

**POPULAR ATTITUDES TOWARDS
FREE MARKETS IN IRAN, THE FOR-
MER SOVIET UNION & THE UNITED
STATES (A SURVEY ANALYSIS)**

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Please address correspondence to: Nader Habibi, Institute for Research in Planning & Development, P.O.Box 19395/4647, Teheran, I.R. Iran. Fax: 98 212 577 216/98 218 031 075.

**Popular Attitudes Toward Free Markets in Iran, the Former Soviet Union
and the United States (A Survey Analysis)***

Nader Habibi**

Institute for Research in Planning and Development

Tehran Iran

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Abstract

A survey of attitudes towards markets which was originally conducted in the U.S and the U.S.S.R. in 1991 had been repeated on a random sample of residents of Tehran in 1994. The survey results for the three countries have been compared. The results show that the attitudes of Iranians (residents of Tehran) on some aspects of market institutions are similar to Americans and Russians. Similarity of attitudes were observed on the fairness of profiteering, importance of incentives, appropriateness of exchange of money in dealings with friends and relatives, and comprehension of compensated price changes. On the other hand, significant differences were found on the following issues: Iranians are most supportive of price controls and commodity rationing in cases of shortages; Iranians are more pessimistic about social acceptability of businessmen; A larger portion of Iranians think that demand-pushed price increases are unfair. These anti-market attitudes might be a major reason for the recent resistance to market oriented reforms in Iran.

ملخص

قام الباحث بتطبيق نفس المسح الخاص بالسلوك تجاه اقتصاد السوق والذي اجري في الولايات المتحدة والاتحاد السوفيتي سنة ١٩٩١ على عينة عشوائية من سكان طهران وذلك في عام ١٩٩٤. وقد تمت مقارنة النتائج في الدول الثلاث. وظهرت النتائج ان سلوك الايرانيين (من سكان طهران) تجاه مؤسسات السوق شبيهة بسلوك الاميريكان والروس. وقد تم رصد تشابه السلوك فيما يتعلق بعدالة تحقيق الارباح، واهمية الحوافز، وملائمة تبادل النقود في المعاملات بين الاصدقاء والاقارب، والتعويض الشامل لتغيرات الاسعار. ومن جهة اخرى فقد تم التوصل الى اختلافات مهمة في المجالات التالية:- فالايرانيون اكثر دعما للسيطرة على الاسعار ونظام الحصص في السلع في حالة نقصها في السوق. والايرانيون اكثر تشائما في قبول الوضع الاجتماعي لرجال الاعمال، وعدد كبير من الايرانيين يعتقد ان ارتفاع الاسعار الناتج عن زيادة الطلب هو وضع غير عادل. هذا السلوك العدائي لنظام السوق قد يكون سببا رئيسيا في التصدي لاتجاه الاصلاح المتبع في ايران الان.

I. Introduction

Five years ago, the government of Iran launched an economic reform program which called for major changes in the economic institutions of the country. The main objectives of this program were stated as: increasing the reliance on market operations for resource allocation; reducing government intervention in economic affairs; removing price and exchange controls; privatizing many public-owned enterprises; and encouraging private investment.¹ Similar reform programs have been launched in other developing countries during the 1970s and 1980s.

As discussed in Krueger (1992, 1993), more reform programs have failed than succeeded. The high frequency of failures has motivated some economists to search for the factors that contribute to the success (or failure) of a reform program. One of the factors mentioned is the moral and institutional structure of the society in which reform programs are introduced (Platteau 1994a, 1994b). It is argued that the success of market-oriented economic reform requires a mentality that is capable of risk taking, entrepreneurship, competition and acceptance of the kind of resource allocation that arises from market operations. If these attitudes are lacking in a society, government incentive programs intended to promote risk taking and private investment will fail.

The purpose of this study is to learn about the attitudes of urban middle-class Iranians towards various aspects of market-based economic activities and compare the results with the findings of similar surveys in the United States and the former Soviet Union. The surveys in these two countries were conducted by Shiller, Boycko and Korobov in May of 1990. The results are reported in Shiller et. al. (1991). The objective of that survey, as well as the follow-up surveys after the dissolution of the Soviet Union was to find out whether Russians and Americans were inherently different in their attitudes toward free markets and private enterprise. They launched their study to test the repeated claims by some social scientists that since Soviet citizens lived under a communist regime for 70 years, their attitudes regarding economic behavior are fundamentally different from those of Americans, who live in a highly developed and stable market economy.

With regard to the market-oriented economic reforms initiated by Mikhael Gorbachev, the proponents of the above-mentioned opinion were saying that "the general public in the Soviet Union is not prepared to accept and fully use markets."² Using the United States as a comparison group, Shiller and his colleagues have concluded that on many aspects of free market operations Russians and Americans hold similar attitudes. Hence, they argued that in the Soviet Union (at that time) market-oriented economic reform had a good chance of succeeding.³

In many developing countries (Iran included), some of the opponents and critics of economic reform raise similar views. They argue that the endogenous social culture of many developing countries is not right for a free market economic system. An example recently brought into attention by Platteau (1994b) is the problem of limited-group morality as opposed to generalized morality. The latter is claimed to be a necessary precondition for the successful operation of markets.

Since the debate on this issue has a significant influence on the future of economic reform in these countries, it is advisable to repeat Shiller's survey in several developing nations and compare the results with the Soviet Russian and American surveys. Learning about attitude differences not only helps to shed light on the above-mentioned debates, but it could also speed up the implementation of reform programs. After learning about citizens' attitudes, policy-makers could design educational programs to alter those public attitudes which are either incorrect (people are misinformed about fundamental economic facts such as demand and supply responses to price changes), or counterproductive (such as when a large number of businessmen refuse to invest in industrial projects for fear of government nationalization).

The remaining sections of this paper are organized as follows: section II will review the literature on the impact of culture and institutions on economic growth and success. The survey method will be explained in section III, followed by the comparison of survey responses in Iran, the former USSR and the USA in section IV. In section V the results of the Iranian survey will be analyzed in order to find out the socioeconomic determinants of the response to each question.

II. Literature review

The debate on the role of culture and social attitudes in economic activity is far older than recent economic reform programs. Economists and other social scientists have been interested in the interaction between culture and economy. The question most often addressed in this regard is whether the economic achievement of advanced economies is caused by certain cultural traits and, similarly, whether the economic failure of underdeveloped economies is due to the lack of these same cultural characteristics. The oldest response to this question was offered by Max Weber (1970). He attributed the economic success of the Western world in the 19th and early 20th centuries to the religious ethics of Protestantism.

In recent years economists have tried to investigate this issue in empirical cross-national studies. McClelland (1961) designed an achievement motivation scale and

argued that those cultures that place more emphasis on individual achievement are more prone to economic development. Using his scale, he measured achievement scores for samples of citizens in several countries. His studies showed only moderate correlation between the achievement score and economic growth. Another cultural trait that might be conducive to economic growth is individualism. In an empirical study, Fritz Glaenslen (1986) compared the content of fiction literature in China, Japan, the Soviet Union and the United States using several indexes. He concluded that individualism is more common in the U.S. than in China, Japan or Soviet Russia. There have been several other intercultural studies of individualism which are surveyed in Triandis (1989).

Furthermore, Juster and Stafford (1991) have compared the allocation of time in several countries. Comparing how people in Finland, Hungary, Japan, the Soviet Union and the United States allocate their time, they found no evidence that the people of former communist countries were lazy or worked less than Westerners. Finally, Platteau (1994a, 1994b) uses historical evidence to predict that in societies where limited-group morality is the dominant institution, market-oriented economic reforms will fail.

The above-mentioned intercultural studies suffer from one weakness: they cannot differentiate between attitudinal and situational influences. The differences in economic behavior observed in these studies are caused by two factors. First, they could be due to differences in cultural attitudes. Secondly, they could be due to differences in economic situations. The above studies do not identify the separate contributions of these factors.⁴ In other words, we do not know whether a Japanese person placed in an American economic setting would behave more like Americans or whether he would continue to behave the same way as these studies have predicted for a Japanese individual. Separating attitudinal and situational factors is thus essential for a better understanding of how differences in cultural attitudes affect economic performance (and also the chance of an economic reform program to succeed) in different countries.

The survey analysis of Shiller, Boycko and Korobov has focused on measuring attitudinal differences by controlling for situational factors. They achieve this objective by asking respondents in Russia and the United States about how they would react to various identical hypothetical economic situations that are familiar to the people of both countries. For example, in one question (B2), respondents are asked whether it would be fair if a flower shop raised its prices on special holidays, when demand for flowers is high. The survey analysis of Shiller et. al. (1991) was repeated in Japan (February 1991), Ukraine (August 1991), East Germany (December 1991), and West Germany (December 1992). The results of these surveys are reported in Shiller, Boycko and

Korobov (1992). My study is the first attempt to conduct this survey in a developing country.

III. Survey method

Since my main objective was to compare the attitudes of Iranian respondents with those of Americans and Russians, I have used exactly the same set of questions that Shiller and his colleagues used in their original study. The original questionnaire included 36 questions divided into three categories. However, since they covered only 28 questions in their 1991 article, my questionnaire has been limited to these 28 questions for which comparison was possible.

The questions were intended to allow cross-country comparison of attitudes towards: income inequality; popular views on the importance of incentives; exchange of money in economic dealings with friends and relatives; success in private business; speculation; government interference; fairness of price changes; and social attitudes toward businessmen and profiteering.

Apart from controlling for situational differences, the investigators took several steps to make sure the Russian translation of the original questionnaire set (which was prepared in English) conveyed the same meaning for each question. Emphasis was placed on creating the same perception for the speakers of both languages from each question. When translating the original English version into Persian, I tried to follow the same criteria. If a concept appearing in the original set was alien to Persian culture, I used a more familiar concept which would convey the same meaning. For example, question B6 uses the world market for coffee to measure attitudes towards speculation. In the Persian translation I described the same situational setting using the world market for wheat instead. (Coffee is not widely consumed by Iranian households). Moreover, before conducting the survey I asked several Iranians to read it and report any difficult or confusing sentences. The wording of some questions was revised on the basis of such feedback.

Shiller, Boycko and Korobov have interviewed random samples of residents in New York and Moscow by phone. Similarly, my sample is drawn from the residents of Tehran, which is the financial center of Iran. However, telephone interviews are not very successful in Iran, as most people do not cooperate and those who do are usually suspicious of motives. Sending questions through postal service is also unlikely to attract enough respondents. In addition, some of the respondents might need additional explanations to understand a question. In response to these difficulties I relied on a

different survey method which is frequently used in Iran. The method that I have used is a specific type of cluster sampling called "social cluster sampling." Each individual is surrounded by a network of relatives, colleagues and friends. I consider this network a "social cluster." Instead of directly choosing a random sample of individuals for interview, I selected a smaller sample of individuals and then asked each person to interview the members of his/her social cluster. The advantage of this method is that since the interviewees know the interviewer, they tend to be more cooperative. The disadvantage, however, is that the sample might be biased - each individual's social cluster usually shows the same characteristics as himself. Thus, if the initial sample of interviewers is not representative, the sample of interviewees will be biased in the same direction. On the other hand, selecting a random sample of interviewers would introduce another bias: more educated and more mature individuals would be able to interview their social clusters more successfully and obtain more accurate measures of their attitudes. Hence, we will end up with an uneven distribution of inaccurate answers caused by the differences in the quality of interviewers.

Taking these tradeoffs into account, I chose a group of graduate students at the Institute for Research in Planning and Development (IRPD) and another group of undergraduate students in Shahid Beheshti University (SBU) as my interviewers. The students of the IRPD were majoring in socioeconomic systems planning. These students had undergraduate degrees in fields other than economics. In the summer of 1994 they were attending my introductory economics class in preparation for advanced economics courses that they had to take in their master's program. Choosing these students had two advantages. First, the undergraduate degrees of nearly all of these students were in science and engineering. Hence, they did not hold any biased attitudes about the costs and benefits of market mechanisms. (Students of economics usually have very strong personal opinions on economic policy). Secondly, these students had very high GPAs in their undergraduate programs. After discussing various recent debates on market-oriented economic reform policies, I reviewed Shiller's survey and invited the students to help me in conducting the interviews. Thirty students showed interest. Each student was supposed to interview a maximum of 15 individuals from among his/her relatives, friends and colleagues (members of his/her social cluster). In order to minimize any possibility of false interviews I did not place a lower limit on the number of interviews by each student. The undergraduate students at SBU, on the other hand, were majoring in computer programming or applied mathematics. They were attending a computer simulation class in the summer of 1994 which was taught by one of my graduate students at the IRPD and he himself was attending my introductory economics course and participating in the survey as an interviewer. Thirty students in his class agreed to participate in this project. He instructed his undergraduate students to conduct the same

survey on their own friends and relatives. Since these were undergraduate students, the maximum number of interviews requested from each was ten.

The participation of this second group had two advantages: it allowed me to increase the number of survey responses significantly, and it also increased the socioeconomic diversity of respondents. Most graduate students at the IRPD came from more educated families, and their social clusters included mostly well-educated and affluent persons. Since the family background of undergraduate students is usually more diversified than that of graduate students, I hoped that the responses from the second group would include more respondents from the middle and lower classes. Later examination of survey responses confirmed these expectations - the respondents of the IRPD survey were more educated than those of the SBU survey.

Before starting the interviews, I devoted two class sessions to explaining Shiller's questions and offering guidelines on techniques of survey interviewing. Similar training classes were held for SBU students. I emphasized the importance of the interviewer's neutrality and asked them to avoid any verbal or non-verbal suggestions that might influence the respondent's judgment. Students were also given one week to read the questions and conduct test interviews before starting. Interviews were conducted during the first two weeks of September 1994.

In addition to the main questions, background information on sex, education, age and occupation of respondents was also collected. Overall, a total of 603 responses (429 from the IRPD and 174 from SBU) were collected. Initial examination of respondents' socioeconomic background revealed that the percentage of college students and college graduates in the sample was much higher than the national average (or even the average for Tehran, which has a far higher ratio of educated residents than the rest of Iran). While the latest national census (conducted in 1986) shows this ratio to be around 11 percent, it was much higher in my sample. The percentage of respondents who were college students or had a college degree was 20 percent in the SBU survey and 76 percent in the IRPD survey. The ratio for the total sample was 61 percent. Clearly, this sample could not have been representative of Tehran residents in terms of educational background.

Considering the large number of college students and college graduates ever since the 1986 census and the fact that Tehran residents are more educated than the rest of Iran, I estimate this ratio to be about 20 percent for Tehran in 1994. As a result, I randomly removed some of the college students and college graduates from the sample while keeping all others, and created a smaller sample of 215 responses in which the ratio of college graduates and college students to the total sample was only 20 percent.

The socioeconomic background of my sample and the samples of the original surveys appear in Table 1. The average age in my sample is younger than the Russian or the American sample. This is to be expected, considering the fact that Iran has a much younger population than the other two countries. Another difference between the samples is that only 36 percent of my respondents are women. The ratio in the American and Russian samples is 60 percent and 58 percent, respectively.

IV. Cross-country comparison of survey results

In this section, the responses of Iranians to each category of questions will be compared with the results of the American and Russian surveys. Shiller et. al. (1991) have divided the questions into seven categories, each dealing with one aspect of free market operations. The results of each category will be compared separately. Survey results for the three questionnaire sets appear in Appendix A.

IV.1. Fairness of price changes (Questions: A9, B1, B2, B3, B12, C4, C10)

In a market economy, any changes in the supply of or demand for a commodity could lead to unexpected price changes for consumers. This category of questions was intended to ascertain what types of price changes are considered fair by respondents in each country, and under what circumstances people support price control policies. Questions B2 and B11 ask whether it is fair for producers to raise their prices in response to sudden demand shifts. While there is no difference between the attitudes of American and Russian respondents, a relatively larger percentage of Iranians said they thought a price increase under these circumstances was unfair. However, in response to question A9, which asks whether appreciation of property values as a result of railway development is fair or not, the percentage of people who said it was fair was almost the same in the three countries.

Question B3 asked respondents if the government should control prices when faced with an increase in demand which might lead to inflation. As expected, both Iranians and Russians were more supportive of price controls than Americans. In response to question B12, the percentage of Iranians who believe that a producer must have the legal right to increase prices in response to an increase in demand (regardless of fairness) is smaller than that of Americans or Russians alike. Hence, in general Iranians are not as receptive to market-induced price changes as Americans or Russians.

With respect to profiteering, question C10 asks if it is fair for a dealer to make a profit using rural people. In response to this question, a larger number of Iranians find

this behavior morally acceptable than either Americans or Russians. This surprising result is partly justified by the fact that because of the shortage of jobs in the industrial sector, a large portion of people in urban areas rely on commercial activity (buying, selling, dealership) to earn a living. Question C4 asks about commodity rationing versus price increase as the best policy for curbing the demand for a necessity (such as gasoline) that is in short supply. While the majority of Russian and American respondents prefer a price increase, most Iranian interviewees expressed the opposite view. Hence, it is not surprising that the doubling of the price of gasoline (which is heavily subsidized) in March 1995 led to widespread opposition and anger among urban Iranians.

IV.2. Attitudes towards income inequality (Question: A4)

The rewards of economic reform policies are not equally divided among the various groups within society. Usually, in the first years of pro-market reforms income inequality worsens and some groups might envy the more successful ones. Question A4 asked whether the respondent supported a Pareto optimal economic reform program with unequal rewards. As noted by Shiller, "the plan described in A4 makes everyone better off, so any objections would have to be motivated by the relative inequality created by the plan" (Shiller et. al. 1991: 39). The ratio of supporters of such a plan in Iran and Russia are almost the same, and it is interesting that in both countries there is more support for such a policy than in the United States.

IV.3. The importance of incentives (Questions: A1, C3, A2, A3)

Attitudes towards incentives are investigated under three different situational settings. Question A1 asks about the impact of the wage structure on people's work performance. A clear majority of respondents in the three nations (above 80 percent) believe that people work better if their pay depends on the quality and quantity of their work. There is no significant inter-country difference in the responses to this question. In addition, question C3 asks about the appropriate style of management. Responses show that a large portion of Iranians and Russians prefer strict managers to friendly ones, as opposed to Americans. Finally, questions A2 and A3 ask respondents whether the government can successfully reduce economic inequality without causing a decline in economic output. When asked how often they had heard this view (that inequality is a necessary evil), a larger portion of Russians (77 percent) had heard this notion at least once in comparison to Americans (45 percent) and Iranians (48 percent). Furthermore, the percentage of people who personally agreed with this idea in Iran is smaller than in the other two nations. The fact that at least 60 percent of respondents in each country were opposed to this argument indicates universal resentment towards poverty in all

societies even when there is a tradeoff between reducing poverty and higher economic growth.

IV.4. Resistance to the exchange of money (Questions: A7, A8, A9)

Since it is commonly believed that oriental cultures place more emphasis on family and friendship ties, we expect persons to make less use of monetary values in economic relations with friends and relatives. Question A7, for instance, asks whether the respondent will demand any interest payment when lending money to a friend. The percentage of Iranians who gave a positive answer is slightly higher than that of Americans, and significantly higher than that of Russians. The Iranian response might however be influenced by the high rates of inflation that they have experienced in recent years. Lending money at zero interest is very costly under high inflation rates. In response to question A8, which asked how a group of friends will divide the common costs of a trip, a far larger percentage of Iranians (as compared to Americans or Russians) said they would favor careful accounting and settle accounts afterwards. The large difference in responses clearly rejects the notion that Iranians are more resistant to exchange of money in dealing with friends and relatives. Question B7 asks whether it is appropriate for a person to trade his place in a long line for a commodity. A larger percentage of Iranians find this deal unacceptable than Russians or Americans. However, Iranian and American responses are more similar than that of Russians. Overall, the responses to questions A7 and A8 clearly show that Iranians are not more resistant to the exchange of money in social transactions with friends and relatives than Russians or Americans.

IV.5. Negative attitudes towards businessmen (Questions: A5, B4, C1, C2, C5, C9, C11)

The questions in this category ask respondents about their attitudes and popular beliefs with regard to businessmen. In a private enterprise system, a businessman could get rich in a relatively short period of time. Jealousy and envy towards these successful individuals might adversely affect their incentives for productive work and new investment. It may even create political pressure for higher profit taxes and more government regulation.

Questions C1 and C9 ask how a successful businessman might be perceived by relatives and friends. The ratios show that a majority of Iranians think relatives will be envious of a person's unexpected business success, while Russians and Americans are more optimistic. However, the majority of respondents in all three countries believe that an independent businessman will be properly respected by relatives and friends (C9).

Question C2 asked whether the respondent would try to impress people by purchasing luxury goods if he became rich. The responses of Iranians and Americans were almost the same (50 percent), while the ratio of affirmative answers in the Russian sample was smaller. These results show that Iranians are not as averse to a luxurious lifestyle as Russians. When asked about the personality of active businessmen (questions C5 and C11), both Iranians and Russians are more pessimistic about the character of businessmen than Americans. As expected, Americans have a more positive attitude towards businessmen. Similarly, with respect to the friendliness of businessmen (question C11), Iranians are less optimistic than Americans, while Russians are even more pessimistic than Iranians.

From this set of questions, we can see that while Iranians show a high degree of envy towards businessmen, they do not harbor as many negative attitudes towards businessmen as Russians. Furthermore, despite the prevalent anti-capitalist propaganda of the Iranian government in the first few years after the Islamic Revolution, the attitudinal gap between Iranians and Americans with regard to businessmen is not as large as one would expect.

IV.6. Perceptions of speculation (Questions: B6, C8)

Here interviewees were asked about two aspects of speculation. With respect to the impact of legal speculation on the shortage of a commodity (C8), Iranian attitudes are very similar to those of Americans. In both countries, most people think that speculation will lead to a shortage. Russians, however, are less negative about the adverse effects of speculation. On the other hand, when asked what could cause a sudden increase in the world price of a commodity (question B6), the percentage of Iranians who chose speculation as a cause was smaller than that of Americans. The surprising result with respect to this question is that nearly one-third of Iranians believe that government intervention could lead to price increases on international markets. This negative attitude towards government intervention could be caused by the poor outcome of repeated interventions by the Iranian government during the past decade.

IV.7. Understanding compensated price changes (Questions: C6, B10)

The rationalization of subsidies is an important part of market-oriented economic reform programs. It involves a series of compensated price changes. For example, the Iranian government is currently evaluating a plan which will remove direct subsidies on petroleum products and compensate consumers by offering direct subsidies of equivalent value. A proper understanding of these compensated price changes will affect the political reaction to such policies. Questions C6 and B10 test respondents'

understanding of compensated price changes at the micro and macro levels, respectively. A well-informed individual will understand that these types of changes do not reduce a person's welfare. In response to a hypothetical compensated increase in the price of electricity, nearly the same percentage of Iranian and American respondents (60 percent and 63 percent) correctly understood that such a move does not change an individual's welfare. Russians, however, were far better informed than both Iranians and Americans. The responses to question B10 offer another surprising result. In B10 the respondent is asked if he/she would support an economic policy that will improve people's standard of living but at the same time result in a significant inflation rate. The percentage of Iranians who would support such a policy is far greater than that of Russians or Americans. Furthermore, Americans are more opposed to such a policy than the other two nationalities. It could be the case that Iranians and Russians are less afraid of high inflation than Americans because they are more familiar with it.

IV.8. Expectations of possible future government interference (Questions: C7, B8)

It has been mentioned repeatedly in the development literature that respect for property rights is an essential precondition for the growth of private investment. Fear of arbitrary confiscation and nationalization of private property by the government would thus discourage investment in fixed capital, and investors would prefer to remain liquid. Questions C7 and B8 ask respondents if they are concerned about government confiscation of private property or the freezing of private savings in the banking system. With respect to the nationalization of private property (C7), Iranians are highly confident (even more so than Americans) about the security of private property in their country. This indicates that the Iranian government has been very successful in preserving property rights in recent years. In the early years of the revolution many large private enterprises were confiscated, but since then the government has worked hard to establish trust. Some confiscated property has even been returned to the original owners.

Question B8 asks whether the respondent believes that government might freeze large savings deposits in the banking system in the near future. Again, we notice that Iranians are far less concerned about such a policy than Russians or Americans. Perhaps the reason for this confidence is that the Iranian government has never allowed the banking system to fail on its deposit commitments despite the fact that most (nationalized) banks suffer from heavy annual losses and receive substantial subsidies. Overall, Iranians are not too worried about the violation of property rights.

V. Socioeconomic correlates of attitudes towards free markets in Iran

Are attitudes towards free markets sensitive to the socioeconomic characteristics of individuals? One factor that is expected to be influential is occupation. Since people working for the government are affected differently by the operation of the market mechanism from those who work in the private sector, we expect these groups to hold different views. We also expect the more educated individuals to be better informed on economic issues and express more pro-market attitudes. In order to test these hypotheses formally, I conducted probit regressions using the stepwise method. The dependent variable in each regression was the dichotomous response to each question. (One option coded as 0 and the other option coded as 1). For questions with more than two choices (such as C6 and B8), the answers were regrouped into two categories and treated as dichotomous variables. The independent variables included dummies for sex, type of job (public sector or private sector), education, and an exact variable for age. The results appear in Table 2. For each regression, we have reported only those independent variables which had significant coefficients at 95 percent confidence based on the stepwise regression method. As can be seen, responses to 24 questions were sensitive to respondents' characteristics. We discuss the results for each independent variable separately.

V.1. Differences in the attitudes of men and women

Looking at the impact of gender in Table 2, we see that women are less supportive of the exchange of money in dealings with friends and relatives (A7). However, they are more supportive of a price increase due to a sudden change in demand for a commodity (B2, A9). Women see more government involvement in the economy than men, and think it is more possible in the future as well (B6, C7). Finally, we see that women are more suspicious of the general character of businessmen and business practices (C5, C10). Overall, it seems that in general men show more pro-market attitudes than women.

V.2. Impact of job type

In only seven questions did the respondents' type of employment have a significant impact on their attitudes. Respondents' jobs are divided into two categories - public sector and private sector. The regression results show that people working in the private sector are less opposed to market solutions in economic dealings with friends (A7). They are also more opposed to government intervention in the way of price control (B3) or income redistribution (A3). As expected, they regard wealth as more important than fame (B4). The only unexpected result was that people in the private

sector are more opposed to a Pareto improving policy that increases income inequality (A4). The above results - with the exception of question A4 - support the view that individuals in the private sector exhibit more pro-market attitudes.

V.3. Impact of education

Based on regression results, we observe the following differences between the attitudes of more and less-educated individuals. More educated individuals are more supportive of market mechanisms for resource allocation (C4, B12, C10), and they are also less concerned about their adverse consequences (C8, A3). The responses to questions C9 and C11 show that more educated people have a more positive view of businessmen and their image in the society. Finally, they are more concerned about the social worth of their occupation in addition to its economic benefit (A5).

V.4. Impact of age

The sign of the age variable in most of the regressions where it appears gives an indication that older persons are more market-oriented in their attitudes than their younger cohorts. Older people are more supportive of a producer's right to raise prices in response to market conditions (B2, B11). They are also more tolerant of market solutions (B7), and believe that businessmen are well-respected more than younger respondents do (C9).

VI. Interpretation and conclusion

The objective of this study was to repeat a survey of attitudes toward market institutions which was originally conducted in the United States and the former USSR in 1991. The purpose of the original study was to find out whether Soviets and Americans held significantly different attitudes. The study showed that on many basic issues they were alike. Hence, it was concluded that any differences in economic behavior was primarily due to differences in the economic and political institutions that people in the two countries were confronted with.

By conducting the same survey for a sample of Iranian respondents, I have tried to ascertain whether the attitudes of Iranians are fundamentally different from those of Americans and Russians. I compared responses for eight different categories of market-related issues. The survey results show that on some issues Iranians have the same type of attitudes as Americans and Russians, while on other issues some sharp differences exist. Similarly, we see that on some aspects Iranian attitudes are more pro-market than

those of Americans or Russians, while on others they are far less market-oriented. The results show that Iranians are in general more supportive of price controls and commodity rationing in case of shortages. With respect to price increases due to sudden changes in the supply of or demand for a commodity, a larger portion of respondents in Iran think that such changes are unfair. Likewise, a larger number of Iranians think that a successful businessman will face envy on the part of his relatives. While these findings indicate that Iranians hold more anti-market attitudes than the other two nationalities, in some other questions we found that their attitudes are very similar to those of Americans and Russians.

Indeed, the survey showed that Iranians are even more tolerant of profiteering than Americans. Like Americans and Russians, Iranians believe in wage incentives and are not more resistant to the exchange of money in dealings with friends than Americans. They also hold similar views on the consequences of speculation. Surprisingly, when it comes to understanding basic economic concepts such as compensated price changes, Iranians and Russians are better informed about the welfare consequences of such changes than Americans. Iranians also feel highly confident about the security of private property in their country.

Finally, the survey results for Iran show that most Iranians hold incorrect views on the consequences of price control policies. Such beliefs will make it easier for opponents of economic reform programs to call for increased government regulation and price controls. Hence, if the Iranian government is interested in the success of reform programs, it would be beneficial to inform the public on the importance of the price mechanism for efficient resource allocation.

Notes

1. This type of economic reform has been named "market-oriented" or "market friendly" in the development literature. For a detailed discussion of market-oriented reform programs, see World Bank (1993) and Krueger (1992).
2. See Shiller et. al. (1991: 388).
3. This view has been supported by recent developments in the former communist countries of Eastern Europe. People in these countries have been supportive of market-oriented economic transition policies despite of economic hardship in the initial stages of such policies.
4. For a detailed discussion of these studies and their shortcomings, see Shiller, Boycko and Korobov (1992: 132-8).

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Table 1. Social and Economic Background of Respondents

	Iran	U.S.S.R.	U.S.A.
Average Age	34.33	42	45
Women (% of total)	36.3%	58%	60%
College Attendance*	20%	66%	50%
No. of Respondents	215	120	131

* Percent of respondents who either had a college degree or were university students at the time of interview.

Table 2. Socio-Economic Correlates of Economic Attitudes (Probit Analysis, Stepwise Method[§])

Dependent Variable	Job Dummy	Sex Dummy	Age	Education Scale	Constant	R ²	F
A1	0.29 (5.68)		0.009 (3.46)		0.69 (6.63)	0.17	18.07 (0.0)
A2 (1,2=1) (3=0)		-0.19 (-2.40)			0.72 (6.57)	0.03	5.75 (0.02)
A3	-0.18 (-2.88)			-0.09 (-3.17)	2.08 (20.97)	0.08	7.47 (0.0)
A4	0.28 (3.74)			0.06 (2.05)	1.16 (10.22)	0.08	7.83 (0.0)
A5 (1,2=0) (3=1)			0.008 (2.51)	-0.07 (-2.66)	0.21 (1.55)	0.06	(6.06) (0.0)
A7	-0.19 (-2.95)	0.26 (3.67)			1.42 (13.31)	0.12	11.87 (0.0)
A8			0.01 (4.60)		0.74 (7.17)	0.11	21.21 (0.0)
A9		-0.28 (-3.89)			1.73 (16.86)	0.08	15.17 (0.0)
B2		-0.13 (-1.99)	-0.009 (-2.80)		2.24 (15.71)	0.07	6.30 (0.0)
B3	0.26 (3.82)				1.20 (24.37)	0.07	14.59 (0.0)
B4	-0.19 (-2.69)	0.23 (3.02)			1.22 (10.60)	0.09	8.79 (0.0)
B6 (1=1) (2,3=0)		0.31 (4.09)	0.01 (2.91)		-0.37 (-2.32)	0.13	13.10 (0.0)
B7			0.01 (3.52)		1.25 (10.06)	0.07	12.40 (0.0)
B11	-0.39 (-5.94)		-0.01 (-3.54)		2.31 (17.20)	0.18	19.53 (0.0)
B12				-0.11 (-3.91)	2.04 (23.05)	0.08	15.31 (0.0)
C1 (1=1) (2,3=0)			-0.01 (-3.88)		0.75 (6.22)	0.08	15.06 (0.0)
C4				0.15 (5.24)	0.92 (10.33)	0.13	27.49 (0.0)

**Table 2. (Continued) Socio-Economic Correlates of Economic Attitudes
(Probit Analysis, Stepwise Method[§])**

Dependent Variable	Job Dummy	Sex Dummy	Age	Education Scale	Constant	R ²	F
C5		-0.48 (-6.78)			2.19 (22.14)	0.20	45.94 (0.0)
C6 (1,3=0) (2=1)				-0.09 (-2.94)	0.89 (8.33)	0.05	8.65 (0.0)
C7 (1,2=0) (3,4=1)		-0.10 (-2.04)			1.02 (14.53)	0.02	4.18 (0.04)
C8 (1=0) (2,3=1)				0.07 (2.35)	0.10 (1.04)	0.03	5.54 (0.01)
C9			0.008 (2.93)	0.09 (3.85)	1.25 (10.66)	0.13	13.45 (0.0)
C10		0.29 (4.21)	0.007 (2.30)	-0.12 (-4.39)	1.05 (6.36)	0.22	16.62 (0.0)
C11			-0.01 (-4.66)	0.14 (5.00)	1.67 (11.78)	0.19	20.91 (0.0)

Source of Data: Sample Survey.

T-Statistics are reported for each coefficient in parenthesis.

Figure under the F value is the probability of type two error.

*Only the independent variables whose coefficients were significant at 95 percent are kept in each equation.

§ Questions with more than two answer choices have been recorded into dichotomous variables.

Codes of Dummy Variables: (Sex, 1=woman, 0=man), (Job, 0=Public sector, 1=Private Sector), (Education, Increasing scale from 1 to 6, assuming higher value for higher levels of education).

Appendix A

Survey Questions and the Relative Frequencies of Responses in Each Sample

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

Response	Iran	Russia	USA
1) Yes	83.3	90	86
2) No	16.7	10	14
N:	215	121	119

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 every one had the same income, we would all be poor, since no one would have any material incentive to work hard. Have you heard such a theory or not? If yes then how often?"

Response	Iran	Russia	USA
1) Often	19.7	38	7
2) Once or Twice	27.2	39	38
3) Never	53.1	23	55
N:	213	125	120

A3. Do you yourself personally agree with this theory?

Response	Iran	Russia	USA
1) Yes	27	41	38
2) No	73	59	62
N:	215	110	116

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 income triple, while

everyone else will see only a tiny income increase, about 1 percent. Would you support the plan?

Response	Iran	Russia	USA
1) Yes	51	55	38
2) No	49	45	64
N:	206	114	99

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

Response	Iran	Russia	USA
1)	38.5	69	40
2)	33.8	25	45
3)	27.7	6	15
N:	213	130	119

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

Response	Iran	Russia	USA
1) Yes	33.2	6	29
2) No	66.8	94	71
N:	214	117	111

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

Response	Iran	Russia	USA
1) Yes	81.8	30	47
2) No	18.2	70	53
N:	214	116	118

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

Response	Iran	Russia	USA
1) Yes	62.9	57	61
2) No	37.1	43	39
N:	213	98	115

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

Response	Iran	Russia	USA
1) Yes	23.9	34	32
2) No	76.1	66	68
N:	209	131	119

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

Response	Iran	Russia	USA
1) Yes	66.8	54	28
2) No	33.2	46	72
N:	211	123	115

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

[Response Choices: 1) You win fortune without fame: you make enough money through successful business dealings so that you can live very comfortably for the rest of your

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

Response	Iran	Russia	USA
1)	56	65	54
2)	44	35	46
N:	209	92	117

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

Response	Iran	Russia	USA
1)	36.4	17	13
2)	20.2	51	36
3)	43.4	32	51
N:	198	109	111

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 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 longer?

Response	Iran	Russia	USA
1) Yes	34.5	69	44
2) No	65.5	31	56
N:	206	132	117

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

Response	Iran	Russia	USA
1)	5.7	17	15
2)	14.7	44	37
3)	26.5	21	39
4)	53.1	19	9
N:	211	112	117

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 percent). This would mean that our incomes would rise by more than 30 percent. Then we could buy more goods at the new higher prices. Would you support such a proposal.

Response	Iran	Russia	USA
1) Yes	58.2	47	28
2) No	41.8	53	72
N:	194	118	115

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

Response	Iran	Russia	USA
1) Yes	30.3	34	30
2) No	69.7	66	70
N:	208	131	120

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

Response	Iran	Russia	USA
1) Yes	31.1	57	59
2) No	68.9	43	41
N:	209	118	118

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

Response	Iran	Russia	USA
1)	30.3	72	92
2)	53.6	12	6
3)	16.1	16	3
N:	211	113	117

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

Response	Iran	Russia	USA
1) Yes	46	35	50
2) No	54	65	50
N:	213	115	120

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

Response	Iran	Russia	USA
1) Yes	28.4	33	49
2) No	71.6	68	51
N:	215	112	109

C4. Suppose that the government wishes to reduce consumption of gasoline. They propose two methods of attaining this goal. First, the government could prohibit gas

stations from selling, for example, more than five gallons to one person. Second, the government could put a tax on gasoline, and prices of gasoline would go up. From your point of view, which of these methods is better?

Response	Iran	Russia	USA
1) First	63.5	43	36
2) Second	36.5	57	64
N:	208	104	109

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

Response	Iran	Russia	USA
1) Yes	46.7	59	39
2) No	53.3	41	62
N:	214	114	117

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?

Response	Iran	Russia	USA
1)	20.4	9	3
2)	60.2	77	63
3)	19.4	14	34
N:	186	120	121

C7. How likely do you think it is that in the next few years the government will, in some way, nationalize (that is, take over) most private businesses with little or no compensation to the owners? Is such nationalization quite likely, possible, unlikely, or impossible? [Response Choices: 1) Quite likely; 2) Possible; 3) Unlikely; 4) Impossible]

Response	Iran	Russia	USA
1)	4.2	20	5
2)	7.0	40	11
3)	22.8	29	53
4)	66.0	11	31
N:	215	114	118

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

Response	Iran	Russia	USA
1)	67.7	45	66
2)	17.2	31	26
3)	15.1	24	8
N:	186	110	112

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?

Response	Iran	Russia	USA
1) Yes	21.6	19	4
2) No	78.4	81	96
N	208	115	120

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

Response	Iran	Russia	USA
1) Yes	66.7	49	59
2) No	33.3	51	41
N:	207	120	116

C11. Do you think that it is likely to be difficult to make friends with people who have their own business (individual or small corporation) and are trying to make a profit?

Response	Iran	Russia	USA
1) Yes	46.6	51	20
2) No	53.4	50	80
N:	206	111	121

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**ECONOMIC
RESEARCH
FORUM**

FOR THE ARAB COUNTRIES, IRAN & TURKEY

7 Boulos Hanna Street, Dokki, Cairo, Egypt

Tel : (202) 3370810 - (202) 3485553 - (202) 3602882. Fax : (202) 3616042 or (202) 3602882

E-mail : HANDOUSA @ AUC-ACS.EUN.EG or ERF @ IDSC.GOV.EG