A1%3BcrID%3A810>



USSR Constitution. ([1977] 2023).
<https://www.departments.bucknell.edu/russian/const/77cons01.html#chap02>
Vile, M.J.C. (2007). *Politics in the USA*, 6th ed. London: Routledge

Retrieved from