

NBER WORKING PAPERS SERIES

POPULAR ATTITUDES TOWARDS FREE MARKETS:  
THE SOVIET UNION AND THE UNITED STATES

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Working Paper No. 3453

NATIONAL BUREAU OF ECONOMIC RESEARCH  
1050 Massachusetts Avenue  
Cambridge, MA 02138  
September 1990

An earlier version of this paper was presented at the U.S. National Bureau of Economic Research-U.S.S.R. Institute of World Economy and International Relations joint conference, Cambridge Mass, July 18, 1990. We are grateful to Robert Abelson, Sergei Aukuzionek, Revold Entov, Martin Feldstein, Daniel Kahneman, William Mahota, Michael Montias, Andrey Poletaev, Thomas Richardson, Lawrence Summers, Richard Thaler and participants at the Cowles Foundation Seminar at Yale University for helpful comments. The U.S.S.R. Questionnaire (Appendix E) is available upon request. 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 expressed are those of the authors and are not necessarily those of their respective institutions or of the National Bureau of Economic Research.

NBER Working Paper #3453  
September 1990

POPULAR ATTITUDES TOWARDS FREE MARKETS:  
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ABSTRACT

Random samples of the Moscow and New York populations were compared in their attitudes towards 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 their attitudes towards business were less warm, we found that the Soviet and American respondents were basically similar in most dimensions. Soviets showed no difference from Americans on their feelings that price increases may be unfair. There appears to be little difference between the Soviets and Americans in their concern with income inequality, in their belief in the importance of providing material incentives for hard work, and in their understanding of the workings of markets.

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## I. Introduction

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 a major obstacle is the attitudes, morals, and understandings of the people themselves, not just the institutions or politics they live with. Leonid Abalkin, 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 understanding 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.<sup>1</sup>

This has been a recurring theme, appearing quite often in the Soviet Parliament and government bodies, in the mass media and in academic journals: the general public in the Soviet Union is not prepared to accept the development of markets because of concerns about fair prices and income inequality, resistance to exchange of money, lack of appreciation for incentives, and hostility towards business.

Perhaps the truth of the argument is believed to be so evident, based on casual or anecdotal observations, that no one sees the point in testing for its validity. Of course, to a westerner Soviets look quite differently; they dress differently and speak a foreign language. But when one starts to think carefully about what kinds of differences would be a barrier to free market success, one realizes that it is not easy to get substantial evidence. First, one has to compare carefully the frequencies with which

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<sup>1</sup>Literaturnaya Gazeta, June 6, 1990, No. 23 (5297) p. 9.

certain attitudes or behaviors occur. People everywhere are to a certain extent concerned about fairness and may be at times reluctant to exchange money. And when the differences are not total the casual observer cannot be trusted to keep an accurate count. Second, much of what one observes is in an institutional context, and is a product both of attitudes and institutional settings. Casual observation does not provide many opportunities to control for institutional situations.

To our knowledge, the alleged differences in attitudes relevant to the functioning of free markets have not been examined in any careful and comprehensive study.

We have undertaken surveys of randomly selected individuals in the U. S. S. R. and in the U. S. A. with questions aimed at finding out about popular attitudes toward price changes, notions of fairness and welfare, about inhibitions against exchange of money, about attitudes towards income inequality, about popular theories about the importance of incentives, about envy or hostility to business people and the rich, about popular understandings of markets and speculation, about saving behavior, and about expectations about future government interference.

Our survey work goes beyond casual observation in two important dimensions.

First, 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. Sometimes our 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.<sup>2</sup> The answers we get to such questions may tell us things about people that are generalizable beyond the current institutional situation.

Second, we have designed our study so that we have a useful control group to compare with. For learning about the Soviet Union, the United States is the control group. Moreover, for learning about the United States, the Soviet Union may be regarded as the control group. The importance of having a control group in research, to compare with, is of course well known, and the history of science shows many examples where carefully controlled studies overturned formerly "unassailable" theories. Our questionnaire design, to be described next, was made with the intention of making comparisons with the control group as uncontaminated by extraneous influences as possible.

## II. Questionnaire Design and Survey Methods

Our questionnaire included 36 questions, addressing various aspects of human behavior related to free markets. 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 describe their behavior in, or judgment of, that situation.

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<sup>2</sup>Abercrombie, Hill and Turner [1980], 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." (p. 141.)

Naturally, when evaluating responses there is always some doubt whether they 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 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/or Americans are at odds with the evidence that we have. Although we do not claim to settle the issues here, we hope our results will at least 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 environment 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 non-price rationing methods 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 different 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%" rather than "a little" to reduce further ambiguities in translation. For an independent evaluation of the translation, see the comments by William Mahota in Appendix A.

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, U.S.S.R. and 361 residents of the greater New York City Consolidated Metropolitan Statistical Area, U.S.A. The 36 questions were subdivided into three parts, so that each respondent had to answer 12 questions, and 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 (sex, age, education level). For further details on our survey techniques, see Appendix B.

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.<sup>3</sup> However, we have also carried out probit regressions that

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<sup>3</sup>With sample sizes of about a little over a hundred, the standard error of an estimated proportion is just under 5% if the estimated proportion is 50%, is 4% if the estimated proportion is 25% or 75%, and is 3% if the

allow 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. For details on our probit analysis, see Appendix C.

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. But 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 towards 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 felt that a comparison between the two capitals 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.

### III. Attitudes towards Price Changes: Fairness and Welfare

One important potential obstacle to the clearing of free markets is a popular feeling that price increases may be unfair. If sellers feel that

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sample estimated proportion is 10% or 90%. Thus, for example, an estimated sample proportion of 25% has a 95% confidence interval of from 17% to 33%.



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 U. S. S. R. (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 S. I. Rukavishnikov, a prominent Soviet sociologist:

The 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 nobody being able to buy the goods. 83.7% of the people surveyed are against this solution, 4.4% support it, and 11.9% respond no answer.<sup>4</sup>

But such a result may be reflecting general human behavior, not just Soviet behavior. Kahneman, Knetsch and Thaler [1986] have documented in their North American survey results that there was also much resistance to price increases that were considered unfair.

For a meaningful evaluation of the attitudes towards free prices in the Soviet Union, it is useful to compare Soviets and Americans responding to identical questions in identical contexts. We report several similar scenarios, designed to address this issue.<sup>5</sup>

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<sup>4</sup>Rukavishnikov [1989], p. 4. The figures are based on about 5000 responses sent to the popular magazine Sobesednik by its readers in October, 1988. Autoselection bias may possibly be important, although the author is silent on this.

<sup>5</sup>Results shown in this version of the paper may appear to differ from those in the July 18 version of the paper; the reason is that in this version we present percents of those who answered the question, rather than percents of all surveyed.

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?

	USSR	USA	
1. Yes	57%	61%	$t(1 \text{ vs. } 2) = -0.06^6$
2. No	43%	39%	d.f. = 199
	N = 98	115	

The Soviets seem to be divided on the issue of fairness in this context, but the important thing is that their responses do not differ significantly from those of Americans. The only visible difference here is just that Americans were more ready to provide a definite opinion; the response rates were as follows: U.S.S.R. = 75%; U.S.A. = 96%. This kind of difference was encountered rather often in our results, but it is of secondary importance for the purposes of this study.

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?

	USSR	USA	
1. Yes	34%	32%	$t(1 \text{ vs. } 2) = -0.89$
2. No	66%	68%	d.f. = 241
	N = 131	119	

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<sup>6</sup>The t-statistic is from a probit regression. For details, see Appendix B.

When responding to this question, the majority of Soviets considered price increase to be unfair. But again, there is virtually no difference between U. S. S. R. and U. S. answers. Here our control group methodology displays its full power: while the specifics of the scenarios do affect responses, there are no important intercountry differences.

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. One more spurious result in the history of science appears to have been discredited by a study with a control group.

However, while there does not seem to be a big difference in the assessments of fairness of price rises, there is a separate question of whether the government should interfere on that occasion:

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

	USSR	USA	
1. Yes	54%	28%	t(1 vs. 2) = -3.71
2. No	46%	72%	d.f. = 229
	N = 123	115	

Although the Soviets were fairly evenly divided on the answer to this question, we document a relatively big and statistically significant intercountry difference. A larger proportion of Soviets support government intervention in the market to prevent unfair price increases.

Judgments of fairness of price changes are often influenced by whether the changes can be justified by cost changes. We therefore asked a similar pair of questions that emphasized that costs did not change (inspired by Kahneman, Knetsch and Thaler [1986]):

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?

	USSR	USA	
1. Yes	34%	30%	t(1 vs. 2) = -0.71
2. No	66%	70%	d.f. = 242
	N = 131	120	

The answers to this question, being very much the same as to the one about flowers, further confirm that there are no important intercountry differences on attitudes toward fairness of price increases.

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

	USSR	USA	
1. Yes	57%	59%	t(1 vs. 2) = 0.29
2. No	43%	41%	d.f. = 227
	N = 118	118	

The Soviets in this case appear to be just as likely to think that the factory has the right to increase prices as the Americans; this is not what we would expect given that they more often wanted to put limits on the increase in prices of flowers. Apparently judgments whether price increases should be allowed depend on the context of the question.

Another perspective on the fairness issue can be had 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?

	USSR	USA	
1. Yes	49%	59%	t(1 vs. 2) = 0.52
2. No	51%	41%	d.f. = 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:

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?

	USSR	USA	
1. First	43%	36%	t(1 vs. 2) = -1.28
2. Second	57%	64%	d.f. = 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.

Another allegedly important prerequisite for the success of free markets is that people should be able to evaluate changes in their personal welfare more or less correctly when prices change. At the time this paper was being written (June, 1990), there was a heated debate going on in the Soviet Union on whether the public would tolerate a 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 discomfoting to hear repetitive 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 fourfold, 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:

	USSR	USA	
1. Somewhat better off	9%	3%	t(1 vs. 3) = -2.63
2. Exactly the same	77%	63%	d.f. = 64
3. Somewhat worse off	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 thirty percent inflation rate (increase in the prices of goods by 30%). This would mean that our incomes would rise by more than 30%. Then we could buy more goods at the new higher prices. Would you support such a proposal?

	USSR	USA	
1. Yes	47%	28%	t(1 vs. 2) = -3.17
2. No	53%	72%	d.f. = 226
	N = 118	115	

In accord with the previous finding, the Soviets proved to be more tolerant of inflation (that was not eroding their incomes) than Americans.

Overall, the reported evidence suggests that there is actually little ground to believe that the Soviets are in some ways characteristically more hostile towards free prices or make more mistakes in assessing (personal welfare) consequences of price changes. 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. [For additional evidence on attitudes towards price changes, see responses to question B6 in Part VIII.]

#### IV. Attitudes towards Income Inequality.

Popular notions of fairness are essentially related to attitudes to inequality. Given the history of Communist ideology, it would seem that Soviet citizens would 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 U. S. reputation as the most capitalist country, it would seem that American citizens would be much more tolerant of inequalities of income and wealth. However, we found no evidence to support such a notion.

We first asked our respondents if they had heard about the "capitalist" theory that 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?

	USSR	USA	
1. Often	38%	7%	t(1+2 vs. 3) = -4.89
2. Once or twice	39%	38%	d.f. = 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?

	USSR	USA	
1. Yes	41%	38%	t(1 vs. 2) = -0.48
2. No.	59%	62%	d.f. = 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 actually the more surprising here. Agreement with this theory is not actually contrary to Communist theory of the past twenty or so years. McAuley (1972), 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." (p. 242).<sup>7</sup>

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 more resistant:

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<sup>7</sup>In the above mentioned survey [Smith, 1984] it was found that 25% of Hungarian and 31% of U. S. respondents either agreed or strongly agreed with the statement "large differences in income are necessary for national prosperity." (p. 70).

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%. Would you support the plan?

	USSR	USA	
1. Yes	55%	38%	t(1 vs. 2) = -2.07
2. No	45%	64%	d.f. = 199
	N = 114	99	

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

Another way to quantify attitudes towards 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% means that they can pass all of their wealth to their children, making them as rich as their parents. A rate of 50% means that they can pass half to their children. A rate of 100% means that they can pass none at all to their children.

	USSR	USA
Mean rate	39%	37%
Median rate	34%	30%
	N = 99	107

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

Recently, some economists have challenged the traditional view that the actual distribution of income is more equal in the USSR than in the USA. Our results further contribute to rethinking distributional comparisons between the two countries. We find that distributional issues are indeed important in the public opinion of both countries, but they are not of more importance in the Soviet Union than in the United States.

#### V. Popular Theories about the Importance of Incentives and Labor Supply Decisions.

It is widely held that the poor performance of the Soviet economy may be traced to the low level of work effort and work discipline of the country's labor force. On the contrary, the success of the U. S. economy is often attributed to the industry of American workers and generally high work ethics. By some accounts, the Americans may be losing their edge over the Japanese and other countries, but this in no way undermines the US-USSR disparity.

The ultimate reasons for these contrasts is far from clear. They may be either attributed to some genuine differences in the populations of the two countries (the Russians may be just more lazy by nature), or they may be due to different economic institutions (there is little doubt that the Soviet system fails to provide proper economic incentives to workers).

One possible way to shed some light on the relative merits of these two hypotheses is to ask a direct question on the importance of incentives for

hard work. It turned out that there was very little difference between the Soviet and American responses.<sup>8</sup>

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

	USSR	USA	
1. Yes	90%	86%	t(1 vs. 2) = -1.05
2. No	10%	14%	d.f. = 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:

	USSR	USA	
1. The manager must show good will in his relation to workers and win their friendship.	33%	49%	t(1 vs. 2) = 2.65 d.f. = 204
2. The manager must be a strict enforcer of work discipline, giving incentives to hard workers and punishing laggards.	68%	51%	
	N = 112	109	

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<sup>8</sup>An earlier survey [Smith 1984] allows comparisons among seven different countries, including one socialist country, Hungary, in their answer to a similar question. In that survey, respondents were asked how much they agreed with the statement "financial incentives are needed if people are to work hard." Of USA respondents, 68% agreed or strongly agreed, of Hungarian respondents 70% agreed or strongly agreed.

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

Given that the incentives are generally held to be important, it is useful to explore how people respond to them, when making labor supply decisions in current environments of the two countries. A possible way to do so is to compare relative willingness to trade marginal increases in pay for marginal work efforts. We offered the following scenario for evaluation:

B9. Suppose that for certain reasons you are offered a 10% increase in the duties you perform at your work place with the following terms: your workweek will be increased by 1/10 (say, you will work an additional half a day) and your take-home pay will also increase by 10%. If you take this offer, this has no other effects on your prospects for promotion or relations with co-workers. Do you consider it attractive to have less free time, but more money, so that you would take this offer, or would you decide to reject it?

	USSR	USA
1. I will definitely reject the offer	62%	44%
2. I will be more or less indifferent	16%	14%
3. I will definitely accept the offer	23%	43%
	N - 120	115

$t(3 \text{ vs. } 1) = 3.40$

d.f. = 192

The Americans were really indifferent at this marginal choice (which may be good news for the textbook model of labor supply), while a large majority of Soviets rejected it. So perhaps the incentives are really weaker for the Russian worker.

But a qualification is in order: when offered a symmetric scenario, identical to the previous one in every respect but suggesting a marginal reduction in effort and pay, the Soviets and Americans supplied very similar responses (take particular notice of the almost identical "reject/accept" proportion):

A6. Suppose that for certain reasons you are offered a 10% reduction of the duties you perform at your work place with the following terms: your workweek will be cut by 1/10 (say, you will have an additional half a day free) but your take-home pay will also decline by 10%. If you take this offer, this has no other effects on your prospects for promotion or relations with co-workers. Do you consider it attractive to have more free time, but less money, so that you would take this offer, or would you decide to reject it?

	USSR	USA
1. I will definitely reject the offer	51%	58%
2. I will be more or less indifferent	21%	11%
3. I will definitely accept the offer	28%	31%
	N = 115	116

t(3 vs. 1) = -0.02

d.f. = 181

While more than one interpretation seems feasible, it is possible to argue that reduction in work duties may be unacceptable due to work ethics considerations. (This time it is bad news for the micro textbook model of labor supply.) A number of interesting asymmetric responses of this kind were reported in Kahneman et al [1986]; the peculiarity of the asymmetries that we found is that they are mirror images of each other in the two countries.

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, we do find that 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 United States citizens. They appear to be no more concerned with income inequality. And Soviets appear to have the same understanding of the importance of incentives.

Other theories are that there is just a resistance towards 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, that there is less of a responsiveness to economic incentives in the Soviet Union, or that there is a fear that the government will in the future do something to remove the wealth of successful people. We did find some evidence that there is such a resistance towards exchange of money, and less warm attitudes towards business; we found also that there may be a reluctance of some to respond to wage incentives that involve risk, and 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 in the Soviet Union. Still these differences do not seem to be 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 USSR and the USA 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 are concerned with income inequality, and so these concerns might help prevent change to a market economy. But 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 comparisons 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:



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% per year. Would you charge him interest on the loan?

	USSR	USA	
1. Yes	6%	29%	t(1 vs. 2) = 4.27
2. No	94%	71%	d.f. = 215
	N = 117	111	

The difference here is quite substantial: about five times as many U. S. respondents answered "yes" as 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 so 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%, United States 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?

	USSR	USA	
1. Yes	30%	47%	t(1 vs. 2) = 2.66
2. No	70%	53%	d.f. = 221
	N = 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?

	USSR	USA	
1. Yes	69%	44%	t(1 vs. 2) = -3.61
2. No	31%	56%	d.f. = 240
	N = 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 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.

B5. Suppose that a group of your friends are starting a business that you think is very risky and could fail but might also make investors in that business rich. Would you be tempted to invest a substantial portion of your savings in it?

	USSR	USA	
1. Yes	41%	33%	t(1 vs. 2) = -1.57
2. No	59%	67%	d.f. = 230
	N = 122	117	

Somewhat greater willingness of the Soviets to invest in a risky project is clearly at odds with the common belief that they are characteristically risk averse. These responses may be also reflecting the fact that the Soviets actually lack good opportunities to invest their savings.

Taken together, the results in this section may make one doubt whether the so-called "ruble overhang" problem (that individual Soviets are sitting on large savings balances that they are unable to spend on consumption and afraid to invest in businesses) is actually very important. [For additional perspective on savings, see B8 in part X.]

#### X. 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 may still be 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 might 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?

	USSR	USA	
1. Quite likely	20%	5%	t(1+2 vs. 2+3) = -6.37
2. Possible	40%	11%	d.f. = 214
3. Unlikely	29%	53%	
4. Impossible	11%	31%	
	N = 114	118	

From the Soviet answers here, it would appear that there should be a substantial reservations about investing too much 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. At a time of great structural change in the Soviet Union, one might expect that the risks are higher of a runaway inflation, or other government-created problem that will effectively destroy their savings:

A somewhat different attitude toward business that we wished to explore is whether people relish the prospect of showing off their wealth, 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?

	USSR	USA	
1. Yes	35%	50%	t(1 vs. 2) - 1.60
2. No	65%	50%	d.f. - 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. But one may argue also that the Soviets, with a substantially lower standard of living, simply have more immediate concerns on their minds when thinking on what to do when they become rich (by domestic standards). This point is nicely put by Daniel Friedman [1990]:

Everyone thinks that there is a level of income above which all consumption is frivolous. For everyone, that level is about twice his own . . . There is little point in wasting your time learning or thinking about consumption goods that cost ten times your yearly income, so the possession of such goods is not part of your picture of good life.<sup>10</sup>

A way of getting at attitudes towards 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:

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<sup>10</sup>Friedman [1990], p. 24.

B4. Which of the following achievements would please you more:

	USSR	USA
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.	65%	54%
2. You win fame without fortune: for example you win a medal at the Olympics or you become a respected journalist or scholar.	35%	46%
	N - 92	117

$t(1 \text{ vs. } 2) = -1.47$

d.f. = 201

Although the U.S. respondents answered the question much more freely (response rates: U.S.S.R= 67%; U.S.A.=98%), 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?

	USSR	USA	
1. Very important	69%	40%	$t(1+2 \text{ vs. } 3) = -2.25$
2. Somewhat important	25%	45%	d.f. = 235
3. Not important	6%	15%	
	N - 130	119	

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

Yet another way to get at attitudes towards 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?

	USSR	USA	
1. Yes	51%	20%	t(1 vs. 2) = -4.65
2. No	50%	80%	d.f. = 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?

	USSR	USA	
1. Yes	59%	39%	t(1 vs. 2) = -2.23
2. No	41%	62%	d.f. = 214
	N = 114	117	

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

These last two questions show that USSR respondents attach negative prejudices towards 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 towards development of business enterprises. The questions in this section, which have various interpretations individually, tend generally to support the notion that Soviets indeed display somewhat less warm attitude towards business and may be less interested in business careers.

But it should be borne in mind that the differences we found were often value differences, differences in what each person wants in his or her own life. As such, economists should not argue over them, or be concerned about them.

#### VIII. Perceptions of Speculation

Many barriers to free market activity are supported in the Soviet Union on the grounds that these activities are 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 just of anti-business sentiments that we discussed in the preceding section, or as a result of opposition to income inequalities that might result from allowing people to speculate. 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 justify laws against speculation.

B6. If the price of coffee on the world market suddenly increased by 30%, what do you think is likely to be to blame?

	USSR	USA
1. Interventions of some government.	17%	13%
2. Such things as bad harvest in Brazil or unexpected changes in demand.	51%	36%
3. Speculators' efforts to raise prices	32%	51%
	N - 109	111

$t(2 \text{ vs. } 1+3) = -2.37$

d.f. = 212

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?

	USSR	USA	
1. Shortages more common	45%	66%	t(1 vs. 2+3) = 1.54
2. Shortages less common	31%	26%	d.f. = 172
3. No effect on shortages	24%	8%	
	N = 110	112	

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

Overall, the present survey was unable to provide evidence that Americans were any more enlightened in their understanding of the functioning of free markets. [For complimentary evidence on attitudes towards "profiteering", see C10 in part III.]

### IX. Saving Behavior

The kind of saving and investment behavior that is found in market economies is thought by some to be qualitatively different from the behavior found today in the Soviet Union. Now, of course, the Soviets have virtually no opportunities for investing their money; the savings banks offer 2%-3% rates for deposits and these rates are fixed by law; consumer loans and mortgage loans are very uncommon; and the pensions, provided by the government, are usually quite low. But, more important from our standpoint, are the claims some have made that Soviets have different

incentives whether to save or invest in a time of rationing and shortages, and that they are unaccustomed to taking risks with their savings.

We found first that about the same proportion in the two samples admitted having saved money last year:

All. Did you save any money from the income you earned last year?

	USSR	USA	
1. Yes	58%	55%	t(1 vs. 2) = -0.32
2. No	42%	45%	d.f. = 231
	N = 128	117	

Still more surprising, when asked to indicate the reasons for their saving, people in the two countries chose very similar responses.<sup>11</sup>

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<sup>11</sup>Smaller number of responses are recorded here as those who did not save were not asked to answer.

A12. Which of the following is the best explanation why you saved?

	USSR	USA
1. Because to acquire the things I want takes too much effort. I just couldn't spend the money.	6%	4%
2. I put money away for old age, in case of illness or other unforeseeable circumstances.	27%	41%
3. I saved money so that I will have the means to buy a vacation home, an apartment; automobile, or other such things of long-term use.	50%	39%
4. I hoped that better things will be available for my money in future years.	17%	17%

N - 70                      54

$t(1+4 \text{ vs. } 2+3) = -0.32$   
d.f. = 113

In particular, we thought that the Soviets might pick 1 and 4 more often than 2 and 3, reflecting huge shortages in the goods markets that the Soviet consumers face. But actually they did not: there was virtually no difference between the Soviet and American answers. The only minor difference that is visible here is that for the Soviets accumulation of savings for huge consumer items is relatively more important, while the precautionary motive is relatively less important. This may be reflecting underdevelopment of consumer credit in the U.S.S.R.

Another question about saving behavior was asked to find out whether people were willing to make risky investments.

But when evaluating responses to all of the three questions in this section taken together, a common explanation looks at least as persuasive as several specific ones. So, 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 B9 and A6 and C12 in Part V, C1, B4 and A5 in Part VII, and B5 in Part IX.]

#### VII. Negative Attitudes Towards Business

Many scholars have claimed that the Russian people have a longstanding aversion to business, and dislike of businessmen. Alexander Gerschenkron 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."<sup>9</sup> 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 United States' counterparts.

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

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<sup>9</sup> p. 60.

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?

	USSR	USA
1. They would show interest, would congratulate	72%	92%
2. They would be judgmental and contemptuous	12%	6%
3. They would be quiet, indifferent	16%	3%

N - 113      117

$t(1 \text{ vs. } 2+3) = 2.08$

d.f. = 194

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

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

	USSR	USA	
1. Yes	19%	4%	$t(1 \text{ vs. } 2) = -3.04$
2. No	81%	96%	d.f. = 216

N - 115      120

This evidence suggests that neither country lacks respect for businessmen on the whole, but there is less respect for them in the Soviet Union.

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?

	USSR	USA	
1. Quite likely	17%	15%	$t(1+2 \text{ vs. } 3+4) = -1.34$
2. Possible	44%	37%	d.f. = 221
3. Unlikely	21%	39%	
4. Impossible	19%	9%	
	N = 112	117	

There is some evidence of lesser confidence of the Soviets, best visible in the "1+2/3+4" proportion: USSR - 61%/39%; USA 52%/48%. But this difference is not statistically significant and is well below our prior expectations. Perhaps Americans were thinking of pressures on the federal government from the government deficit, and actions they might take such as reneging on their savings and loan obligations, or changing the social security system or medicare system.

## XI. 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 with 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?

In this paper, we have investigated a number of possible theories why people might feel that the laws should be such as to prevent the 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 fear social pressure against such an enterprise. One theory is that people are concerned with fairness of prices, and would not want to allow prices of soap to rise to reflect the scarcity. Another theory is that people are concerned with the income inequality that might be created if a



Another important aspect of labor supply behavior is readiness to change jobs in response to higher wage signals, even if one has to suffer some risk or inconvenience. The following scenario addresses this issue directly:

C12. Imagine you are offered a new job that increased your salary by 50%. The new job is no more difficult than your present job, but not everyone is good at this line of work. It could turn out that after a year or two in this new job you will be told that you are not doing well in the job and will be let go. Your chances of keeping the job and your chances of losing the job are about equal. Given this situation, would you take the risky, high-paying new job? In answering, assume that if they let you go, you could, after some time, find something more or less similar to your old job.

	USSR	USA	
1. Yes	52%	79%	t(1 vs. 2) = 4.13
2. No	48%	21%	d.f. = 216
	N = 117	117	

Here is one of our biggest differences: Americans appear to be the more adventuresome in their jobs which may imply greater mobility in labor resources.

However, we are not entirely confident whether this disparity is genuinely attitudinal. It might be that the different responses represent a different reaction to the figure "50%". Some Soviets, with whom we discussed this result, said that 50% was just "small". Increases of pay of 200% offered by joint ventures and cooperative enterprises do not seem at all unusual in current conditions of economic change in the Soviet Union. Now, the fact that increases of 200% are commonly offered could mean nothing more than that is the reservation price in the Soviet market, due to

possibly higher costs of such job shifts for the Soviets. Or it could reflect a problem with our measure of income. In the current situation of repressed inflation and severe nonprice rationing in the Soviet Union, a 50% increase in income may translate into a smaller increase in the standard of living.

To summarize, we found no evidence that the Soviets have relatively poorer understanding of the importance of incentives. Currently, in their labor supply behavior, Soviets seem to be less motivated by increases in pay of similar relative magnitude. [For supplementary evidence, see A2 and A3 in Part IV; B4, A5, Part VII.]

#### VI. Resistance to Exchange of Money.

The essence of a market system is the ability of persons to secure the things they need 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 who 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 that is between friends:

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 without 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.<sup>12</sup>

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<sup>12</sup>Tocqueville, Democracy in America, (1850), [1966, p. 591].

Appendix A

Comment on the Accuracy of Translation

by Prof. William Mahota

Department of Slavic Languages and Literature

Yale University

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. Obviously there are cultural differences which are reflected in the survey, but these have been minimized. For example, in Question A12, choice #3 reads "I saved money so that I will have the means to buy a vacation home, an apartment, automobile, or other such things of long-term use." In the Russian version, the word "квартира" ("apartment") is used. This is because, at least in large cities, Soviets do not buy single-family homes, but may purchase apartments. The word "apartment" was kept in English, although most Americans speak of buying a "house" (even if the "house" is a condominium).

These minor considerations aside, the two versions of the survey are linguistically identical, and neither of them is worded in a way which would skew any results.

Professor William J. Mahota  
Slavic Languages and Literatures  
Yale University

Appendix B  
Survey Techniques

The survey was conducted by means of telephone interviews with randomly sampled individuals of 18 years of age or older. So that each interview would last no longer than 15 minutes, we subdivided the questionnaire into three parts, labeled A, B, and C, each with 12 of the 36 questions. Sometimes this provided additional checks on our results, allowing us to ask similar questions to different subsamples.

The Soviet Union sample was acquired from the Moscow Telephone Station as a random sample of Moscow private telephone numbers. Our interviewers completed 130 interviews with questionnaire A, 137 with questionnaire B, and 124 with questionnaire C on May 5-23, 1990.

The United States sample was drawn by Survey Sampling Inc. as a random-digit proportional sample from the greater New York City Consolidated Metropolitan Statistical Area (New York-Northern New Jersey-Long Island, NY-NJ-CT CMSA/NECMA). This area consists of New York City and surrounding areas that have close ties with it. Over eighteen million people live in this area. Our telephone interviewers completed 120 interviews with questionnaire A, 120 with questionnaire B, and 121 with questionnaire C on May 21-23, 1990.

The two samples were generally representative of the respective populations of Moscow and greater New York City in terms of basic characteristics that we recorded, namely: sex, age, education level, and

employment status. Moreover, they were also rather close to each other as may be seen from the following table:

	USSR	USA
1. Percent Male	40%	42%
2. Mean age, years	45	42
3. Education level		
some college or higher	50%	66%
4. Occupation		
student	6%	11%
employed	67%	58%
unemployed	2%	5%
homemaker	2%	9%
retired	23%	16%
5. Rural origin	14%	17%

The only difference of possible importance here is somewhat lower education level of Muscovites. Keeping this in mind the differences that we find may still generally be attributed to genuine intercountry differences, and not to differences in the composition of our samples.

## Appendix C.

### Probit Regressions

To assess statistical significance of intercountry differences in responses we used binary choice probit regression techniques. This procedure allowed us to make statistical inference in a rigorous framework while controlling for a number of important observable characteristics of respondents. All estimated equations for each question had a constant term and one and the same standard set of RHS predictors, namely: dummies for country (USA-1), sex, and rural origin, and also respondent's age and education level [based on a 1 to 6 index with 1 representing "did not finish high school" and 6 indicating "finished graduate school."] The number of observations in these regressions was often somewhat less than the number of respondents to the featured questions because of some incomplete answers that yielded the RHS predictors (e. g., some would not give their age).

To carry out binary choice probits we had to transform responses to each question into a binary variable. Typically, this amounted to omitting the "no answer" response, but in a number of cases some of the substantial responses had to be aggregated. When reporting t-statistics we indicate in brackets the construction of the dependent variable.

We do not report here full results of our probit analysis. However, one general point is worth mentioning. Quite often, when the coefficient of the country dummy variable was not statistically significant, some of the other coefficients displayed high t-statistics, had the sign we might expect and plausible magnitude. For example, the estimated coefficient of the rural origin dummy for the price of flowers question (question B2, page 7)



indicated that rural people were more supportive of price increases for agricultural commodities. Such results are reassuring as it provided indirect evidence that the respondents actually understood what the question was about.

Appendix D

U. S. Questionnaire

Phone Number \_\_\_\_\_  
Name \_\_\_\_\_

Interviewer

Questionnaire A

5/21/90

Required Text of Interviewer For Selection of Respondents

Good morning (afternoon, evening) I am calling for the Cowles Foundation for Research on Economics at Yale University. We are conducting a survey of public opinion of residents of the greater New York City area.

My name is \_\_\_\_\_.

First, I would like to verify that I correctly dialed your number. Is this number \_\_\_\_\_?  
Your telephone number was selected in a random manner by computer. So, I don't know, is this a residential phone or a business phone?

[If business, then this is the end of the phone call.]  
(Excuse me, I need only home phones.)

As I already said, we are conducting a survey of popular opinion in the of residents of the greater New York City area. Our interview touches on attitudes to economic problems.

If you do not object, I would like to ask someone in your family. But for that, to select who that is, I must know: how many people over 18 years live with you?

1      2      3      4      5      6      7 or more

[Interviewer: Look at the "Selection of Respondents from Household."]

Card Number \_\_\_\_\_ Number of person interviewed \_\_\_\_\_

Then I would like to speak to the \_\_\_\_\_ oldest.

Is he or she at home?

Yes --- May I speak with him or her?  
No --- What time is best to call?

\_\_\_\_\_ Day      \_\_\_\_\_ Hour      \_\_\_\_\_ Minute  
\_\_\_\_\_ Day      \_\_\_\_\_ Hour      \_\_\_\_\_ Minute  
\_\_\_\_\_ Day      \_\_\_\_\_ Hour      \_\_\_\_\_ Minute

Thank you very much. If any questions occur to you, you may call me at \_\_\_\_\_.

[Interviewer: In a repeat call establish contact with the required person and go to the text of the questionnaire.]

Survey on Attitudes Towards Market Mechanisms

To interviewer: Read word for word the text in bold face to respondent, and use your judgment to categorize the answer. Do not interpret questions any further to them. If they do not understand a question, read it to them again or pass over it as "No answer."

Hello, I am conducting a survey of public opinion for the Cowles Foundation for Research In Economics at Yale University. Your number was selected randomly. I want to ask you some questions about your views on the economy. Our survey is for purely scientific purposes and we guarantee anonymity of your answers. I won't take more than ten minutes of your time.

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

1. Yes      2. No.      3. No answer

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?

1. Often      2. Once or twice      3. Never heard it      4. No answer

A3. Do you yourself personally agree with this theory?

1. Yes      2. No.      3. No answer

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%. Would you support the plan?

1. Yes      2. No      3. No answer

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?

1. Very important      2. Somewhat important      3. Not important      4. No answer

A6. Suppose that for certain reasons you are offered a 10% reduction of the duties you perform at your work place with the following terms: your workweek will be cut by 1/10 (say, you will have an additional half a day free) but your take-home pay will also decline by 10%. If you take this offer, this has no other effects on your prospects for promotion or relations with co-workers. Do you consider it attractive to have more free time, but less money, so that you would take this offer, or would you decide to reject it?

1. I will definitely reject the offer
2. I will be more or less indifferent
3. I will definitely accept the offer
4. No answer

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% per year. Would you charge him interest on the loan?

1. Yes
2. No
3. No answer

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?

1. Yes
2. No
3. No answer

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?

1. Yes
2. No
3. No answer

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

1. Rate \_\_\_\_\_ %
2. No answer

All. Did you save any money from the income you earned last year?

1. Yes
2. No.
3. No opinion/No answer

[If respondent says no, skip the next question]

A12. Which of the following is the best explanation why you saved?

1. Because to acquire the things I want takes too much effort. I just couldn't spend the money.
2. I put money away for old age, in case of illness or other unforeseeable circumstances.
3. I saved money so that I will have the means to buy a vacation home, an apartment, automobile, or other such things of long-term use.
4. I hoped that better things will be available for my money in future years.
5. Other \_\_\_\_\_
6. No answer

Part II. Background Questions - All Respondents

Now I have just a few background questions to ask you.

21. Your level of education:

1. Did not finish high school
2. Finished high school
3. Finished high school with special training (e. g., trade school)
4. Some college
5. Finished college
6. Finished graduate school
7. No answer

22. Which of the following best describes your job?

1. Student
2. Employed
3. Unemployed
4. Homemaker
5. Retired
6. No answer

[If the respondent answers "employed," (item 2), then go to question 23, otherwise go to question 24.]

23. Do you work in the government or in business?

1. Government
2. Business
3. No answer

24. What is your age? 1. Age \_\_\_\_\_ years 2. No answer

25. Did you grow up in the greater New York City area?"

1. Yes 2. No 3. No answer

[If answer is yes - end of the interview.]

26. If not, did you come here:

1. from another city?  
2. From a rural area?  
3. No answer.

Thank you very much for your help.

After completing interview, interviewer please check the following:

27. Sex of interviewee 1. Male 2. Female

28. Ethnic group (your best guess) 1. White 2. Black 3. Hispanic 4. Other

29. Did respondent have a foreign (not USA) accent? 1 Yes. 2. No.

Questionnaire B

[Same as Questionnaire A except that A1-A12 are replaced by B1-B12]

B1. In your opinion, which of the following statements is closer to the truth:

1. An employee who works hard and has the best interests of the business at heart can be worth twice as much to his company as a less well-motivated employee.
2. As a rule, an employee should generally do just what he is told - trying to do much more is likely to do more harm than help.
3. No answer

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?

1. Yes
2. No
3. No answer

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

1. Yes
2. No
3. No answer

B4. Which of the following achievements would please you more:

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.
3. No answer

B5. Suppose that a group of your friends are starting a business that you think is very risky and could fail but might also make investors in that business rich. Would you be tempted to invest a substantial portion of your savings in it?

1. Yes
2. No
3. No answer

B6. If the price of coffee on the world market suddenly increased by 30%, what do you think is likely to be to blame?



1. Interventions of some government.
2. Such things as bad harvest in Brazil or unexpected changes in demand.
3. Speculators' efforts to raise prices
4. No answer

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?

1. Yes
2. No
3. No answer

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?

1. Quite likely
2. Possible
3. Unlikely
4. Impossible
5. No answer

B9. Suppose that for certain reasons you are offered a 10% increase in the duties you perform at your work place with the following terms: your workweek will be increased by 1/10 (say, you will work an additional half a day) and your take-home pay will also increase by 10%. If you take this offer, this has no other effects on your prospects for promotion or relations with co-workers. Do you consider it attractive to have less free time, but more money, so that you would take this offer, or would you decide to reject it?

1. I will definitely reject the offer
2. I will be more or less indifferent
3. I will definitely accept the offer
4. No answer

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 thirty percent inflation rate (increase in the prices of goods by 30%). This would mean that our incomes would rise by more than

30%. Then we could buy more goods at the new higher prices. Would you support such a proposal?

1. Yes
2. No
3. No answer

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?

1. Yes
2. No
3. No answer

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

1. Yes
2. No
3. No answer

### Questionnaire C

[Same as Questionnaire A except that A1-A12 are replaced by C1-C12]

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?

1. They would show interest, would congratulate
2. They would be judgmental and contemptuous
2. They would be quiet, indifferent
3. No answer

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?

1. Yes
2. No
3. No answer

C3. Which of the following qualities is more important for the manager of a company:

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 incentives to hard workers and punishing laggards.
3. No answer

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?

1. First
2. Second
3. No answer

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

1. Yes
2. No
3. No answer

C6. Suppose the price of electricity rises fourfold, 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
4. No answer

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?

1. Quite likely
2. Possible
3. Unlikely
4. Impossible
5. No answer

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?

1. Shortages more common
2. Shortages less common
3. No effect on shortages

4. No answer

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

1. Yes      2. No      3. No answer

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?

1. Yes      2. No      3. No answer

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?

1. Yes      2. No      3. No answer

C12. Imagine you are offered a new job that increased your salary by 50%. The new job is no more difficult than your present job, but not everyone is good at this line of work. It could turn out that after a year or two in this new job you will be told that you are not doing well in the job and will be let go. Your chances of keeping the job and your chances of losing the job are about equal. Given this situation, would you take the risky, high-paying new job? In answering, assume that if they let you go, you could, after some time, find something more or less similar to your old job.

1. Yes      2. No      3. No answer