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TOLERATING ECONOMIC REFORM: POPULAR SUPPORT FOR TRANSITION TO A FREE MARKET IN THE FORMER SOVIET UNION

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The mass public in the Soviet Union is not enthusiastic about free-market reform. How, then, do citizens in a former communist regime develop an appreciation for free-market reforms? Different explanations for attitudes toward free market reforms are tested using data from a survey of the European USSR conducted in May 1990. First, negative assessments of recent economic performance is a catalyst for popular support for the market economy. Although very underdeveloped, there is a nascent free-market culture in the Soviet Union that makes a modest contribution to support for free-market reforms. The free-market culture that is developing in the former Soviet Union resembles that of social democracy, rather than laissez-faire capitalism. Democratic values and support for free markets are mutually reinforcing, suggesting that support for democracy makes a very important contribution to support for free-market reform.

The Soviet Union and the countries of Eastern Europe have embarked upon an experiment that reverses the historical relationship between capitalism and democracy.¹ Most countries experienced democratization after the introduction of free-market institutions (e.g., the recognition of certain basic property rights, enforcement of contracts, a free-market pricing system). Having adopted democratic institutions, the successful implementation of free-market policies will be influenced by the willingness of the Soviet citizens to accept what are often rather draconian measures with very serious short-term costs, such as unemployment and rapidly rising prices.² But why would citizens support policies that have negative affects on the national economy and on their own standard of living? In order to answer this question, I address what Albert Hirschman (1981) characterized as the political economy of patience.³ I shall explore the factors that shape the response of the Soviet mass public to free-market reforms: Why are some citizens patient, while others are not?

Armed with their recently acquired democratic rights, the mass publics in the former communist regimes are registering their growing *impatience* with free-market reforms (Bruszt and Simon 1991). The fall 1991 parliamentary elections in Poland registered the mounting popular dissatisfaction with free-market reforms. Even in the former German Democratic Republic, popular support for market reforms dwindled as the hardships mounted. Responding to this dilemma of rising democratization and growing frustration with free-market reforms, some political leaders are trying to insulate themselves from democratic influences. As part of his plan to introduce economic reforms, Russia's president Yeltsin requested greater executive power and asked for the postponement of local elections. Polish president Lech Walesa has also repeatedly asked for increased presidential power in an attempt to insulate his market reforms from legislative oversight. Others, such as the leaders of

the August 1991 coup in the Soviet Union, have tried to exploit popular antagonism to market reform for antidemocratic goals.

Can these countries both maintain democratic institutions and weather the transition to a free-market economy? An important contributing factor is public support for these initiatives, my central focus here. First, Soviet citizens are hypothesized to respond negatively to mismanagement of the overall economy by embracing alternative economic solutions. Over the past 20 years the Soviet economic situation has deteriorated, culminating in economic chaos in 1990. Given the historical failure of central planning, free-market reform is hypothesized to represent an alternative policy choice for the average citizen. This support will be forthcoming even though individual citizens in 1990 could expect serious economic dislocation as a result of these reforms: they could see the serious hardships faced by other former communist regimes that had already undertaken the transition, in particular, Hungary and Poland (see Gelb and Gray 1991). Because Gorbachev had initiated so few fundamental economic changes by 1990 there is little question that central planning was the likely scapegoat for the country's economic chaos (Goldman 1991).

But if assessments of economic performance were the sole factor driving support for free-market reform, the prognosis for their popular acceptance would be poor. Citizens are more likely to tolerate the social dislocation of economic reform if their support for change is built upon more substantial considerations than simple responses to economic fluctuations. I hypothesize that preferences for free-market reform reflect an acceptance on the part of individuals of certain basic premises of free-market mechanisms—what I call a *free market culture*. But given the collectivist culture of both Soviet and pre-revolutionary Russia, this could represent a narrow foundation.

A more promising candidate is support for democ-

racy. Scholars have long argued that there is a strong correlation, at least at the institutional level, between democracy and free markets (Dahl 1989; Hayek 1944). This raises the possibility that at the individual level preferences for free-market reforms are likely to follow from the fairly widespread diffusion of democratic norms in the Soviet Union (Duch and Gibson 1991; Gibson and Duch 1993).

Recognizing that free-market reforms almost inevitably result in widespread short-term economic dislocations, political officials fear that support for such initiatives can easily dissipate.⁴ This pessimism has been echoed by many scholars, who argue that there is an "irreconcilable antagonism between democracy and property and price reforms," primarily because of the "consequences of both of these economic reforms (namely, unemployment and inflation)."⁵ If support for free-market reforms is driven by short-term responses to existing economic conditions, their fears are well grounded. Alternatively, if support for free-market reforms is built upon more fundamental foundations (e.g., a free-market culture and democratic values), the prospects for such policy initiatives are much brighter.

I shall test four explanations for how Soviet citizens respond to free-market reform: (1) individuals' perceptions of economic performance, (2) socioeconomic structural self-interest, (3) the presence of a nascent free-market culture, and (4) support for democratic norms. The data are from a survey of the European USSR mass public conducted in May 1990. I begin by reviewing the explanations for support for free-market reform, present the operationalization of both dependent and independent variables, follow with a discussion of the univariate results, and end with a presentation of the multivariate findings.

THEORIES OF SUPPORT FOR ECONOMIC REFORM

Two important factors shape individuals' policy choices. First, it is assumed that citizens make instrumental decisions regarding economic policies based on their assessment of past and future conditions. Those who link deteriorating economic conditions with past policies of the command economy will embrace new market reforms, while the contented will reject them. Additionally, those who expect to benefit directly from economic policy changes will support them. Second, cultural predispositions constrain the range of policy options that citizens will consider legitimate. Two such constraints are explored here: (1) the popular diffusion of a free-market culture and (2) the degree to which citizens support democratic reform. I begin with a discussion of the instrumental calculations (evaluations of the economy and of economic self-interest) and then move to a discussion of the two cultural constraints.

Economic Conditions and Support for Market Reforms

There is widespread agreement that deteriorating economic conditions contributed to both elite and mass support for political and economic change in the Soviet Union.⁶ The interesting paradox is that the policies that Soviet elites are forced to adopt will, at least in the short term, make the economic situation worse. In Eastern Europe support for rapid liberalization deteriorated rather dramatically once the costs of these initiatives became evident, which posed serious political problems for the new governors (Wolf 1991). This tendency complicates efforts to model the impact of perceptions of the economy on mass policy preferences, because there is considerable uncertainty as to who the average individual blames for the prevailing economic situation. Let us first explore the critical aspects of the relationship between perceptions of the state of the economy and political preferences.

Extensive evidence from the developed democracies suggests that political evaluations are shaped primarily by evaluations of overall economic performance, what are referred to as sociotropic assessments. Citizens tend to be motivated by their assessment of the performance of the collective economy (e.g., overall business conditions), rather than personal or "pocketbook" concerns (Lewis-Beck 1988, chap. 3). These studies testify to the importance of both retrospective evaluations of the overall economy (Hibbs 1982; Kiewiet and Rivers 1984; Kinder and Kiewiet 1979; Lewis-Beck 1988) and prospective, or future, evaluations of economic conditions (Chappell and Keech 1985; Fiorina 1981; MacKuen, Erikson, and Stimson 1992).

The retrospective model of economic attitudes suggests that dissatisfaction with status quo policies will generate support for changing either the incumbent or the existing policies. In this case, status quo economic policies are represented by the command economy put in place by the Soviet communist regime. Under Gorbachev, the basic central-planning paradigm was maintained, although he did establish some of the preconditions to a market economy (Dowlah 1992, 179; Goldman 1991). Therefore, I hypothesize a negative relationship between retrospective assessments of the economy and support for free-market reform, the alternative to the existing command economy.⁷

Prospective evaluations of the overall economy are hypothesized to have exactly the same impact as did retrospective assessments. Soviets who expected the overall economy to deteriorate are predicted to support free-market changes. The reasoning here is that the average citizen, even given the limited economic reforms of Gorbachev, continued to associate future macroeconomic problems with the command economy and therefore embraced the free market as offering a solution.⁸ Hence I expect prospective assessments of the overall economy to be negatively related to acceptance of free-market initiatives, reflecting the rejection of the communist's command

TABLE 1

Economic Assessments and Support for Perestroika, European USSR, 1990 (%)

EVALUATION OF PERESTROIKA ^c	CONDITION OF ECONOMY TODAY ^a			ECONOMIC SITUATION NEXT YEAR ^b		
	GOOD	AVERAGE	BAD	IMPROVE	SAME	WORSEN
Has not begun	11.8	9.6	18.7	5.5	12.3	24.6
Has stopped	5.9	6.5	16.9	4.7	14.1	19.1
Major difficulties	76.5	66.8	58.4	75.4	63.5	51.0
Some difficulties	5.9	16.9	5.9	14.0	10.0	5.3
Developing with no problems	.0	.3	.1	.4	.1	.0
Total	100	100	100	100	100	100
Number of cases	17	355	1,083	236	690	545

^aThe question reads, "How would you rate the condition of the economy in our country today: good, average, or bad?"

^bThe question reads: "And what do you think will happen in our economy in a year? Do you think the economic situation in the country will improve, worsen, or will nothing change?"

^cThe question reads, "How do you think *perestroika* is getting along in the country?"

economy. A positive relationship between the two variables would clearly challenge this reasoning. Such a relationship would indicate that as early as 1990 those expecting the overall economy to deteriorate had become the foes of market reform.

A critical assumption here is that citizens embrace the market economy because they are dissatisfied with economic conditions that they link to the centrally planned economy of the communist regime. It is assumed that in 1990 citizens attributed responsibility for both past and anticipated economic problems with the old regime. This assumption is complicated by the fact that Gorbachev had initiated very limited reforms by 1990, when the survey was conducted. Hence there is some possibility that a significant sector of the population in 1990 linked economic deterioration to free-market initiatives. The cross tabulations in Table 1 suggest this was not the case. Respondents were given an opportunity to evaluate the policies of *perestroika*.⁹ Two of the options were that *perestroika* had not even begun and that the implementation of *perestroika* had stopped. Both options suggest an impatience with the slow progress toward a freer economy. If the economically disgruntled were blaming free-market policies, then they would be the least likely to express impatience with the pace of *perestroika*'s reforms. In fact, for the two questions regarding the overall economy, the disgruntled are the *most* likely to indicate that *perestroika* had stalled. For example, 25% of those who expected the economic situation to worsen the following year thought that *perestroika* had not even begun, while among those expecting improvement in the economy only 6% shared this opinion. To conclude, those who think the overall economy has performed—or will perform—poorly are more likely to be unhappy with the slow pace with which *perestroika* has been implemented. The economically disgruntled do not seem to be blaming free-market reforms.

Political preferences can also be shaped by how individuals think the economy affects their personal

financial well-being, ("pocketbook" considerations), as opposed to evaluations of the overall collective performance of the economy. But the evidence suggesting that sociotropic motivations outweigh pocketbook explanations is considerable (Lewis-Beck 1988; Kinder and Kiewiet 1979; MacKuen, Erickson, and Stimson 1992), and therefore I do not expect that they will play a particularly important role in this context.¹⁰ Nevertheless, to the extent that there is a pocketbook effect, I hypothesize a negative relationship between it and support for market reform. The more one expects one's personal economic situation to deteriorate, the more likely one is to embrace these economic changes, because (as was just demonstrated) responsibility for pocketbook conditions is attributed to the previous regime. Once again, I expect these pocketbook concerns to be considerably overshadowed by preoccupations with the overall economy.

Let us briefly summarize these hypothesized relationships. Retrospective assessments of economic performance are hypothesized to be negatively related to support for economic reform: negative evaluations should generate a rejection of past economic policies and support for change. Similarly, I expect that the relationship between prospective evaluations of economic conditions and support for free-market change will be negative because at the time citizens still associated future economic problems with the past regime. Thus, the strongest proponents of market reform are those who see the overall economy deteriorating.

Socioeconomic Self-Interest

Zaslavskaya points out that economic reform in the Soviet Union offers important long-term benefits for certain sectors of society while making life more difficult for other segments (1990a, 157). This argument suggests that above and beyond the short-term costs associated with economic reform, individuals can clearly recognize how structural changes in the

economy will affect their long-term interests. For example, Zaslavskaya also notes that the average skilled worker will support economic reform because skilled workers have "both the possibilities and the vital need for extra earnings" (p. 164). On the other hand, skilled workers in the distribution, public catering, and personal and domestic service sectors are likely to oppose free-market reforms, because these workers derive significant material benefits from access to goods and services that were virtually unavailable to the typical consumers. Access to these privileges assured them living standards higher than their nominal salaries would indicate. Hence those benefiting from these privileges might be expected to oppose privatization because it would likely eliminate these special benefits.¹¹

But an average citizen's ability to evaluate the long-term implications of the free market assumes sufficient information to make such calculations. Given that the market economy represents such a sudden break with Soviet traditions and that prior to perestroika it received only limited (and generally negative) public discussion, individuals may have had insufficient knowledge to assess how the market economy would affect their personal economic interests.¹² Limited information might undermine the correlation between self-interest and free-market preferences.

Although detailed information on the objective situation of different occupational groups in the former Soviet Union was not available, I can test two rather broad generalizations about the self-interest of groups in Soviet society. First, I propose a crude ranking of free-market self-interest. Following Zaslavskaya (1990a), I expect those working in industry and agriculture to be the most enthusiastic about free-market reforms. Again following Zaslavskaya, I expect the service sector of the Soviet economy will be less enthusiastic about reforms because it has benefitted most from "informal" access to a variety of difficult-to-obtain goods and services. All of these sectors should be more supportive than those on state aid, the majority of which consists of pensioners.

Other socioeconomic groups are likely to be affected in a systematic manner by economic reform, thus creating socioeconomic groups of winners and losers. First, I hypothesize that the younger and better-educated in Soviet society are more likely to support free-market reforms, partially out of a recognition that they would be better equipped to succeed professionally and financially in such an environment. Second, I expect the wealthy to be less supportive of economic changes because free-market reforms would threaten their privileged access to goods and services. There is little reason to expect the beneficiaries of the economic status quo to be strong advocates for change.

Thus I expect socioeconomic structural self-interest to play an important role in shaping preferences, even though information costs and measurement problems might somewhat undermine the relationship.

Free-Market Values

Market reforms result in very serious short-term dislocations and hardships (International Monetary Fund et al. 1991). Therefore, to the extent that support for market reforms is built on a foundation of fundamental beliefs, Soviet citizens are more likely to support these institutional changes even in the face of serious hardships. One of these fundamental values is a free-market belief system. These values are distinct from preferences for institutional reform. The latter concern support for specific policy initiatives such as privatization whereas free-market values are fundamental beliefs (e.g., how market mechanisms operate and what levels of inequality are appropriate in society). Although the two are correlated, there is no reason to consider them synonymous. It is conceivable that individuals in many capitalist nations support the link between incentives and economic efficiencies without necessarily supporting the privatization of state-owned firms. There are societies (e.g., Sweden) where citizens have expressed a preference for significant reductions in wealth and income inequalities but at the same time express strong support for market pricing mechanisms. Thus, I contend that a free-market belief system stimulates—but is hardly synonymous with—support for free-market reforms.

If support for free-market reform is predicated on support for free-market principles, the success of market reforms would therefore be somewhat contingent upon how widely these principles (e.g., the role of inequality as an incentive in the market economy) are embraced. Recent survey evidence from the Soviet Union gives reason for some optimism. A comparison of Soviet and U.S. beliefs about free markets concluded, rather surprisingly, that the two mass publics have very similar attitudes towards fairness, income inequality, and incentives and in their understanding of the working of markets (Shiller, Boycko, and Korobov 1991).

But there is a strong argument to the contrary suggesting that fundamental beliefs about the free market have been shaped by centuries of official norms hostile to the institution. According to many scholars, Soviet cultural traditions undermined the development of a free-market culture (Pipes 1990; H. Smith 1989; White 1979). For example, they point to the collectivist traditions of the old Russian mir dating back to Czarist Russia that emphasized common ownership of land and disapproved of individual enterprise. This, of course, was followed by the collectivist traditions of the communist regimes. Social-learning theories would argue that official propaganda has undermined any support for the free-market among the mass public (Gibson and Duch 1993).¹³ Several Soviet scholars have endorsed this argument that the Soviet mass public has embraced official norms (e.g., DiFranceisco and Gitelman 1984; White 1977, 1979). Moreover, much of the internal debate over economic reform in the Soviet Union has emphasized the obstacles that Soviet economic cul-

ture poses for the implementation of free-market reforms (Shmelyov 1991).

Thus, I am hypothesizing a strong *relationship* between free-market culture and support for free-market reforms. But *levels* of commitment to free-market beliefs will be low given historical traditions in the Soviet Union.

Democratic Reform

The popular endorsement of democratic institutions represents a potential foundation for free-market reforms. There is a rich philosophical literature that emphasizes the link between democracy and the free market.¹⁴ A society that has embraced the notions of liberty and the competition of ideas—so integral to democracy—is therefore likely to support the concepts of liberty, freedom, and competition that are critical to free markets. Hence, those who have embraced democratic norms are expected to respond positively to free-market changes. Given relatively high levels of support for democracy in the Soviet Union (Gibson and Duch 1993), this suggests that large proportions of the population should embrace free-market reforms.

But the historical record questions the importance of democracy as a foundation for free-market reform. History suggests a strong correlation between the two institutional reforms but at least in the past, free-market economies have *preceded* the emergence of democratic institutions. Many nondemocratic societies have accepted free-market institutions, but all democratic societies have had free-market economies (Berger 1986; Dahl 1989; Lindblom 1977, chap. 12).¹⁵ The Western European model of development is one that starts with the nation-state and moves to capitalism and finally to democracy. At least at the level of national institutions, free markets have been a necessary—but not a sufficient—condition for the development of democratic institutions.¹⁶ At the individual level, this suggests that the development of free-market preferences might predate the acquisition of democratic values, but not vice versa. To some extent the authoritarian model of capitalism (along the lines of Pinochet in Chile and Park in South Korea) presumes that a well-developed democratic culture is not essential to the introduction of free-market institutions.

But recent transitions to democracy and free markets in the former communist regimes occurred under different historical circumstances. In the case of transition from communist regimes, support for democracy is probably more widespread than for free markets, raising the possibility that democratic norms fostered support for economic change. One reason is that Soviet citizens, particularly since the early 1960s, had some limited opportunities for democratic participation and therefore the development of democratic norms. In fact, there is evidence that participation of a democratic nature was promoted by the totalitarian regime and by official ideology (see Hahn 1988; Hough 1976). Recent survey research from the Soviet

Union seems to confirm this fact (Bahry and Silver 1990; Duch and Gibson 1991; Zimmerman 1987). Free markets and capitalism, on the other hand, were not tolerated either in practice or according to official ideology. (Even the exceptional concessions to markets such as private plots in agriculture were allowed very grudgingly.) This raises the possibility that individuals were much more likely to develop an appreciation for democracy than for capitalism. Hence, the transition from communism to democratic capitalism may represent one of the unique situations where democracy was the catalyst for free-market reform. Thus I expect greater levels of support for democratic institutions as compared to free-market reform.

Establishing that preferences for democracy are causally prior to support for free-market reforms will be difficult, given the data available. It may in fact be the case that individuals developed these preferences for democratic institutions prior to embracing the market economy but (at least at any point in time) the same set of factors are likely to correlate with both variables, making it difficult to identify any nonrecursive model that included support for democracy and for free-market institutions. Nevertheless, it is reasonable to expect a strong correlation between support for democracy and for the market economy.

To summarize briefly, I have hypothesized that four factors shape preferences for market reforms: economic performance, self-interested structural opportunities generated by these changes, diffusion of a free-market culture, and popular endorsement of democratic institutions.

SUPPORT FOR MARKET REFORM IN THE SOVIET UNION

These arguments regarding the development of support for free-market reforms are evaluated on the basis of a representative sample of Soviet citizens 16-years-old or older residing in the European portion of the USSR. Interviews were conducted in May 1990. The face-to-face survey of approximately fifteen hundred Soviet citizens was conducted in association with the Institute of Sociology, USSR Academy of Sciences.¹⁷

I begin by defining popular support for free-market policies, the dependent variable in this analysis. Three dimensions of the free-market stand out as particularly important for the general public: liberalization of prices, a free labor market, and private ownership.¹⁸

Most economists consider the liberalization of prices to be an essential element of market reform in the Soviet Union and Eastern Europe. Moreover, it is a centerpiece of Yeltsin's economic reforms (International Monetary Fund et al. 1991; Kornai 1990, 146; Lipton and Sachs 1990).¹⁹ But efforts to introduce radical price reform have been resisted in the Soviet Union. For example, Gorbachev rejected the Shatalin plan and Yeltsin hesitated regarding freeing energy

TABLE 2

General Support for Economic Reform, European USSR, 1990

ITEM	SUPPORT MARKET REFORM	CAN'T SAY EXACTLY	OPPOSE MARKET REFORM	TOTAL	FACTOR LOADING
Radical economic reform is necessary ^a	54.3	20.3	25.4	100	.54
Favor an economy in which prices set by supply and demand ^b	48.0	22.1	29.9	100	.69
Favor private ownership with high-quality goods, high prices, and inequality ^c	50.9	22.6	26.5	100	.61

Note: Eigenvalue equals 1.75 and explains 58% of the total variance. N = approximately 1,500.

^aThe question reads, "Let's talk about the possibility and necessity of radical economic reform in the Soviet Union which may lead to a free market economy. Some people say that such reform may at first lead to unemployment and inflation of prices after which may come plentiful consumer goods of high quality and economic prosperity. Do you think it is necessary to introduce such economic reform in the Soviet Union or not?"

^bThe question reads, "Are you in favor of an economy in which prices are set by supply and demand and people get jobs when they are qualified for them, or are you in favor of an economy in which prices are set by the government and people are given a job even though it may not be the one they prefer?"

^cThe question reads, "Are you in favor of a form of ownership in which there are many high-quality goods but not everyone has the same opportunity to buy them because of the prices, or a form of ownership in which prices of goods are low and all can obtain them, but goods are not available everywhere?"

prices and attempted, in early 1993, to reintroduce price controls. This is primarily because of the expected political fallout from the inevitable rise in prices of many goods that would follow liberalization (Gati 1990, 138-39; Sachs and Lipton 1990; Shiller, Boycko, and Korobov 1991).

Another critical element of free-market policy initiatives is a free market for labor. Under the command economy, employment was largely guaranteed by the state and individuals had constraints on the types of jobs they were allowed to take.²⁰ Free-market reforms will require the government to reduce its authority over employment decisions considerably and shift responsibility for finding and maintaining employment to the citizen. As a result, Soviet citizens are confronted with the real possibility of unemployment, which official figures suggested hardly existed prior to 1992 (Cook 1990; Sanjian 1990).

Finally, free-market reform includes the introduction of private ownership into an economy that has had limited historical experience with such a concept. Without extensive privatization many believe that these other initiatives would have little positive impact (Kornai 1990, chap. 4; Sachs and Lipton 1990). At the micro level this is expected to lead to greater efficiency of the Soviet firms, while at the macro level it should reduce government subsidies and bring down the budget deficit.

The dependent variable in this analysis combines all three of these important dimensions of the free-market policy debate in a single measure.²¹ Each question was worded so as to present the respondent with a balanced view of the policy initiatives (see Table 2). The questions presented the respondents with both the positive and negative aspects of the policy initiatives. For example, price reforms would promote greater variety of goods and services but would result in dramatically higher prices and unemployment (at least in the short term). As many have

pointed out, there is a tendency for Soviet citizens to want to have their cake and eat it, too—be spared the cost of free-market reforms but enjoy the reforms (Denisovsky, Kozyreva, and Matskovsky 1993; Zaslavskaya 1990a; Pipes 1990, 80). Thus, it is important to present Soviet respondents with policy options that clearly indicate the costs and benefits of such reforms.

Similar percentages of Soviet citizens give pro-market-reform responses to each of these three questions—approximately 50%. In every case, about 20% of the sample is undecided as to whether they support or do not support free-market reforms. Finally, for each of the questions, about a quarter of the sample is opposed to changing the economic system.

The percentage of the sample that gives free-market responses to all three of the questions gives a better approximation of core Soviet support for free-market reform. Of the sample 27.5% responded positively to all three questions, suggesting that about a quarter of the Soviet population stands strongly in support of free-market reforms.²² A very similar percentage of the population (26.5%) stands firmly on the opposite side of the issue, strongly opposing such changes in the economic system (i.e., giving all antimarket responses). In 1990, support for radical economic change was, to say the least, lukewarm: almost a majority of the population seemed uncertain about free-market reform, and only 25% were strongly committed to these policies. The large number of citizens who express ambivalent preferences regarding free-market reform is not surprising given the political context in 1990. Gorbachev had strongly endorsed liberal political reforms, but he had made very limited moves toward promoting a market economy. Enterprises essentially remained in government hands; competition did not exist; and prices, although raised at the procurement and wholesale level, remained frozen and under government con-

TABLE 3

Retrospective Evaluations of Personal Financial Situation, European USSR, 1990

ITEMS	VERY IMPORTANT	IMPORTANT	NOT VERY IMPORTANT	NOT AT ALL IMPORTANT	DON'T KNOW	TOTAL
Shortages ^a						
Vital necessities	60.0	30.9	7.2	1.5	.4	100
Food goods	62.0	27.9	8.6	1.1	.4	100
Nonperishable goods	50.4	37.2	9.9	2.2	.3	100
Unemployment	33.7	30.2	20.1	13.1	2.9	100

Note: N = approximately 1,500.

^aThe question wording for all of these questions is, "Please look at the list on the showcard and answer how important each of the problems listed below are for you personally or for members of your family."

trol at the retail level (Dowlah 1992; Peck and Richardson 1991). With official policy remaining essentially antagonistic to the market economy, popular ambivalence to market reform is not surprising.

The dependent variable in the subsequent analysis is the factor score for each respondent that results from a factor analysis of these three questions. One significant factor emerges from a common factor analysis of the three items using principal axis factor extraction. The factor loadings of the three items are presented in Table 2.²³

VARIABLES EXPLAINING SUPPORT FOR FREE-MARKET REFORMS

Subjective Assessments of Economic Performance

It was hypothesized that perceptions of a deteriorating economy would affect support for free-market reforms. The data leave little doubt that in May of 1990 Soviet citizens were unhappy with the economy.²⁴ Two measures of retrospective pocketbook assessments are included in the analysis and their marginals are presented in Table 3. One indicator consists of three questions concerning shortages of basic goods. Eighty percent of the respondents indicated that they considered all three shortages to be either important or very important for them personally or for their family. In the analysis that follows, a summary shortage variable consists of the respondent's mean score on these three shortage questions. Another indicator is unemployment. About two-thirds of the sample indicated that they considered unemployment to be either important or very important to them or their family, while a third of the sample indicated that it was either not very important or not at all important.

Soviet citizens clearly expected their personal financial situation to deteriorate in the near future. The following list indicates that the Soviet population had very serious concerns about their personal financial future.²⁵ An overwhelming 84% expressed a concern over the prices that they would have to pay for goods in the next twelve months. About half the sample expected that their family would live worse in the next year.

Item and Response	Percentage
Concern with rising prices in next 12 months	
Very worried	83.7
Somewhat worried	11.5
Not very worried	2.9
Not worried at all	1.2
Can't say precisely	.6
Refused	.1
Total	100.0
Family's living standard next year	
Much worse	22.9
Somewhat worse	23.9
No change	22.7
Somewhat better	12.1
Much better	1.6
Can't say precisely	16.6
Refused	.2
Total	100.0

Sociotropic measures, which are assessments of the overall national economy, were presented in the cross tabulations of Table 1. About 70% rated the economy as bad and only 15% expected it to improve in the following year. Hence both sociotropic retrospective and prospective evaluations of the national economy were uniformly bad.

These variables indicate an overwhelming negative assessment of economic conditions in the Soviet Union, regardless whether the reference point is the national economy or individuals' personal economic situation and whether the orientation is to the past or to the future.

Free-Market Culture

A second set of hypotheses proposed earlier suggested that support for economic reform might be the outgrowth of a Soviet free-market culture. Three dimensions of this culture are included in the analysis. One dimension of a free-market culture is belief about how free-market mechanisms operate, measured by the link respondents make between incentives (which of course imply inequality) and economic performance.²⁶ Given that Soviet officials

TABLE 4

Inequality and Economic Efficiency, European USSR, 1990

ITEM	AGREE	UNCERTAIN	DISAGREE	TOTAL	FACTOR
In order to get people to work better, we need to increase the inequality of incomes	67.3	15.7	17.1	100	.56
A great difference in incomes is necessary for the development of our society	26.9	29.2	44.0	100	.41
We are more likely to have a healthy economy if the government allows more freedom for individuals to do as they wish	50.1	22.6	27.3	100	.34
There ought to be more equality of income even if it means that some people will not work as well as they do now	25.8	15.5	58.6	100	-.22

Note: The "proinequality" response to these items is shown in bold. N = approximately 1,500.

practiced, until recently, a policy of wage leveling that promoted income equality, I might expect little recognition of the importance of incentives.²⁷ But evidence suggests that even citizens in command economies tend to accept the link between incentives and economic performance (Shiller, Boycko, and Korobov 1991; T. Smith 1989).

Table 4 presents the four items from the survey that measure *beliefs* of Soviet citizens about the link between inequality and economic efficiency. With the possible exception of the third item in the table, each of the statements expresses a clear trade-off between economic efficiency and the political goals of equality.²⁸ Three of the items command majority support for economic efficiency. The second item in the table is worded quite strongly ("a great difference in incomes is necessary") and commands the support of only about a quarter of the respondents. Generally, these results confirm that there is a high degree of support among Soviet citizens for meritocratic reward structures (McAuley 1980; Shiller, Boycko, and Korobov 1991).²⁹ For the purposes of the following analysis the respondent's factor scores resulting from

a factor analysis of these four items serve as a measure of support for meritocratic reward structures.³⁰

A second dimension of free-market culture pertains to individual *preferences* regarding equality. It is defined here as the degree to which individuals are willing to accept the abandonment of egalitarian goals. Egalitarian norms are paramount in the Marxist-Leninist philosophy that represented the foundation for official political culture in the Soviet Union (Kornai 1990, 21). It has been argued that this egalitarianism culture dates back to sixteenth-century Russia (Kennan 1986). And while wage differentials have been accepted as early as the Stalin period, significant differences in wages have been officially discouraged (Lane 1990, 32). Moreover, there is evidence that many Soviet citizens would oppose exaggerated inequalities that might result from liberal economic policies (Kornai 1990; Pipes 1990; Zaslavskaya 1990b, 105, 130).³¹ These contentions are supported in Table 5, which presents the responses and factor scores for the three items measuring the degree to which respondents are willing to tolerate increased levels of

TABLE 5

Preferences for Egalitarian Policies, European USSR, 1990

ITEM	DISAGREE	UNCERTAIN	AGREE	TOTAL	FACTOR
The difference in incomes among people in our country is too great	7.1	8.2	84.8	100	.83
The government should try to equalize income levels	17.9	13.8	68.3	100	.61
Inequality among people will continue to exist as long as it is to the advantage of those who are rich and in power	8.8	13.2	78.0	100	.38

Note: The response opposing egalitarian policy is shown in bold. N = approximately 1,500.

TABLE 6

General Support for Government Social Guarantees, USSR, 1990 (%)

VARIABLE	USSR	AUS	USA	I	UK	NL	D	CH	A	H
Gov't should guarantee jobs										
Strongly disagree	1	7	9	2	3	2	3	4	4	1
Disagree	3	29	25	7	20	8	7	20	9	3
Uncertain	3	25	21	10	18	16	13	26	8	5
Agree	32	30	30	37	35	51	42	32	44	46
Strongly agree	62	9	14	44	24	24	36	17	35	45
Total	100	100	100	100	100	100	100	100	100	100
Gov't should guarantee income										
Strongly disagree	1	9	18	8	4	8	11	10	12	2
Disagree	6	32	41	14	23	24	19	29	20	8
Uncertain	7	22	21	12	13	19	17	19	10	12
Agree	40	31	15	41	40	39	36	30	39	39
Strongly agree	46	7	6	25	20	10	17	12	19	40
Total	100	100	100	100	100	100	100	100	100	100
Gov't should guarantee education to poor children										
Strongly disagree	0	1	2	1	1	1	2	0	2	2
Disagree	2	9	9	3	5	5	4	6	7	10
Uncertain	3	16	13	6	11	9	7	13	10	16
Agree	28	56	53	43	52	58	54	49	48	45
Strongly agree	68	18	24	46	32	27	34	32	33	28
Total	100	100	100	100	100	100	100	100	100	100
Approximate N	1,500	1,342	1,290	884	999	1,330	1,161	809	872	2,156

Source: The non-USSR data are from the 1987 International Social Survey Project (Dekker and Ester 1991).

Note: AUS = Australia; I = Italy; D = West Germany; CH = Switzerland; A = Austria; H = Hungary; NL = Netherlands.

inequality.³² In the case of all three items, the responses are highly skewed in the proequality direction, suggesting that there is only limited support in the Soviet population for the inequalities associated with a free-market system.³³ Once again, the factor scores from a factor analysis of these three items are employed in the subsequent analyses as the measure for support for increased inequality.³⁴

Another dimension of what I have called the free-market culture is attitudes toward government social guarantees. Transition to a free-market economy presumes that the extensive network of government guarantees that exist in communist societies would have to be curtailed (International Monetary Fund et al. 1991; Kornai 1990; Sachs and Lipton 1990).³⁵ I expect this attitude toward government guarantees to be an important delimiting feature of free-market culture because it is such a contentious point in the debate over economic change in these societies (Shmelyov 1991). The commitment of Soviet citizens to these social guarantees is illustrated in the conclusion Inkeles and Bauer draw from their study of Soviet émigrés in the early 1950s: "There appears to be a deep-rooted expectation among Soviet citizens that their government and society will provide extensive social welfare benefits, including job security, universal education, medical care, and other securities and guarantees" (1959, 236). Hence, respondents were asked to evaluate the importance of government

job guarantees, income guarantees, and guarantees to support the education of children of poor families.³⁶

The responses to these questions presented in the first column of Table 6 are highly skewed in the pro-social-guarantee direction. Soviet citizens overwhelmingly support the notion of government-guaranteed jobs (94% agreeing), government-guaranteed income (86% agreeing), and government guarantees of education for poor children (96% agreeing).

The comparative figures in Table 6 confirm the Soviet citizen's strong support for government social guarantees.³⁷ Nevertheless, on two of the three indicators (job guarantees and educational guarantees for children) support of Soviet citizens for social guarantees is higher than levels found in Western nations, although not dramatically out of line. The Soviet Union has much higher support for income guarantees than all of the countries included in the sample. The highest percentage agreeing with this statement is found in Hungary (79%), the lowest, in the U.S. (21%). There remains overwhelming support in the Soviet Union for an activist governmental role, ranging from job guarantees and educational funding for children (which tend to receive strong support in many European countries) to guaranteed incomes, which receive much lower levels of support in Western nations.³⁸ In the analysis that follows, a composite index of these three variables is employed. The

TABLE 7

Support for Competitive Elections, European USSR, 1990

ITEM	DISAGREE	UNCERTAIN	AGREE	TOTAL	FACTOR
Those supporting competitive elections are doing harm to the country	65.7	26.6	7.7	100	.53
Competition between the communist party and other parties will improve the way the authorities work in the Soviet Union	13.8	21.1	65.1	100	-.64
A one-party system in the USSR promotes the development of democracy	61.5	22.6	15.9	100	.70

Note: The "prodemocratic" response to these items is shown in bold. N = approximately 1,500.

index represents the factor scores from a factor analysis of the three variables. The eigenvalue from the common factor analysis is 1.66, accounting for 55% of the item variance. The factor loadings are .7 for job guarantees, .55 for income guarantees, and .49 for educational guarantees.

Three dimensions of Soviet free-market culture are measured here. An overwhelming majority of the Soviet mass public recognizes the importance of the link between incentives and economic performance. A considerably smaller percentage of the public is willing to accept the inequalities that are inevitable by-products of free markets. Finally, there is virtually no support for a reduction in the social guarantees provided by the Soviet government.

Support for Democratic Reform

Those who have embraced democratic institutional changes are hypothesized to support free-market reform. The focus here is on support for specific democratic reforms and their relation to explicit free-market policies. Hence support for democratic reform is based on responses to a series of propositions regarding free elections in the Soviet Union.³⁹ In early 1990, this aspect of democratic reform was a very salient public issue because the nation had participated in its first relatively democratic election in 1989 and local and republic elections were held in 1990. The three propositions comprising this measure (presented in Table 7) indicate strong support for this aspect of democratic reform.⁴⁰ For each of the three propositions concerning competitive elections, about two-thirds of the sample registered their support. Support for democratic reform is the factor score that results from a factor analysis of each of these three items.⁴¹ I should add, however, that on a number of other dimensions, Soviet citizens have also expressed high levels of support for democratic reform: overwhelming majorities indicated that political rights (such as freedom of speech) should always be respected, and most propositions measuring Soviet support for the value of dissent commanded at least majority support (Gibson and Duch 1993).

Care should be exercised in the conclusions drawn from these indicators. While the Soviet citizens ex-

press high levels of support for abstract institutions of democracy (such as free elections), on certain more concrete dimensions (e.g., the tolerance of political views they dislike or of public disorder), they can be quite antidemocratic (Gibson and Duch 1993).⁴² This is also the finding of earlier research from the Soviet Interview Project (SIP) data (Grey, Jennisch, and Tyler 1990). Nonetheless, since the focus of this analysis is on preferences for institutional reform, the measure of support for democracy adopted here is institutional in nature.

MULTIVARIATE RESULTS

Table 8, column 1, presents the regression results for the pure economic model in which only the prospective and sociotropic economic variables are included in the equation.⁴³ Overall these economic variables explain 10% of the variation in support for free-market reforms. Both sociotropic and pocketbook evaluations of the economy are related to support for market reforms, but in very different ways. Those who think the present condition of the economy has deteriorated and those who expect it to be worse in the future are more inclined to *support* free-market reforms. Prospective pocketbook evaluations of the economy have exactly the opposite effect, contradicting my initial hypothesis. Those who expect their personal financial situations to deteriorate are more likely to *oppose* free-market initiatives. In particular, concern with future rising prices undermines support for these initiatives. Some care, however, is called for in interpreting this particular result because of the highly skewed nature of the price concern variable (84% answer in the affirmative). Retrospective evaluations of respondents' personal financial situation did not affect their attitudes toward free-market reforms.⁴⁴ With one exception, these results confirm my hypotheses regarding the economy and support for economic change. Negative evaluations of the overall economy, whether retrospective or prospective, seem to generate enthusiasm for free-market reforms. The exception is that those concerned about their future personal financial situation were less likely to support market reforms.

TABLE 8

Multivariate Model of Support for Market Reforms, European USSR, 1990

INDEPENDENT VARIABLES	MARKET REFORM MODELS				DEMOCRATIC REFORM MODEL
	1	2	3	4	5
Sociotropic					
Retrospective					
Condition of economy ^a	.43** (.05)	.42** (.05)	.33** (.05)	.16** (.05)	.45** (.05)
Prospective					
Condition of economy ^a	.08* (.03)	.05 (.03)	.04 (.03)	.01 (.03)	.07* (.03)
Pocketbook					
Retrospective					
Family living condition ^a	-.02 (.02)	-.02 (.02)	-.01 (.02)	-.01 (.02)	.01 (.02)
Shortages ^b	-.03 (.04)	-.01 (.04)	.00 (.04)	-.01 (.03)	.01 (.04)
Unemployment ^b	.00 (.02)	.02 (.02)	.01 (.02)	.01 (.02)	-.01 (.02)
Prospective					
Prices will rise ^c	-.27** (.04)	-.21** (.04)	-.20** (.04)	-.17** (.04)	-.07 (.04)
Live better or worse ^d	-.04 (.03)	-.02 (.02)	-.01 (.02)	-.03 (.02)	.05* (.02)
Free-Market Culture					
Oppose social guarantees	—	.07** (.03)	.06* (.03)	.05* (.03)	.03 (.03)
Oppose income equality	—	.07** (.03)	.06* (.03)	.05* (.02)	-.02 (.03)
Link inequality & efficiency	—	.27** (.03)	.28** (.03)	.22** (.03)	.17** (.03)
Socioeconomic					
Ownership	—	—	.01 (.01)	-.00 (.01)	.02 (.01)
Education	—	—	.10** (.02)	.05* (.02)	.15** (.02)
Age	—	—	-.01** (.00)	-.01** (.00)	-.01** (.00)
Industry	—	—	.01 (.05)	-.03 (.05)	—
Farming	—	—	-.06 (.08)	-.03 (.07)	—
Service	—	—	-.02 (.05)	-.04 (.05)	—
Democracy	—	—	—	.36** (.03)	—
Constant	-.05 (.20)	-.34 (.20)	-.07 (.21)	.47* (.20)	-1.47** (.20)
Number of cases	1,410	1,409	1,378	1,378	1,420
Adjusted R ²	.10	.17	.20	.31	.22

Note: Entries are unstandardized regression coefficients with standard errors in parentheses.

^aHigh = bad.

^bHigh = important.

^cHigh = worried.

^dHigh = worse

*p < .05.

**p < .01.

The variance explained increases to 17% in column 2, when the free-market-culture variables are added to the model. All three dimensions of free-market

values are statistically significant and have the expected signs. Of the three dimensions, the inequality variable (which measures the perceived link between

inequality and efficiency) has the biggest effect. Respondents who believe that inequality is a necessary condition for economic efficiency are more likely to support free-market reforms. Second, respondents who are opponents of government social guarantees are supporters of free-market reforms. Finally, those opposing policies that promote greater equality tend to be the proponents of market reforms.

The coefficients for the economic variables decline somewhat from those reported in column 1. Once again, none of the retrospective pocketbook variables are statistically significant. The sociotropic prospective variable is no longer significant. Only the retrospective sociotropic and the prospective pocketbook variables now reach statistical significance. This confirms that in addition to the importance of economic assessments, those who embrace free-market principles are more likely to support free-market reforms.

Table 8, column 3, presents the coefficient estimates once the socioeconomic self-interest variables are added to the equation. I restrict myself here to testing a very simplified version of the self-interested hypothesis developed earlier.⁴⁵ First, I have included age, education, and wealth (measured here by a count of the number of durable goods in the respondent's household). Second, I have included in the model three dummy variables that assume the value of 1 for individuals working in the service, farming and industrial sectors of the economy. (This leaves in the intercept term primarily individuals who receive government stipends, e.g., students and pensioners). Granted, these are rather rough categorizations of the working population. Nonetheless, they might give some indication of whether occupational groups were divided in terms of their support for free-market reform.

Adding these socioeconomic variables to the model increases the explained variance to 20%. The age and education variables are significant, but the ownership variable is not. None of the dummy variables for the occupational groups are significant in the model. I interpret the negative coefficient on age as support for the life-cycle argument that the young support free markets because they are in a better position to benefit from the market economy.⁴⁶ An alternative interpretation is that it reflects generational differences in values, as opposed to economic self-interest. This is how Bahry and Silver interpret the cohort differences in political attitudes and behavior (Bahry 1987, 73; Silver 1987). With the cross-sectional data available to date, however, it is impossible to distinguish between the life-cycle and generational interpretations. Moreover, I would argue that there is no strong theoretical rationale for expecting generational differences in support for free-market reforms. Until recently, official Soviet policies have been antagonistic to the free-market economy. Hence there has not been any significant formative event related to the market economy that could have impressed a particular generation of Soviet citizens.

The results for education reported in Table 8 also parallel the SIP findings. Silver (1987) discovers that

the better educated are more likely to favor private as opposed to state ownership. Silver does not offer an explanation for why the better-educated are more likely to embrace this market reform. I believe that the correlation confirms that by 1990 when the debate over the costs and benefits of privatization had high visibility, better-educated citizens felt more comfortable about their ability to adjust to and benefit from this new economic order. The less-educated recognized that they would be more vulnerable in a new market economy because in a competitive labor market those with more education and training have a distinct advantage.

On the other hand, efforts to identify differential support among occupational groups failed. At least with this rather rough categorization of occupational groups, there is no evidence of differential support for free-market reform. Finally, there is no support for the hypothesis that the wealthy, who presumably have a bigger stake in the status quo, oppose reform. Those in a position of wealth in the old regime did not see themselves disadvantaged by the proposed economic reforms, possibly because the old elite was often very well placed in the case of privatization of state-owned entities.

Democracy and Free Markets

The Soviet results leave little doubt that preferences for democracy and free markets are highly intercorrelated. The Pearson correlation between support for competitive elections and for free market support is .47. Not surprisingly, when added to the regression equation, the explained variance jumps significantly to .31 (see Table 8, col. 4). The coefficients for the other independent variables drop somewhat from their values in the previous equation but those that were statistically significant remain so in column 4. Clearly, the partisans of democratic change are much more likely than opponents to support economic reform.

This strong correlation suggests that Soviet preferences for democratic reform are the result of similar considerations that shape support for economic reform. I test this proposition by regressing the same set of variables from the free-market model on the support-for-competitive-elections variable. As the results in column 5 illustrate, the two sets of preferences are shaped by similar factors. Concern with the economy today (the retrospective sociotropic variable) has a very strong correlation with democratic reform, as is the case in the free-market equation. Dissatisfaction with the recent performance of the overall economy promotes support not only for economic change but also for democratic reform. There is also a significant correlation between the sociotropic prospective variable and the democracy measure, which is not the case in the market equation. With respect to pocketbook concerns, the two sets of results diverge somewhat. In the democratic equation, concern about future rising prices is not significant but the variable has a significant negative cor-

relation in the market equation. Another difference is the moderately significant correlation between concern about future living standards and support for democratic reform: in the market equation, this variable has no effect. Generally, the impact of prospective pocketbook concerns on democratic preferences appears to be even less than in the case of free-market preferences.

As was the case in the free-market equation, there is a relationship between free-market values and support for democracy but the relationship is much weaker. Respondents' acceptance of the link between inequality and efficiency is significantly correlated with support for democratic change but the size of the coefficient is smaller. Moreover, neither of the other two free-market culture variables are significant in this equation. Hence there is a connection to democracy, but it is not nearly as powerful as that to market reform. Socioeconomic variables are similarly related to support for democratic reform: both age and education are significant and in the expected direction, while the wealth variable is not.

Clearly, preferences for changing both political and economic institutions are part of a similar evolution of public opinion in the Soviet Union. They are both supported by better-educated and younger citizens, more prevalent among those concerned about a deteriorating economy, and more likely found among individuals who recognize the link between inequality and efficiency. This is a surprising finding. I would have expected more differentiation between the two processes, with economic factors (assessments of economic performance and free-market culture) important in the case of free-market preferences but relatively insignificant in the case of support for democracy. A reasonable conclusion is that preferences for free-market and democratic institutions tend to have a strong reciprocal relationship and that both are shaped by similar factors.

These empirical findings have important implications. The transition to a free-market economy seems to be built on a foundation of a free-market culture. Respondents who accept the link between inequality and economic efficiency are much more likely to endorse free-market reforms. More importantly, those who do not accept this link (and many in the Soviet Union do not) are likely to oppose free-market reform. It is interesting to note that this same variable is also correlated with support for democratic reform, although not as strongly as with market reform. Democrats tend to accept the inequalities associated with the workings of a market- and incentive-based economy.

In addition to creating hardships, the transition to a free-market economy will create opportunities for many citizens. Those most likely to benefit from these economic changes (the better-educated and the young) are among the strongest free-market advocates. Once again, although for different reasons, the results for the democratic reform model parallel those for the free-market equation.

This notion that democrats and free-marketers are

both cut from similar cloth contradicts some of the recent findings of Finifter and Mickiewicz (1992). They find that the better-educated and those supporting political change (which can be interpreted as favoring democratic institutions) tend to "be more supportive of state responsibility," which the authors seem to equate with opposition to economic reform. First, it should be pointed out that attitudes toward the responsibility of the state for the well-being of individual citizens are not synonymous with support for a market economy. (In many European countries, citizens support the market economy but also favor a strong role for the state.) In this analysis, I treat general attitudes toward the role of the state as part of the free-market culture and distinguish them from preferences for the implementation of free-market institutions.

But this caveat aside, the puzzle remains because my free-market-culture variables also all have exactly the opposite correlation with education and democracy than was the case with Finifter and Mickiewicz (1992). Education and support for democracy have the following relative correlations with opposition to social guarantees (.10 and .07), with the recognized link between equality and efficiency (.05 and .16), and opposition to equality of income (.11 and .09). In all cases, the direction of the correlations indicate that the more educated and more democratic rank higher on the measures of free-market culture which is contrary to Finifter and Mickiewicz's findings. The differences may be a function of measurement. Finifter and Mickiewicz base their conclusion on a single-item indicator of support for an activist state. The market-economy variable and the three free-market-culture variables employed in this analysis are all measured with multiple indicators. It seems unlikely that by chance these three different multiple-indicator constructs would all have the expected correlations with education and support for democracy. It is true though that the "social guarantees" dimension of free-market culture, which is most similar to Finifter and Mickiewicz' "locus of responsibility" variable, is not significantly correlated with support for democratic reform in Table 8. Hence, it may be that the particular dimension of free-market culture favored by Finifter and Mickiewicz is uncorrelated (or possibly negatively correlated) with support for democracy.

On the other hand, my results are consistent with the positive correlation that Finifter and Mickiewicz report between their "inequality and efficiency" variable and other variables measuring support for political change (e.g., competitive elections).⁴⁷ Democrats accept the link between an inefficient market economy and social inequality. This is particularly noteworthy because the inequality-and-efficiency variable is the one free-market-culture dimension that is significant in my democracy equation in Table 8.

In large part, Finifter and Mickiewicz' (1992) findings can be incorporated into my general finding that citizens in the former Soviet Union support a decidedly social democratic version of capitalist democra-

cy—one that recognizes the importance of supply-and-demand prices, private ownership, and income inequality but at the same time values a strong social and economic safety net. Because citizens of the former Soviet Union strongly cling to the notion of a social and economic safety net, the social guarantee variable in my model is unrelated to support for democracy and has a negative relationship in the case of Finifter and Mickiewicz.

CONCLUSION

In the early part of 1990, public opinion in the European USSR seemed unenthusiastic about the free market. The results suggest that such reforms had solid support among a quarter of the population and were strongly opposed by a similar proportion, leaving half the sample with mixed feelings. But I am here less concerned with levels of support for the free market; rather, the central focus is understanding how these preferences are shaped.

An extensive body of literature argues that political preferences are formed by instrumental calculations: citizens assess policies, incumbents, or even regimes in terms of how they impinge on their economic well-being. This hypothesis is supported here by the correlations between assessments of the economy and free-market preferences. Moreover, the nature of the relationship is exactly as the literature predicts. In 1990, those most critical of past economic performance tended to be the most enthusiastic supporters of free-market reform. Moreover, what seemed to matter most in these retrospective evaluations was assessments of the performance of the overall economy rather than the respondent's personal financial predicament. The negative relationship between retrospective assessments and free-market support suggests that the market economy was seen as a palliative for the economic decline that characterized the preceding two decades. Nevertheless, there is some limited evidence that concern with a future deterioration in personal finances might contribute to rejection of free-market experiments.

In a similar manner, citizen support for *democratic* reform is enhanced by memories of poor overall economic performance in the past and by expectations that the overall economy will decline in the near future. Further democratization seems to be considered an acceptable antidote to economic mismanagement. To some extent, this reflects the fact that in 1990, Soviet citizens continued to see the influence of the previous regime on economic policymaking. After all, an unelected president continued to dictate policy and the Soviet parliament was dominated by a party apparatchiks who persistently opposed major economic change. Hence, there is some suggestion that institutional reform was seen as a means to reduce the influences of the former regime over economic policymaking. Pocketbook issues played only a weak a role in shaping support for democratic reform. But unlike the market reform case, deterio-

rating prospective assessments of personal living conditions tended to bolster support for political reform. Therefore, I conclude that democratic reform in the former Soviet Union benefited from perceptions of deteriorating economic conditions both at the societal and personal level.

An interesting issue that can only be addressed in future research concerns how long individuals are likely to blame the declining economic situation on the policies of the previous regime. The evidence presented here concerns a very early period in the transition to democracy and free markets. If memories of the poor economic performance of the communist regime are quickly discounted, the positive relationship between perceptions of economic decline and support for market reform may weaken, and possibly reverse signs, in the very near future. Research from the Eastern European countries suggests that the discount rate may be quite high (Bruszt and Simon 1992).

Economic reform appeals to the young and well-educated, providing some limited confirmation for the notion that support for economic reform is instrumental: citizens who have the resources to benefit from such policy changes are likely to be its strongest advocates. But an effort to detect any differential support among sectors of the Soviet work force failed. There are two explanations for these findings that cannot really be distinguished by means of the data at hand. One possibility is that the economic sector is poorly specified, rendering the model unable to capture the true self-interested effects. Another possibility is that respondents are unable to evaluate their own self-interest associated with free-market reform, which is plausible given the novelty of these initiatives for the Soviet citizens.

Beliefs about how market mechanisms work (part of the free-market culture) affect how far Soviet citizens will accept free-market reforms.⁴⁸ Those who recognize the link between inequality and economic efficiency were more likely to embrace the free market. Even though the inequality and economic efficiency questions received the most pro-market responses, only between one-quarter-to-two-thirds of the respondents endorsed this idea. The other two dimensions (support for social guarantees and for egalitarianism) are more weakly correlated with support for free-market reform *and* command the support of only a small percentage of the population. This suggests that the transition to free markets in the Soviet Union will have to accommodate a large proportion of the population that clings aggressively to the notions of social egalitarianism. To the extent that public opinion matters in this transition process, the free-market model for the former Soviet Union will more likely resemble that of the social democracies of Western Europe, which tend to champion egalitarianism, rather than the more *laissez-faire* model found, for example, in the United States.

The hypothesized link between democratic values and support for free-market reform is strongly endorsed by the results of this study. Moreover, the two

concepts are shaped by very similar factors. Although they are not synonymous, many citizens seem to consider the two concepts to be very similar. In many cases, what drives the individual to embrace democracy also results in a sympathetic reception for the market economy. While the support for both types of institutional reform are strongly correlated, levels of support for democratic reform remain significantly higher than they are for free-market reforms. There is a large element of the Soviet population that embraces democracy but continues to be quite reticent about the market economy.

There is a tendency, particularly among political leaders in the former communist nations, to argue that too much democracy will seriously inhibit the transition to a free-market economy. It is true that the existence of democratic institutions forces leaders to take stock of public attitudes toward these reforms. But measures designed to curtail the democratic process in order to facilitate the transition to free markets may actually undermine popular support for these reforms. Support for democratic norms is clearly an important correlate of popular acceptance of the free market. Just as individuals are inclined to embrace the free market as part of their support for democracy, any decision to put "democracy on hold" might, by the same logic, undermine public support for economic change. The transition to a free-market economy would be better served by efforts to accelerate rather than slow down the process of democratization. Historically, democratic institutions were seen as an important means to guarantee the individual liberties associated with a well-established free market. In the case of the Soviet Union and possibly other former communist regimes, widespread popular support for democratic values may be the vehicle for galvanizing popular acceptance of the free market.

The process by which institutions and attitudes change is very different in the late twentieth century than it was during earlier historical periods. Certainly in the early history of most of the developed democracies, democratization was typically preceded by an economic change that either gradually or abruptly introduced private property and free-market institutions. The situation is made much different today because of the promotion of different models that are easily accessible through various global mass media (Dahl 1971; Pye 1990). Unlike earlier periods, democracy has emerged as a popular institution not because it best facilitates the protection of liberties, private property, and contracts, which are such valued aspects of a free-market economy. Rather, the democratic model is popular in the Soviet Union because of its inherent attractions (freedom, liberty, etc.) and widespread diffusion through the global media—which Starr labels the "global demonstration effect" (1991, 360; see also Bruszt and Stark 1991; Mueller 1989). To some extent, democracy is something of a fad in the Soviet Union, promoted through increasing access to Western ideas.

Capitalism, on the other hand, has not benefited

from the same positive public relations and this is reflected in the lower levels of enthusiasm that Soviet citizens have demonstrated toward free-market values. Market economies come in wide varieties and have been subject to widespread criticism both in the West and in the former communist regimes (in contrast to the value of democracy, which is rarely challenged). Hence, because the global portrayal of the free-market model is much more contentious than is the case with democracy, it should come as no surprise that the Soviet population demonstrates a certain hesitancy regarding free-market reforms. Moreover, the changes associated with free-market reforms will be exacting and pose serious short-term risks for the average citizen.

The findings presented here suggest that the citizens who have embraced democratic values are also likely to support the adoption of free-market reforms. Since there seems to be a high degree of support for democratic institutional reform, this bodes well for proponents of free-market policies. To some extent, the contemporary developmental relationship between free markets and democracy has changed from what existed in the previous periods. While at the system level, free markets have historically been considered a necessary condition to democratization, the pattern has reversed itself somewhat today. At the individual level, the two variables—acceptance of certain democratic norms and support for free markets—are mutually reinforcing. Therefore, proponents of free-market reform can take some comfort from the widespread acceptance of democratic institutions. But the results also suggest reason for concern. If support for democratic institutions were to wane (as it very well might in a number of the newly independent republics), it could have adverse consequences for the introduction of market economies.

Notes

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1. I realize that recent events have rendered the term Soviet Union somewhat outmoded. For convenience sake, I retain the term as a general reference to the mass publics and republic-level political institutions that occupy the former territories of the Soviet Union.

2. The joint report of the International Monetary Fund and other international financial institutions recommended radical economic reforms and noted that "the prospect of a sharp fall in output and rapid increase in prices in the early stages of a radical reform is daunting" (1991, 18). A discussion of some of the social consequences of restructuring can be

found in Zaslavskaya 1990a, 86-95. See also the collection of essays in Bahry and Moses 1990. For a discussion of these issues from the perspective of Third World development, see Nelson 1990a.

3. Offe discusses why he thinks the micro preconditions for the development of free-market institutions (specifically, patience on the part of the mass public) do not exist in Eastern Europe and the Soviet Union (1991, 22). For a discussion of the politics of economic change in developing nations, see Nelson 1990a, 1990b.

4. For a discussion of why such free-market initiatives have gained so much popularity, see World Bank 1991.

5. This point is made by J. Elster (1990) and reinforced by Offe (1991).

6. The link between the economy and political preferences is often made in the U.S. case. Two of the most thorough summaries of this voluminous literature are Kiewiet 1983 and, for the comparative perspective, Lewis-Beck 1988.

7. Others, such as Sanjian, have argued though that the fear of change may override any support for free-market reforms: "The citizenry as a whole, independent of any individual's place in the power structure, fears the prospect of higher prices as subsidies are eliminated and supply and demand move prices to their market levels, resents the growth of social tension as income distribution becomes less egalitarian, and protests the weakening of familiar safety nets for the disadvantaged. Though they will also enjoy the fruits of a healthier economy in the long run should the reforms prove effective, it is these short-term costs—together with the absence of any apparent immediate benefits of perestroika—that preoccupy public opinion" (1990, 62).

8. One of the problems with modeling prospective evaluations of the economy with preferences (support for an incumbent or particular policies) is the difficulty in characterizing the exact reasoning of the respondent. Are respondents projecting the future impact of old policies on the performance of the Soviet economy or have they already factored into consideration a change in economic policy so that they are responding to the future performance of free market policies? With appropriate questions, greater light could have been shed on these issues but unfortunately they were not asked in this particular survey project. Hence my model of citizen preferences assumes that in May 1990, when asked to assess the general state of the Soviet economy in the next 12 months, citizens assigned responsibility to the command economy policies of the former regime.

9. *Perestroika* can simply be translated as "restructuring." But during the Gorbachev period the term became associated with a wide range of political and economic reforms such as attempts to decentralize enterprise decision making and increase the financial independence of state-owned firms; and the introduction of laws authorizing cooperative enterprises in the services-and-consumer-goods areas and permitting joint ventures with Western firms.

10. Also see Brody and Sniderman 1977 and Schlozman and Verba 1979 for evidence of the general tendency of individuals to personalize problems, rather than attribute them to societal forces such as government.

11. Presumably, in a market economy with private firms, employee compensation would be based on a competitive labor market. If employees were allowed to continue unconstrained to appropriate goods and services from the firm, as is the case now in many state-owned firms, the end result would be bankruptcy. This behavior is, of course, a form of rent seeking that occurs in market economies (see, e.g., Krueger 1990). But rent seeking has been particularly prevalent in certain sectors of the Soviet economy. With privatization and freeing of prices, opportunities for such lucrative activity would be reduced and therefore free-market policies would likely be opposed by employees in these sectors.

12. For a discussion of the role of socioeconomic interest in Hungarian public opinion during its regime change, see Bruszt and Simon 1990.

13. An illustration is Kornai's discussion of the cultural barriers to economic reform in Hungary:

At each stage of his life, starting with the child entering kindergarten and ending with the old person retiring to a home for the aged, the citizen of a socialist country was told that not business, but only work (more specifically, work done in the framework of an enterprise or organization in the public sector) was the single legitimate source of income. He was taught that some inequality was tolerable or perhaps even useful for the sake of providing material incentives to people, but that there should not be "too much" of it. . . . Right now, in the beginning of a new era, many people in various political groups, even within strongly anticommunist movements, are still under the spell of their former indoctrination in extreme egalitarian values. They regard profit or high income as the result of unethical practices, and speculation and profiteering as sure signs of unacceptable greed. (1990, 21)

14. For an excellent short summary, see the essay by Almond (1991). See also Berger 1986; Dahl 1989; Lindblom 1977; Moore 1966; and Schumpeter 1942.

15. The argument that free markets and the abandonment of socialism are important preconditions to the development of democracy has been made by a number of Soviet scholars (e.g., Klyamkin 1990; Migranian and Klyamkin 1990).

16. This is the classic liberal case for market systems: "Liberty through the market; no liberty without." See Friedman 1962; Hayek 1944; and Lindblom 1977, 45. See also the extensive evidence of the strong correlation between economic development (which tends to be synonymous with market economies) and democratization (Dahl 1971; Lipset 1959; Powell 1982).

17. Polina Kozyreva and Gennady Denisovsky directed the fieldwork. A more extensive description of the survey is provided in Gibson and Duch 1993.

18. For a similar effort to characterize support for free-market policies in the Soviet Union, see Times Mirror Center for the People and the Press 1991, a preliminary report of a survey conducted in May 1991.

19. See also a discussion of the Shatalin Plan and the linkage between free prices and a decentralized economy in Hewett 1990 and Peck and Richardson 1991.

20. Cook (1990) notes that three important factors explain high levels of job security in the Soviet Union: management incentives to retain and hoard labor, institutional and legislative guarantees of employment security, and an implied social contract between the regime and its citizen. A discussion of the right to work in socialist and capitalist economies can be found in Elster (1988).

21. In this respect, it differs considerably from other studies such as the recent one conducted by Schiller, Boycko, and Korobov (1991), which is not concerned with individual preferences regarding free-market policy initiatives but, rather, with how individuals would respond to a variety of different free-market situations.

22. This 28% is precisely the percentage that Pipes cites as supporting a free market "in the true meaning of the words" (1990, 80).

23. The mean inter-item correlation for the three questions included in this scale is .35. Cronbach's alpha for overall scale reliability is .58.

24. With events changing so rapidly in the former Soviet Union, it would be imprudent to treat a single survey as more than a snapshot of an evolving political situation. This evolving situation is less of a problem here because our primary interest is the relationship among variables.

25. $N =$ approximately 1,500. The question wordings were, "How worried are you that the prices of the things you buy will rise sharply in the next twelve months?" and "And what about next year? Do you think you and your family will live better than today or worse?"

26. For an excellent comparison of the popular attitudes toward and knowledge of free-market principles in the Soviet Union and the United States, see Shiller, Boycko, and Korobov 1991, 1992.

27. Evans (1990) notes that this policy of aggressive wage leveling actually originated in the 1950s under Khrushchev. But by the 1980s the need to link rewards with the quality and quantity of labor output was even embraced by Communist

party officials (Evans 1990; Shmelyov 1991; Zaslavskaya 1990a).

28. In each case, respondents were asked to indicate how far they agreed with the proposition. The response set was *agree strongly, agree, uncertain, disagree, or disagree strongly*.

29. Shiller, Boycko, and Korobov (1992) suggest that Soviet attitudes toward market incentives are not easily distinguished from those of citizens in developed capitalist nations. Given similar situational or institutional situations, the two citizen types are likely to behave similarly. They suggest that what varies between the two types of societies is the institutional and regulatory environment, leading to different types of economic behavior. This is consistent with results reported here that indicate a basic understanding and acceptance of how market mechanisms operate.

30. The eigenvalue of the first factor extracted is 1.44, accounting for 36% of the original variance. The eigenvalue of the second factor extracted is .94. $N = 1,560$. I noted earlier that measures of free-market values are quite distinct from preferences for free-market reform. Aside from the theoretical justification for treating these as distinct concepts, the empirical evidence also suggests that they are very different. The correlation between the free-market factor score and the "inequality and efficiency" factor score is .26.

31. The conflict between egalitarian norms and efficiency in capitalist democracies has been widely debated. See Okun 1975; Schumpeter 1942; and Zajac 1978.

32. The response set read as follows: *disagree strongly, disagree, uncertain, agree, strongly agree*.

33. These results contrast rather dramatically with the support for income equality found in the Finifter and Mickiewicz study (1992, 860). They find strong opposition to egalitarianism while I find exactly the opposite. I tend to concur with the authors that their question wording probably biased respondents *against* income equality.

34. The eigenvalue of the first factor extracted is 1.71, accounting for 56.9% of the original variance. The eigenvalue of the second factor extracted is .80. $N = 1,560$.

35. For a discussion of these extensive social guarantees, see Zaslavskaya 1990a.

36. These indicators have been adopted from the International Social Survey Project (ISSP) on attitudes toward social inequality (see Dekker and Ester 1991; Jowell, Witherspoon, and Brook 1989).

37. The wording in the ISSP study is slightly different from that used in the USSR questionnaire. The ISSP propositions were "The government should provide more chances for children from poor families to go to university," "The government should provide a job for everyone who wants one," and "The government should provide everyone with a guaranteed basic income."

38. In their analysis of analysis of Hungarian mass attitudes toward government social guarantees and welfare policies, Bruszt and Simon (1991) find similar high levels of support for government interventionism.

39. From the battery of propositions posed in this survey regarding democracy, this particular set focused most clearly on specific institutional reform.

40. This measure of support for competitive elections was developed with James Gibson and Kent Tedin (see Gibson, Duch, and Tedin 1992).

41. The eigenvalue of the first factor is 1.77 and accounts for 59% of the item variance. The eigenvalue of the second factor is .68. Cronbach's alpha is .66.

42. In fact, in two earlier works, employed a measure of democratic values that incorporated a wide range of dimensions in a single indicator (Gibson and Duch 1992; Gibson, Duch, and Tedin 1992). Here I separate out support for specific institutional reforms from other dimensions of democratic values. My primary theoretical concern here is to explore the relationship between support for two different types of institutional reform: changes in the economy and change in political institutions. Support for competitive elections proved a particularly good indicator of Soviet support for the introduction of democratic institutions. The measure

of support for competitive elections employed here is highly correlated with the democratic values I employed elsewhere (Gibson and Duch 1992). The Pearson correlation coefficient is .79. Moreover, in the subsequent analyses the results are essentially the same regardless of which of the two measures is employed.

43. The dependent variable is based on the factor scores from the factor analysis described earlier. High values represent support for free-market reforms.

44. Simply on the assumption that respondents' evaluations of the future might be highly conditioned by their assessments of the past or that assessments of the overall economy and their personal financial situation might be strongly correlated, one might expect a high degree of multicollinearity among the economic variables in the model. But, this does not prove to be the case. The highest correlation among the economic independent variables is $-.43$ between assessments of next year's overall economy and whether the respondent thought he or she would live better next year. Dropping this variable from the analysis has very little impact on coefficients and their standard errors.

45. Zaslavskaya (1990a) suggests a very detailed set of hypothesis linking the present socioeconomic situation to self-interested attitudes toward market reform. Unfortunately the measures of socioeconomic status in the USSR survey are not precise enough to test these hypotheses.

46. Finifter and Mickiewicz (1992) report a similar finding and include "career advantages" as at least one explanation for this relationship.

47. In Finifter and Mickiewicz 1992, app. B, this question is listed as Q22b.

48. The notion that norms play an important role in economic behavior is addressed by Elster (1989).

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