

Popular Attitudes Toward Free Markets: The Soviet Union and the United States Compared

By ROBERT J. SHILLER, MAXIM BOYCKO, AND VLADIMIR KOROBOV*

Random samples of the Moscow and New York populations were compared in their attitudes toward free markets by administering identical telephone interviews in the two countries in May 1990. Although the Soviet respondents were somewhat less likely to accept exchange of money as a solution to personal problems and although their attitudes toward business were less warm, we found that the Soviet and American respondents were basically similar in some very important dimensions: in their attitudes toward fairness, income inequality, and incentives and in their understanding of the working of markets. (JEL O57)

What are the important barriers to the success of free markets? At this time of transition in the Soviet Union and other Eastern economies, the answer to this question is of the utmost importance. One view is that major obstacles are the attitudes, morals, and understandings of the people themselves, not just the institutions or politics they live with. Leonid Abalkin, former Deputy Prime Minister of the Soviet Union and prominent economist, complained that

...it is not easy to develop a stratum of talented people, with a good under-

standing of the market. For that, it is necessary to put aside fixed patterns of thinking, inherited from the past, to consider afresh our morals, and our system of values in general.

(Abalkin, 1990 p. 9)

This has been a recurring theme, appearing quite often in the Soviet Parliament and government bodies, in the mass media, and in academic journals: it is argued that the general public in the Soviet Union is not prepared to accept and fully use markets.

For an accurate study of the validity of this argument for the Soviet Union, one must have an explicit comparison group (another country) and compare carefully between the countries the frequencies of public understandings, values, attitudes, and behaviors relating to markets. People everywhere are, to some extent or with some frequency, resistant to market solutions, and when the differences in frequencies across countries are not total the casual observer of people cannot be expected to keep an accurate count. The importance of having a comparison or control group in research is of course well known, and the history of science shows many examples of carefully controlled studies overturning formerly "unassailable" theories.

We have undertaken surveys of randomly selected individuals in the Soviet Union and

*Shiller is the Stanley B. Resor Professor of Economics, Yale University, New Haven, CT 06520. Boycko is an economist at the Institute of World Economy and International Relations, U.S.S.R. Academy of Sciences, Profsoyuznaya 23, Moscow 117869; Korobov is a sociologist at the Institute for Sociology, U.S.S.R. Academy of Sciences, Krzizanovskogo 24/35 b 5, Moscow 117259. The authors are grateful to Robert Abelson, Sergei Aukuzionek, Revold Entov, Martin Feldstein, Daniel Kahneman, Alvin Klevorick, William Mahota, Michael Montias, Andrey Poletaev, Thomas Richardson, Lawrence Summers, Richard Thaler, and participants at a seminar at the Cowles Foundation at Yale University for helpful comments. This paper was supported by the Institute of World Economy and International Relations of the U.S.S.R. Academy of Sciences, the Institute for Sociology of the U.S.S.R. Academy of Sciences, the Russell B Sage Foundation, and the U.S. National Science Foundation. Any opinions are those of the authors and not necessarily those of their respective institutions.

in the United States with questions aimed at finding out about opinions concerning whether price changes are fair, attitudes toward income inequality, popular theories concerning the importance of incentives, inhibitions against exchange of money, envy or hostility toward business people and the rich, popular understandings of markets and speculation, understandings of the welfare effects of compensated price changes, and expectations of future government interference.

We use questions that are aimed at providing evidence on *fundamental* parameters of human behavior related to the success of free markets. Sometimes our questions are about aspects of everyday life that are not directly affected by government economic policies. Other questions are about basic economic intuition. Sociologists have noted that popular answers to such questions often differ substantially from the answers that would be suggested by the dominant ideology that is expressed by opinion leaders.¹

To our knowledge, there has never been a similar study that examines attitudes relevant to the functioning of free markets in these countries. There have, of course, been many recent opinion surveys in the Soviet Union, and a few of these ask questions that are relevant to the success of free markets. For example, one study (Yu. A. Levada, 1990) asked Soviets what kinds of changes they would consider to be important indicators of great improvement in the situation of the country. The authors of the study concluded that respondents tended to give high rank to general concepts like "bringing goods back on the counter" or stable prices and that "values that are asso-

ciated with economic and civil freedom have much fewer supporters" (Levada, 1990 p. 50).² The major surveys of attitudes of Soviets published in the United States, based on responses of Soviet emigres, were not directly interested in the potential for success of free markets; however, they did produce a few results tangentially relevant here. The Harvard Refugee Interview Project³ concluded from surveys in 1950–1951 that Soviet emigres tended to support government control of the economy, expressed a strong dedication to society over the individual, and reacted negatively to Western materialism. The Soviet Interview Project⁴ concluded from surveys in the early 1980's that Soviet emigres tended to support state control of medicine but not of agriculture and that most supported the right of workers to strike. However, there does not appear to be a lot more in these studies on attitudes toward free markets. No Western or Soviet study relevant to free markets that we know of has made explicit comparisons of Soviets with Westerners.

I. Questionnaire Design and Survey Methods

Our questionnaires included 36 questions, addressing various aspects of human behavior related to free markets.⁵ Some of our questions probed public opinion on certain issues, but mostly the respondents were asked to consider some imaginary situation that they might experience and to describe their behavior in, or judgment of, that situation.

Naturally, when evaluating responses there is always some doubt whether they

¹Nicholas Abercrombie et al. (1980 p. 141), after reviewing a variety of interview results, asserted that people "will often agree with dominant elements, especially when these are couched as abstract principles or refer to general situations, which is normally the case in interview surveys using standardised questionnaires, but will then accept deviant values when they themselves are directly involved or when these are expressed in concrete terms which correspond to everyday reality."

²For a summary of other relevant Soviet public-opinion research, see Hans Aage (1991).

³For an overview of the results of this project, see Raymond Bauer et al. (1957).

⁴For an overview of this project, see James Millar (1987).

⁵Original questionnaires in both English and Russian, as well as further information about the samples and statistical methods, are available from the Cowles Foundation, Yale University, as part of Discussion Paper No. 952, August 1990.

were really determined by the basic attitudes we are interested in and not by the specifics of a particular scenario. To develop confidence in our results, we usually asked a number of similar questions placed in different contexts (and sometimes even addressed to different subsamples). When there are similar responses to these questions, we feel that we have some grounds to generalize beyond the specifics of the particular situations. In a sense, it is the totality of all the questions asked that gives us more confidence in the results reported below.

Still, we think that the evidence is mostly suggestive, not assertive. In some cases, the results just indicate that certain types of beliefs about the Soviets and Americans are at odds with the evidence that we have. Although we do not claim to settle the issues here, we think that our results do provide some substantial evidence.

When designing the questions, we tried to do our best to make them equally comprehensible to the Soviet and the American respondents. For that, first of all, we took great care in selecting our scenarios of imaginary situations that would possibly make the same sense for both audiences, despite the very different institutional environments that they generally face. For instance, one of our questions (B2) described a price increase at a flower market due to soaring demand on the eve of a holiday. This is a rare instance of a temporary price increase that the Soviets are quite familiar with. Similarly, when comparing price and nonprice rationing methods (question C4), we used gasoline as our example because Americans may still remember President Carter's standby gasoline rationing plan of 1979, or the odd-day/even-day gasoline rationing scheme actually imposed by some eastern states then.

Second, we put a lot of effort into selecting suitable wordings, so that the questions would sound as much alike as possible in the two languages. Originally the questionnaire was developed in English, but then we made several rounds of translating it into Russian and back, each time adjusting the wordings where appropriate. We also usually said something like "5 percent" rather

than "a little" to reduce further ambiguities in translation.⁶

The survey was conducted by means of telephone interviews with randomly selected individuals of 18 years of age or older. We documented responses from 391 residents of Moscow and 361 residents of the greater New York City consolidated metropolitan statistical area. The 36 questions were subdivided into three parts (designated A, B, and C in the question numbers), and each respondent was asked to answer only one part consisting of 12 questions. We were able to document about 120–130 responses per question in each country. The two samples were generally representative of their underlying populations and also rather close to each other in terms of basic characteristics: average age was 45 in the Soviet Union and 42 in the United States; 60 percent of U.S.S.R. respondents and 58 percent of U.S. respondents were female; 50 percent of U.S.S.R. respondents and 66 percent of U.S. respondents had attended some college. In both countries, those who agreed to participate in the survey were perhaps a little more articulate and informed than average for their respective populations, but it is our impression that as a result they generally had no difficulty understanding the questions.

The closeness of characteristics of the samples makes it generally possible to attribute any differences that we find to genuine differences between Soviets and Americans and not to differences in the composition of our samples.⁷ However, we

⁶In an independent evaluation of our translation, William Mahota, Professor of Slavic Languages and Literature, Yale University, wrote, "I have closely compared the Russian and English versions of Shiller, Boycko, and Korobov's survey of attitudes toward economic problems, and found that the language of the two versions corresponds virtually exactly" (See the earlier version of this paper: Shiller et al., 1990.)

⁷With sample sizes of a little over 100, the standard error of an estimated proportion is just under 5 percent if the estimated proportion is 50 percent; it is 4 percent if the estimated proportion is 25 percent or 75 percent; and it is 3 percent if the sample estimated proportion is 10 percent or 90 percent. Thus, for exam-

have also carried out probit regressions that allow us to evaluate the statistical significance of the intercountry differences when other observable characteristics are controlled for. When presenting our results below, we report *t* statistics of the coefficient of the country dummy variable in a probit regression. All estimated equations for each question had a constant term and the same standard set of right-hand-side predictors: namely, dummies for country, sex, and rural origin and also respondent's age and education level (based on an index from 1 to 6, with 1 representing "did not finish high school" and 6 indicating "finished graduate school").

There are somewhat fewer telephones per household in Moscow. At the end of 1988, there were 2.70 million telephones in private apartments in Moscow; at the same time, there were 3.05 million private apartments, implying 89 telephones per 100 apartments (*Moskva v Tsifrach*, 1989). In 1990, an estimated 93 percent of all households in the New York consolidated metropolitan statistical area had telephones. Only 61 percent of New York households had listed phones,⁸ but with random-digit dialing, nonlisting does not affect results.

An obvious criticism of our samples is that Moscow is probably not representative of the Soviet Union at large; the people there may be a little more educated or aware of economic issues. However, New York City, sometimes referred to as the business and financial "capital" of the United States, may also be populated by those who are more "advanced" in their attitudes toward markets than the rest of the country, so that the intracountry bias is possibly in the same direction. Even if this argument is not entirely convincing, we feel that a comparison between the two cities is quite meaningful by itself. The respondents in our two samples may represent the more

economically active and influential people in the two countries. Thus, our results may be more relevant to understanding economic events in the two countries than if we had taken a representative sample of everyone in the two countries.

II. Fairness of Price Changes

One important potential obstacle to the clearing of free markets is a popular feeling that price increases may be unfair. If sellers feel that they cannot raise their prices, then they will be forced to use nonprice rationing to distribute their goods, contrary to market principles.

It is widely believed in the Soviet Union (and possibly elsewhere) that the Soviet people, being for a long time accustomed to stable, government-sanctioned prices, will be characteristically reluctant to accept market prices. Consider the following statement of V. O. Rukavishnikov, a prominent Soviet sociologist:

...[T]he public attitude towards possible increases of prices of consumer goods that are in short supply is extremely negative, because this solution to the problem of the queues is likely to lead to a situation with lots of goods on the counters, with no queues, but with few people being able to buy the goods; 83.7 percent of the people surveyed are against this solution. [4.4 percent support it, and 11.9 percent did not answer.]⁹

(Rukavishnikov, 1989 p. 4)

Such a result may reflect general human behavior, not just Soviet behavior. In North American survey results, Daniel Kahneman et al. (1986) have also documented much resistance to price increases that were considered unfair.

For a meaningful evaluation of the attitudes toward free prices in the Soviet Union, it is useful to compare Soviets and Americans responding to identical questions in

ple, an estimated sample proportion of 25 percent has a 95-percent confidence interval of 17-33 percent.

⁸The U.S. data were provided courtesy of Survey Sampling, Inc., Fairfield, CT.

⁹The figures are based on about 5,000 responses sent to the popular magazine *Sobesednik* by its readers in September and October 1988.

identical contexts. We report several similar scenarios (inspired by Kahneman et al.), designed to address this issue:

B2. *On a holiday, when there is a great demand for flowers, their prices usually go up. Is it fair for flower sellers to raise their prices like this?*

Response	U.S.S.R.	U.S.A.	t [1 vs. 2] ¹⁰ (d.f.)
1) Yes	34%	32%	-0.89
2) No	66%	68%	(241)
	N: 131	119	

B11. *A small factory produces kitchen tables and sells them at \$200 each. There is so much demand for the tables that it cannot meet it fully. The factory decides to raise the price of its tables by \$20, when there was no change in the costs of producing tables. Is this fair?*

Response	U.S.S.R.	U.S.A.	t [1 vs. 2] (d.f.)
1) Yes	34%	30%	-0.71
2) No	66%	70%	(242)
	N: 131	120	

A9. *A new railway line makes travel between city and summer homes positioned along this rail line substantially easier. Accordingly, summer homes along this railway become more desirable. Is it fair if rents are raised on summer homes there?*

Response	U.S.S.R.	U.S.A.	t [1 vs. 2] (d.f.)
1) Yes	57%	61%	0.06
2) No	43%	39%	(199)
	N: 98	115	

The critical point here is that there is virtually no difference between U.S.S.R. and U.S. answers. In the first two scenarios, we

¹⁰Throughout this article, the t statistic is from a probit regression, as described above. In brackets, we indicate the construction of the binary choice variable.

discover a tendency in *both* countries to report that price increases are unfair. In the third scenario,¹¹ in *both* countries most people think that price increases are fair. Here, our comparison-group methodology displays its full power. Notions of fairness are very situation-specific: flower sellers are unfair if they raise their prices, while landlords who do so in the circumstance described are usually not. Notions of fairness are *not* country-specific. The bottom line from all of this is that there is little foundation to the aforementioned claims that Soviets are *characteristically* resistant to unfair price increases.

We were able to expand our understanding of fairness by asking about the policy implications of the fairness judgments. After the question about flower sellers we asked:

B3. *Should the government introduce limits on the increase in prices of flowers, even if it might produce a shortage of flowers?*

Response	U.S.S.R.	U.S.A.	t [1 vs. 2] (d.f.)
1) Yes	54%	28%	-3.71
2) No	46%	72%	(229)
	N: 123	115	

After the question about the manufacturer of tables we asked:

B12. *Apart from fairness, should the factory have the right to raise the price in this situation?*

Response	U.S.S.R.	U.S.A.	t [1 vs. 2] (d.f.)
1) Yes	57%	59%	0.29
2) No	43%	41%	(227)
	N: 118	118	

¹¹Perhaps more striking than the majority who think a rent increase is fair is that Americans were more ready to provide a definite opinion; the response rates were as follows: U.S.S.R. = 75 percent; U.S.A. = 96 percent. This kind of difference was encountered rather often in our results, but it is of secondary importance for the purposes of this study

In only one of these two questions, the first (B3), was there a significant difference between Soviet and American responses. Soviets *are* more likely to want to restrict the flower seller from raising prices, but both Soviets and Americans tend to agree that the manufacturer of tables has, in effect, the right to be "unfair." (The answers to the second question (B12) show that, in both countries, beliefs that something is unfair need not translate into an opinion that something should be illegal.)

Another perspective on the fairness issue can be gained by posing a question without the word "fair," but asking whether an action is "moral." Here, we have changed the context of the question to a price increase between sale and resale, raising the issue of profiteering:

C10. *A small merchant company buys vegetables from some rural people, brings the vegetables to the city, and sells them, making from this a large profit. The company honestly and openly tells the rural people what it is doing, and these people freely sell the company the vegetables at the agreed price. Is this behavior of the company, making large profits using the rural people, acceptable from a moral point of view?*

Response	U.S.S.R.	U.S.A.	<i>t</i> [1 vs. 2] (<i>d.f.</i>)
1) Yes	49%	59%	0.52
2) No	51%	41%	(218)
	N: 120	116	

Again, the Soviets are not dramatically more concerned with profiteering, and this difference is not statistically significant.

We wanted to learn whether people would impose on themselves the hardships caused by rationing of quantities, and so we asked:

C4. *Suppose that the government wishes to reduce consumption of gasoline. They propose two methods of attaining this goal. First, the government could prohibit gas stations from selling, for example, more than five gallons to one person. Second, the government could put a tax on gasoline, and prices of gasoline*

would go up. From your point of view, which of these methods is better?

Response	U.S.S.R.	U.S.A.	<i>t</i> [1 vs. 2] (<i>d.f.</i>)
1) First	43%	36%	-1.28
2) Second	57%	64%	(196)
	N: 104	109	

Now, neither the Soviets nor the Americans tend to think that it is a good idea to force people to buy gasoline in small quantities. The Americans were only slightly less likely to favor the rationing solution.

Overall, the reported evidence suggests that there is actually little ground to believe that the Soviets are characteristically more hostile toward free-market prices. The strong opposition to price reform (implying price increases) that undoubtedly exists in the Soviet Union should not be attributed to peculiarities of national character; rather, the economic and political interests should be given more weight. Obviously, by setting prices free, central planners will lose an important instrument of control over the enterprises as well as some arbitrage opportunities that result from disequilibrium pricing. (For additional evidence on attitudes toward price changes, see the response to question B6 in Section VII and questions C6 and B10 in Section VIII.)

III. Attitudes Toward Income Inequality

Popular notions of fairness are essentially related to attitudes toward inequality. Given the history of Communist ideology, it would seem that Soviet citizens might be more intolerant of inequalities of income and wealth. Of course, "from each according to his abilities, to each according to his needs" has long been a Communist slogan. With the reputation of the United States as the most capitalist country, it would seem that American citizens might be much more tolerant of inequalities of income and wealth. However, we found no evidence to support such a notion.

One question, designed to see whether people would object to pro-market reforms

because of envy of those people who would succeed under such reforms, found that the Americans were the most resistant:

A4. *Suppose the government wants to undertake a reform to improve the productivity of the economy. As a result, everyone will be better off, but the improvement in life will not affect people equally. A million people (people who respond energetically to the incentives in the plan and people with certain skills) will see their incomes triple while everyone else will see only a tiny income increase, about 1 percent. Would you support the plan?*

Response	U.S.S.R.	U.S.A.	t[1 vs. 2] (d.f.)
1) Yes	55%	38%	-2.07
2) No	45%	64%	(199)
	N: 114	99	

The plan described makes everyone better off, so any objections would have to be motivated by the relative inequality created by the plan. Only about half of the Soviet respondents supported the plan, but even fewer of the U.S. respondents responded that way.

Another way to quantify attitudes toward income inequality is to ask respondents about how they would tax inheritances of the rich:

A10. *In your opinion, what inheritance tax rate for really wealthy people do you think we should have? A tax rate of 0 percent means that they can pass all of their wealth to their children, making them as rich as their parents. A rate of 50 percent means that they can pass half to their children. A rate of 100 percent means that they can pass none at all to their children.*

Rate	U.S.S.R.	U.S.A.
Mean	39%	37%
Median	34%	30%
	N: 99	107

There was virtually no difference between the Soviet and American answers.

IV. Popular Theories about the Importance of Incentives

One theory to explain the slowness of the Soviet Union to implement a market system is that people there do not believe in one of its alleged principal advantages: the incentives that the system creates for hard work. The Soviets are reputed not to think that most people are basically motivated for personal gain and to believe instead that people work better if they are in a social context that makes their work personally meaningful to them.

When our respondents were asked directly about this, it turned out that there was very little difference between the Soviet and American responses.¹²

A1. *Do you think that people work better if their pay is directly tied to the quantity and quality of their work?*

Response	U.S.S.R.	U.S.A.	t[1 vs. 2] (d.f.)
1) Yes	90%	86%	-1.05
2) No	10%	14%	(226)
	N: 121	119	

We asked much the same question in a different way, in terms of the important qualities of managers:

C3. *Which of the following qualities is more important for the manager of a company? [Response choices: 1) The manager must show good will in his relation to workers and win their friendship; 2) The manager must be a strict enforcer of work discipline, giving*

¹²An earlier survey (Tom W. Smith, 1989) allows comparisons among seven different countries, including one socialist country (Hungary), in respondent's answers to a similar question. Respondents were asked how much they agreed with the statement "financial incentives are needed if people are to work hard." Of U.S. respondents, 68 percent agreed or strongly agreed, of Hungarian respondents 70 percent agreed or strongly agreed. In another survey in the Soviet Union (Yu. A. Levada, 1990) only 40 percent of a nationally representative urban sample agreed with the strongly worded statement "without big differences in labor remuneration there will be no incentives to good work."

incentives to hard workers and punishing laggards.]

Response	U.S.S.R.	U.S.A.	$t[1 \text{ vs. } 2]$ (d.f.)
1	33%	49%	2.65 (204)
2	68%	51%	
	N: 112	109	

Again, it is the Soviets, not the Americans, who tend to believe in strict managers.

We also asked our respondents if they had heard about the capitalist theory that, because of the importance of incentives, income inequality is a necessary evil:

A2. *Some have expressed the following: "It's too bad that some people are poor while others are rich. But we can't fix that: if the government were to make sure that everyone had the same income, we would all be poor, since no one would have any material incentive to work hard." Have you heard such a theory or not? If yes, then how often?*

Response	U.S.S.R.	U.S.A.	$t[(1+2) \text{ vs. } 3]$ (d.f.)
1) Often	38%	7%	-4.89
2) Once or twice	39%	38%	(231)
3) Never heard it	23%	55%	
	N: 125	120	

Surprisingly, the Soviet respondents were more familiar with this theory than their U.S. counterparts, perhaps due to current extensive discussions of this and related subjects in the Soviet mass media.

A3. *Do you yourself personally agree with this theory?*

Response	U.S.S.R.	U.S.A.	$t[1 \text{ vs. } 2]$ (d.f.)
1) Yes	41%	38%	-0.48
2) No	59%	62%	(213)
	N: 110	116	

Neither country seems to like this theory a lot, but the opposition to the theory is weaker among our respondents in the Soviet Union. It is the American responses that are more surprising here. Agreement with this theory is not actually contrary to Communist theory of the past 20 or so years. Alistair McAuley (1980 p. 242), in a survey of Soviet academic economists and lawyers, concludes that "most Soviet economists appear to advocate what one might call a meritocratic structure of wages."¹³

V. Resistance to Exchange of Money

The essence of a market system is the ability of persons to secure the things they want by the voluntary and unrestricted exchange of money. Such "creative" exchanges of money are quite different from the exchanges of money that might be sanctioned by a government agency that certifies that the transaction is fair and equitable. We hypothesized that considerations of fairness, equity, and friendship might inhibit such exchanges relatively more in the Soviet Union.

The charging of interest to others for a loan is a practice that has been censured as immoral since ancient times, but of course certain forms of interest payments have legal sanction in both the Soviet Union and the United States today. We sought to abstract from the current legal environment by describing a hypothetical situation between friends:

A7. *Suppose you have agreed to lend a friend some money for six months, so that he will not miss a good opportunity to buy a summer home. Suppose banks are offering interest rates of 3 percent per year. Would you charge him interest on the loan?*

¹³In Smith's survey, it was found that 25 percent of Hungarian and 31 percent of U.S. respondents either agreed or strongly agreed with the statement "large differences in income are necessary for national prosperity" (Smith, 1989 p. 70).

Response	U.S.S.R.	U.S.A.	<i>t</i> [1 vs. 2] (<i>d.f.</i>)
1) Yes	6%	29%	4.27
2) No	94%	71%	(215)
	<i>N</i> : 117	111	

The difference here is quite substantial: about five times as many U.S. respondents answered "yes," compared to their Soviet counterparts. Although most people in both countries said that they would not charge a friend interest, we interpret these results as implying that there is a much bigger minority in the United States who are accustomed to an exchange of money as a solution to everyday problems.

Still, it is not entirely clear that the difference reported is truly attitudinal, and not institutional. Even though the question specifies the rate of interest at 3 percent, U.S. respondents are more familiar with high interest rates and may therefore have learned in the past that lending money to a friend at zero interest can be costly. We sought, therefore, to find a question that is relatively unrelated to past market experience. We asked:

A8. *If you went on a vacation with friends and there were a lot of shared expenses, would there be a careful accounting of who spent what and a settling of accounts afterwards?*

Response	U.S.S.R.	U.S.A.	<i>t</i> [1 vs. 2] (<i>d.f.</i>)
1) Yes	30%	47%	2.66
2) No	70%	53%	(221)
	<i>N</i> : 116	118	

Here again is some evidence that U.S. respondents are rather more accustomed to an exchange of money, although the difference is less striking than with the previous question about charging interest.

Another question that would appear to abstract from any different experience with market solutions in the situation described is the following:

B7. *You are standing in a long line to buy*

something. You see that someone comes to the line and is very distressed that the line is so long, saying he is in a great hurry and absolutely must make this purchase. A person at the front of the line offers to let him take his place in line for \$10.00. Would you be annoyed at this deal even though it won't cause you to wait any longer?

Response	U.S.S.R.	U.S.A.	<i>t</i> [1 vs. 2] (<i>d.f.</i>)
1) Yes	69%	44%	-3.61
2) No	31%	56%	(240)
	<i>N</i> : 132	117	

Clearly, the Soviet respondents showed substantially more annoyance at the deal described than did the Americans. This annoyance is noteworthy, since the deal apparently is helping a distressed person and since the deal harms no one else. Such annoyance at harmless interruptions in line has been noted before (see Jon Elster, 1989).

As before, the difference in responses may be attributed to the specifics of economic conditions in the two countries. Currently, the queues constitute a major concern for the Soviet consumer, and he has ample reason to be quite touchy in this respect.

When evaluating responses to all three questions in this section taken together, a common explanation looks at least as persuasive as several specific ones. Therefore, we conclude that there is some evidence that the Soviets are, to a certain extent, less willing to accept exchange of money as a solution to their problems. (For supplementary evidence on these issues, see questions C1, B4, and A5 in Section VI.)

VI. Negative Attitudes Toward Business

Many scholars have claimed that the Russian people have a long-standing aversion to business and dislike of businessmen. Alexander Gerschenkron (1962 p. 60) wrote that "There is no doubt that throughout most of the nineteenth century a grave opprobrium attached to the entrepreneurial

activities in Russia Divorced from the peasantry, the entrepreneurs remained despised by the intelligentsia." The idea is commonplace that the Communist revolution may have had its roots partly in such feelings. We sought to find whether there is evidence that such feelings today really set Soviet citizens apart from their U.S. counterparts.

We sought first to find whether people in the two countries feel that they would be esteemed by their relatives and friends if they were successful in business:

C1. *Suppose that as a result of successful business dealings you unexpectedly became rich. How do you imagine it would be received by your relatives at a holiday family gathering? Would they congratulate you and show great interest, or would they be judgmental and contemptuous?* [Response choices: 1) They would show interest, would congratulate; 2) They would be judgmental and contemptuous; 3) They would be quiet, indifferent.]

Response	U.S.S.R.	U.S.A.	<i>t</i> [1 vs. (2 + 3)] (<i>d.f.</i>)
1	72%	92%	2.08
2	12%	6%	(194)
3	16%	3%	
N: 113		117	

The Americans get greater support from their relatives and friends, though most of the Soviets expect congratulations.

C9. *Do you think that, if you worked independently today as a businessman and received profit, your friends and acquaintances would respect you less and not treat you as you deserve?*

Response	U.S.S.R.	U.S.A.	<i>t</i> [1 vs. 2] (<i>d.f.</i>)
1) Yes	19%	4%	-3.04
2) No	81%	96%	(216)
N: 115		120	

This evidence suggests that on the whole

neither country lacks respect for businessmen, but there is less respect for them in the Soviet Union.

A somewhat different attitude toward business that we wished to explore is whether people relish the prospect of showing off their wealth, and whether or not that helps them find good friends:

C2. *If you ever became rich, would you really like to spend some of the money by purchasing really fashionable clothes, expensive cars, or other extravagant items that make an impression on people?*

Response	U.S.S.R.	U.S.A.	<i>t</i> [1 vs. 2] (<i>d.f.</i>)
1) Yes	35%	50%	1.60
2) No	65%	50%	(217)
N: 115		120	

These responses may be interpreted as indicating that the Americans find the life of a successful businessman more appealing or want to show off a bit more. However, this may just be the result of their better circumstances. Levels of aspiration are affected by the standards of one's peers and are raised by a sense of accomplishment or success; this point has been stressed by psychologists (see Kurt Lewin et al., 1944). One may argue also that the Soviets, with a substantially lower standard of living, simply have more immediate concerns on their minds than thinking about what to do when they become rich. They may not have found it worthwhile to expend the costs of collecting information about luxury goods.

A way of getting at attitudes toward success in business without mentioning specific purchases is to make people choose between a general notion of success in business or in some other arena of life:

B4. *Which of the following achievements would please you more?* [Response choices: 1) *You win fortune without fame: you make enough money through successful business dealings so that you can live very comfortably*

for the rest of your life; 2) You win fame without fortune: for example you win a medal at the Olympics or you become a respected journalist or scholar.]

Response	U.S.S.R.	U.S.A.	$t[1 \text{ vs. } 2]$ (d.f.)
1	65%	54%	-1.47 (201)
2	35%	46%	
	N: 92	117	

Although the U.S. respondents answered the question much more freely (response rates: U.S.S.R. = 67 percent; U.S.A. = 98 percent), of those who did answer the Soviets were relatively more attracted by wealth.

A5. Is it important to you that your work benefits the country, and is not just to make money? Is it very important, somewhat important, or not important? [Response choices: 1) Very important; 2) Somewhat important; 3) Not important.]

Response	U.S.S.R.	U.S.A.	$t[(1+2) \text{ vs. } 3]$ (d.f.)
1	69%	40%	-2.25
2	25%	45%	(235)
3	6%	15%	
	N: 130	119	

The U.S. respondents are more for the money here, though of course we could also interpret the results as indicating that they feel freer to admit this.¹⁴

Yet another way to get at attitudes toward business success is to try to elicit from respondents their prejudices against businessmen:

C11. Do you think that it is likely to be difficult to make friends with people who have

their own business (individual or small corporation) and are trying to make a profit?

Response	U.S.S.R.	U.S.A.	$t[1 \text{ vs. } 2]$ (d.f.)
1) Yes	51%	20%	-4.65
2) No	50%	80%	(214)
	N: 111	121	

On this question, Soviets are much less sanguine about businessmen than are the Americans.

C5. Do you think that those who try to make a lot of money will often turn out to be not very honest people?

Response	U.S.S.R.	U.S.A.	$t[1 \text{ vs. } 2]$ (d.f.)
1) Yes	59%	39%	-2.23
2) No	41%	62%	(214)
	N: 114	117	

Indeed, relatively more Soviets do tend to expect businessmen to be less honest.

These last two questions show that U.S.S.R. respondents attach negative prejudices toward businessmen; but a caveat is in order. When evaluating these prejudices, it is important to keep in mind that many Soviets have never met a businessman in an informal situation, to say nothing of knowing one well. Their answers may be determined by what they read or hear, not by personal experience.

Still, the prejudices that Soviets have today are probably obstacles toward development of business enterprises. The questions in this section, which have various interpretations individually, tend generally to support the notion that Soviets indeed display a somewhat less warm attitude toward business and may be less interested in business careers.

It should of course be borne in mind that the differences we found were often value differences, differences in what each person

¹⁴Bauer et al (1957 p. 128) concluded from the Harvard Refugee Interview Project that Soviet emigres felt that "we [Westerners] are lacking in spiritual and cultural values, in altruism, in dedication to society."

wants in his or her own life. Perhaps economists should not argue over them or be concerned about them.

VII. Perceptions of Speculation

Many barriers to free market activity are supported in the Soviet Union on the ground that these activities represent "speculation." Unfortunately, the term "speculation" has a wide range of meanings. Sometimes the term "speculation" in the Soviet Union refers to activities that consist of taking (in effect stealing) goods intended by the government for some people and selling these at a profit to others. To what extent such activities are immoral when they are already illegal is not our concern here. We are concerned instead with the ultimate harm that is thought to follow from allowing forms of "speculation" that are legal in capitalist countries.

Soviet opposition to such speculation might come about as a result of opinions that speculative price increases are unfair, or as a result of opposition to income inequalities that might result from allowing people to speculate, or from the anti-business sentiments that we discussed in the preceding section. However, we have yet to explore a separate issue: whether speculation is viewed as disruptive in that it creates excess price volatility or shortages. Such a view would further justify laws against speculation.

B6. *If the price of coffee on the world market suddenly increased by 30 percent, what do you think is likely to be the blame?* [Response choices: 1) *Interventions of some government*; 2) *Such things as bad harvest in Brazil or unexpected changes in demand*; 3) *Speculators' efforts to raise prices.*]

Response	U.S.S.R.	U.S.A.	<i>t</i> [3 vs. (1+2)] (<i>d.f.</i>)
1	17%	13%	-2.93 (212)
2	51%	36%	
3	32%	51%	
N: 109		111	

Surprisingly, the Americans were more likely to hold speculators responsible. To put this result into proper perspective, it is worthwhile to note that currently in the Soviet Union the "speculators" are vehemently blamed by the government and certain populist movements for "aggravating shortages" and bringing about price increases. The general public seems to be more skeptical about speculators' capabilities.

This finding was further confirmed by responses to another question that addressed the issue of speculation more directly:

C8. *Grain traders in capitalist countries sometimes hold grain without selling it, putting it in temporary storage in anticipation of higher prices later. Do you think this "speculation" will cause more frequent shortages of flour, bread, and other grain products? Or will it cause such shortages to become rarer?* [Response choices: 1) Shortages more common; 2) Shortages less common; 3) No effect on shortages.]

Response	U.S.S.R.	U.S.A.	<i>t</i> [1 vs. (2+3)] (<i>d.f.</i>)
1	45%	66%	1.54
2	31%	26%	(172)
3	24%	8%	
N: 110		112	

Thus, it is true that Soviets tend to blame speculators for shortages, but the Americans do so even more.

Overall, the present survey did not provide evidence that Americans were any more enlightened in their understanding of the functioning of free markets. (For complementary evidence on attitudes toward "profiteering," see question C10 in Section II.)

VIII. Understandings of Compensated Price Changes

At the time this paper was being written (June 1990), there was a heated debate going on in the Soviet Union on about whether

the public would tolerate the compensated increase in the price of bread and other grain products suggested by the Ryzhkov government. While the opinions expressed undoubtedly were heavily motivated by political issues at stake, it was rather disconcerting to hear repeated assertions that a fully compensated price increase was unacceptable because it would adversely affect the standard of living.

Our survey, completed just before the Ryzhkov government put forward its proposal, directly addressed the issue of a compensated price increase:

C6. *Suppose the price of electricity rises four-fold, from 10 cents per kilowatt hour to 40 cents per kilowatt hour. No other prices change. Suppose also that at the same time your monthly income increases by exactly enough to pay for the extra cost of electricity without cutting back on any of your other expenditures. Please evaluate how your overall material well-being has changed. Would you consider your situation: 1) Somewhat better off; 2) Exactly the same; 3) Somewhat worse off?*

Response	U.S.S.R.	U.S.A.	t[1 vs. 3] (d.f.)
1	9%	3%	-2.63
2	77%	63%	(64)
3	14%	34%	
N:	120	121	

Much to our surprise, the responses are consistent with the hypothesis that the Soviets had a better understanding than the Americans that such a change either makes no difference in well-being or improves it.

A related question was asked, outlining a scenario of a compensated increase in the aggregate level of prices:

B10. *Suppose that economists have come to the conclusion that we could substantially improve our standard of living in the next year if we would be willing to accept a 30-per-*

cent inflation rate (increase in the prices of goods by 30 percent). This would mean that our incomes would rise by more than 30 percent. Then we could buy more goods at the new higher prices. Would you support such a proposal?

Response	U.S.S.R.	U.S.A.	t[1 vs. 2] (d.f.)
1) Yes	47%	28%	-3.17
2) No	53%	72%	(226)
N:	118	115	

In accordance with the previous finding, the Soviets proved to be more tolerant of inflation (that was not eroding their incomes) than Americans. (The different answers might also be affected by a difference in the way economists are viewed in the two countries, but the direction of this particular bias is unclear to the present authors.)

IX. Expectations of Possible Future Government Interference

Much recent economic theorizing has emphasized that economic agents respond not only to current government policy but also to anticipated future government policy. Unless the government can commit itself to a new policy, economic agents may, in making long-term decisions, assume that an older policy regime is still relevant. Thus, another impediment to the development of markets in the Soviet Union may be the lingering effect of a memory of the old regime and a feeling that some of its features may be back in the future.

We did find a substantial difference that relates to expectations that the government might usurp the investments people make in private businesses:

C7. *How likely do you think it is that in the next few years the government will, in some way, nationalize (that is, take over) most private businesses with little or no compensation to the owners? Is such nationalization quite likely, possible, unlikely, or impossible?*

[Response choices: 1) Quite likely; 2) Possible; 3) Unlikely; 4) Impossible.]

Response	U.S.S.R.	U.S.A.	$t[(1+2) \text{ vs. } (3+4)]$ (d.f.)
1	20%	5%	-6.37
2	40%	11%	(214)
3	29%	53%	
4	11%	31%	
N: 114		118	

From the Soviet answers here, it would appear that there should be substantial reservations about investing too many resources in cooperatives.

We thought also that Soviets would have a rather weak incentive to save, because of a feeling of insecurity of their savings. After our survey, the Pavlov government actually imposed restrictions on the amount one can withdraw from bank accounts, but our Soviet respondents did not show strong anticipation of such government interference with savings:

B8. *How likely is it, from your point of view, that the government in the next few years will take measures, in one way or another, to prevent those who have saved a great deal from making use of their savings? Is it quite likely, possible, unlikely, or impossible that the government will do this?* [Response choices: 1) Quite likely; 2) Possible; 3) Unlikely; 4) Impossible.]

Response	U.S.S.R.	U.S.A.	$t[(1+2) \text{ vs. } (3+4)]$ (d.f.)
1	17%	15%	-1.34
2	44%	37%	(221)
3	21%	39%	
4	19%	9%	
N: 112		117	

There is some evidence of less confidence of the Soviets, best visible in the "(1+2)/(3+4)" proportion: 61/39 for the Soviet Union; 52/48 for the United States. This difference is not statistically significant, however, and it is well below our prior expectations. Perhaps Americans were thinking of pressures

on the federal government from the deficit and of actions the government might take, such as reneging on their savings-and-loan obligations, or changing the social-security system or medicare system.

X. Interpretation and Conclusion

It is useful to consider the results of our survey in the context of a specific example of the kinds of things that go wrong in the Soviet Union today. There has been recently a shortage of soap in the Soviet Union. Why has this happened? Why aren't many people setting up cottage industries to manufacture soap (a product that is extremely simple to produce, as industrial commodities go)? Why isn't someone buying soap from available sources and distributing it around the Soviet Union? In short, why aren't the fledgling entrepreneurs in the Soviet Union dealing with the shortage problem?

On one level, the answer is that it is difficult for an enterprise to obtain special permission to start manufacturing or distributing soap. However, on a deeper level, one might ask, why on earth should one need any permission to manufacture and distribute soap in a country that is suffering so much from a shortage of soap? Why should there be any public support for regulators who deny permission for new cooperatives to start to produce or distribute soap?¹⁵

In this paper, we have investigated a number of possible theories to explain why people might feel that the laws should prevent private forces from dealing with the shortage of soap and, hence, why potential private producers of soap might not even try to get the necessary permission or might fear social pressure against such an enterprise. One theory is that people are concerned with fairness of prices, and they would not want to allow prices of soap to

¹⁵Of course, delays to give regulators time to assess the environmental impact of a new manufacturing enterprise may well receive public support, and this particular extreme shortage would likely be viewed as temporary.

rise to reflect the scarcity. Another theory is that people are concerned with the income inequality that might be created if a few entrepreneurs make a lot of money selling soap. Yet another theory is that people do not perceive that the production of soap would be much more effective in a situation where the laws permitted incentives for private production.

While survey questionnaire results do not constitute definitive proof about social attitudes, none of the above-mentioned theories for the relative lack of success of free markets in the Soviet Union has any support in our results. In this study, Soviets appear to be no more concerned with fairness of prices than are U.S. citizens. Further, Soviets appear to be no more concerned with income inequality, and they appear to have the same or even stronger appreciation of the importance of incentives.

Other theories are that there is simply a resistance toward the exchange of money among individuals, as contradicting a sense of regularity in contractual relations, that there is a general lack of interest in starting and running businesses, or that there is a fear that the government will do something in the future to remove the wealth of successful people. We did find some evidence that there is such a resistance toward exchange of money and less warm attitudes toward business; we found also that there may be more of a concern that the government may later nationalize private enterprises. This evidence is of great concern in assessing the long-run outlook for the level of prosperity of the Soviet Union. Still, these differences do not seem so large as to be considered the prime suspects in the annoyingly tangible and immediate problems today, like that of the soap shortage.

Because the differences between the Soviet Union and the United States we found were often small or nonexistent, we feel that perhaps too much prominence has been given in discussions of the transition to a market system in the Soviet Union today to the differences between Soviets and people in market economies. The pressing and immediate problems faced in the Soviet Union

today may be instead political and institutional in nature. When a country inherits an institutional and political framework that has been anti-market, it serves certain entrenched interests in that country to resist change. Thus, individuals who benefit from the present system may make public appeals to fairness, abhorrence of income inequality, and other attitudes to try to stop change. Alternatively, well-meaning Soviet government planners may feel constrained by their incorrect belief that the Soviet public is much more concerned with fairness or income inequality than are the publics in capitalist countries.

Indeed, we have found here that Soviets are concerned with fair prices and with income inequality, so that these concerns might help prevent change to a market economy. However, at the same time, these concerns appear to be little different among Americans. Perhaps Americans would resist perestroika with as much vigor if they inherited the Soviet political and institutional system.

In considering the remarkable similarity between many of the Soviet and American results, it may be well to recall a much earlier interpretation of comparison of Americans with Europeans. Alexis de Tocqueville, in his 1850 book *Democracy in America*, wrote that the "love of money" found among Americans was not a consequence of their national character, but was the natural consequence of a stable system organized around private initiative:

What I say about the Americans applies to almost all men nowadays. Variety is disappearing from the human race; the same ways of behaving, thinking, and feeling are found in every corner of the world. This is not only because nations are more in touch with each other and able to copy each other more closely, but because the men of each country, more and more completely discarding the ideas and feelings peculiar to one caste, profession, or family, are all at the same getting closer to what is essential in man, and that is everywhere the same. In that way they grow alike, even with-

out imitating each other. One could compare them to travelers dispersed through a huge forest, all the tracks in which lead to the same point. If all at the same time notice where the central point is and direct their steps thither, they will unconsciously draw nearer together without either seeking, or seeing, or knowing each other, and in the end will be surprised to find that they have all assembled at the same place. (p. 591)

REFERENCES

- Aage, Hans, "Popular Attitudes and Perestroika," *Soviet Studies*, 1991, forthcoming.
- Abalkin, Leonid, "Too High a Price," *Literaturnaya Gazeta*, 6 June 1990, No. 23 (5297), 9.
- Abercrombie, Nicholas, Hill, Stephen and Turner, Bryan S., *The Dominant Ideology Thesis*, London: Allen & Unwin, 1980.
- Bauer, Raymond A., Inkeles, Alex and Kluckhohn, Clyde, *How the Soviet System Works*, Cambridge, MA: Harvard University Press, 1957.
- Elster, Jon, "Social Norms and Economic Theory," *Journal of Economic Perspectives*, Fall 1989, 3, 99-117.
- Gerschenkron, Alexander, "Social Attitudes, Entrepreneurship, and Economic Development," in Alexander Gerschenkron, ed., *Economic Backwardness in Historical Perspective*, Cambridge, MA: Belknap, 1962, pp. 52-71.
- Kahneman, Daniel, Knetsch, Jack L. and Thaler, Richard, "Fairness as a Constraint on Profit Seeking: Entitlements in the Market," *American Economic Review*, September 1986, 76, 728-41.
- Levada, Yu. A., ed., *Yest Mneniye* (I've Got an Opinion), Moscow: Progress Publishers, 1990.
- Lewin, Kurt, Dembo, Tamara, Festinger, Leon and Snedden Sears, Pauline, "The Level of Aspiration," in Joseph McVicker Hunt, ed., *Personality and the Behavioral Disorders*, New York: Ronald, 1944, pp. 333-78.
- McAuley, Alistair, "Social Welfare Under Socialism: A Study of Soviet Attitudes Towards Redistribution," in David Collard, Richard Lecomber, and Martin Slater, eds., *Income Distribution: The Limits to Redistribution*, Bristol, U.K.: Sciencetecnica, 1980, pp. 238-57.
- Millar, James R., *Politics, Work and Daily Life in the USSR*, New York: Cambridge University Press, 1987.
- Rukavishnikov, V. O., "Ochered'" [The Queue], *Sotsiologicheskkiye Issledovaniya* [Sociological Studies], 1989 (4), 2-12.
- Shiller, Robert J., Boycko, Maxim and Korobov, Vladimir, "Popular Attitudes Towards Free Markets: The Soviet Union and the United States Compared," Cowles Foundation Discussion Paper No. 952, Yale University, August 1990.
- Smith, Tom W., "Inequality and Welfare," in Roger Jowell, ed., *British Social Attitudes: Special International Report*, Aldershot, Hants: Gower, 1989.
- Tocqueville, Alexis de, *Democracy in America*, 1850 Ed., translated by George Lawrence, New York: Harper & Row, 1966.
- Moskva v Tsifrach, "Finansi i Statistika," Moscow: Statistika, 1989.