

## Explaining individual-level support for privatization in European post-Soviet economies

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**Abstract.** This article explores the sources of individual-level variation in support economic privatization in seven European post-Soviet countries. It tests economic utilitarian and psychological explanations of variations in support for economic privatization. The economic utilitarian explanation posits that individuals seek to maximize their potential material gains from economic liberalization. The psychological explanation posits that if individuals are generally risk averse, they are not likely to support economic privatization. These hypotheses are then tested using two separate regression models. The first model estimates pooled data from across all seven European post-Soviet economies. The second model is a pooled analysis that interacts country-specific dummy variables with each of the independent variables in order to examine the country-specific effects of the responses. The results show that the economic utilitarian and psychological explanations are both strong predictors of why some support and others oppose privatization in the seven European post-Soviet countries.

### Introduction

There has been a sea-change in macroeconomic strategies of post-Communist countries. The standard Communist macroeconomic strategy centered on a large state role in the economy as a source of investment capital and a coordinator of economic activities. Yet, since the late 1980s, political leaders in many transition countries have chosen to pull the state back out of the macroeconomy and allow market forces to play a much greater role in allocating resources to productive activity. Specifically, the privatization of formerly state-owned resources and state-sponsored enterprises has been a significant factor in the economic liberalization of these transition economies.

There is a very uneven record of privatization in the former Soviet republics (Linn 2001; Selowsky & Martin 1997). The Baltic States – Estonia, Latvia and Lithuania – have had quite successful privatization programs (Frydman et al. 1999; World Bank 1993). These countries have sold off most of their state-owned firms and agricultural enterprises, and these private ventures are up and running. Estonia has been the most successful of the

post-Soviet states in its efforts to privatize its economy. Its small size, which facilitated borrowing, and early introduction of its own currency (Latvia and Lithuania introduced their own currencies a year after Estonia) helped its privatization process. Lithuania and Latvia had slightly bumpier roads to privatization, but still count among the success stories in the cohort of transition economies. The three Baltic states moved first to privatize medium- and large-scale enterprises, followed in the second half of the 1990s with programs to privatize public utilities, including telecommunications and the energy sector. These latter programs proved overall far more contentious and difficult to implement, leading to intergovernmental friction and at times claiming as casualties some of the top politicians. For example, in April 2000, Latvia's Prime Minister Andris Skele was forced to resign and his government collapsed in large part over the battle for control of the Latvian Privatization Agency embroiled in the sale of the country's natural gas monopoly.

While the Baltic states have made great strides forward in privatizing their economies, the other European states of the former Soviet Union have been far less successful in their privatization efforts. Russia, Ukraine and Moldova have all seen haphazard and very incomplete processes of privatizing industry, agriculture and retail trade (Aslund 2001; Boycko et al. 1995; Frydman et al. 1999; Frydman & Rapaczynski 1994; Hancock & Logue 2000; Major 1993). The most unsuccessful case of privatization in Eastern Europe is Belarus, a country that maintains most of its productive capacity in the state's hands (O'Driscoll et al. 2001; Nuti 2001). In the cases of the Ukraine, Moldova and Belarus, the process of privatization was complicated by the general difficulty in achieving civic-minded policies in states with very limited traditions of national identity. All of the Eastern European post-Soviet states have seen their privatization processes plagued by corruption and arbitrary decision-making, but these problems were particularly bad in Belarus, Moldova and the Ukraine. Arguably, Belarus' privatization program is the most corruption-ridden among all post-Communist states. For example, because parts of the proceeds have apparently been routinely siphoned off, in early 2003 the International Monetary Fund (IMF) urged the Belarus government to deposit the funds in a transparent account placed under parliamentary supervision. Likewise, Russia's large-scale privatization – especially of its energy sector – has been notorious for allegations of corruption and inside deals. Something similar has occurred among the oligarchs in the Ukraine, which has also been plagued by pervasive administrative disorganization and the lack of rules and institutions that facilitated transition in the Baltic states (Aslund 2001). Ukraine, Moldova and Belarus were also negatively affected by the 1998 Russian crisis. Moldova, in particular, suffered serious economic setbacks after

1998 and has yet to regain lost ground, especially considering its energy dependence on Russia, Ukraine and Romania.

The conventional wisdom generally accompanying these privatization efforts assumes that liberalization strategies that have been successfully applied in industrialized democracies will also generate general improvements in the post-Communist countries currently in transition. What this thinking generally takes for granted, however, are the individual attitudes of citizens regarding such dramatic economic policy change. Yet, the role played by public opinion is one of the most important aspects of this trend toward domestic economic liberalization in post-Communist states. It seems evident that the politicians who initiate the process of market liberalization in their countries would like political support in order to accomplish the process. It is obviously unlikely that any politician is going to engage in the process of economic liberalization if she or he knows that process is very unpopular with the electorate and could mean defeat at the next poll. Thus public opinion on economic liberalization is a key factor in determining if the process will get off the ground or not.

If one looks at survey data on attitudes toward economic liberalization in general and privatization in particular, one finds that there is nothing like a consensus in any of the transition countries over the merits of economic liberalization. There is a wide variation in levels of support within the transition countries that have conducted systematic surveys on the issue. How can we explain the variation in individual support for privatization of the economy? This article develops and tests a set of hypotheses intended to explain individual-level support for economic privatization in seven European post-Soviet economies. These countries have been chosen for study for several reasons. First, all of these countries share the commonality of having been part of the Soviet Union. At the same time, we are focusing on the European part of the former Soviet Union, leaving out additional cultural and political factors that would apply to the post-Soviet successor states in Central Asia or the Caucasus. Thus, we can test to see if the Soviet experience produced common public views on the privatization process. Second, despite this similarity, they represent a wide variation in terms of size, history of statehood and experience with Communism, and economic conditions at the time of the survey. This variation allows us to determine if such differences between the post-Soviet states create different citizen attitudes toward privatization. Finally, these countries were included in this study because they are the only post-Soviet states with complete data included in the World Values Survey (WVS; Inglehart et al. 2000), the data source for this project.

The hypotheses are developed from the literature on the political economy of public attitudes toward the economy as well as ideas formulated in this

article. These hypotheses are tested using an ordinary least squares (OLS) regression model and employs individual-level data from respondents in Belarus, Estonia, Latvia, Lithuania, Moldova, Russia and the Ukraine. The survey data were collected from the latest WVS conducted between 1995 and 1997.

The article begins by more closely examining the nature of public opinion toward domestic economic liberalization in the European transition countries. The next section develops a set of hypotheses intended to explain the individual-level variation in support for economic privatization. These hypotheses are then tested using two separate OLS models. The first model estimates pooled data from across all seven European post-Soviet economies. The second is a pooled analysis that interacts country-specific dummy variables with each of the independent variables in order to examine the country-specific effects of the responses. The implications of the models' findings are then discussed. The article concludes with an assessment of the hypotheses offered and discusses new directions in research.

### **Alternative explanations of support for economic liberalization**

Public support for economic liberalization has attracted the attention of quite a few political scientists since the beginning of the 1990s (Haggard & Kaufman 1989, 1995; Haggard & Webb 1994; Rueschemeyer et al. 1992; Przeworski 1991, 1996). Political scientists have been motivated to study this phenomenon because of the transitions away from state socialism in Central and Eastern Europe as well as the trend toward political and economic liberalization in Latin America. Political scientists have tried to gauge the level of public support in the countries moving forward with the process of liberalizing their economies from the previous statist *status quo*.

All of the work on popular support for either domestic or international economic liberalization is based on a fundamental assumption: the liberalization process will fail unless the general public backs it. Politicians will not attempt market liberalization if they know it could cost them the next election. Also, without public support for economic liberalization, the public may not do what is necessary to make the liberalization process an economic success. Thus both policy makers and political scientists have an interest in knowing who supports economic liberalization and who does not. These same people want to understand the reasons for the variation in levels of support across countries and among individuals.

The starting point for much of the work that has been done on public support for economic liberalization is the notion that individuals think about

their perceived potential costs and rewards from the liberalization process when they choose to support or oppose the process. An important part of the logic of this literature is that an individual's skill-set will affect what they are likely to get from the process of economic liberalization. Scholars have also explored the ideology of the individual as a factor in their calculus of support for economic liberalization.

We take a different tack than previous studies of public support for economic liberalization. We assert that personal characteristics and psychological factors are also very important in the overall explanation of the variation in individual-level support for market reform. Most importantly, we argue, since liberalization in general and privatization in particular entails future uncertainty, one's attitude toward taking risks in life will have an important effect on how one views privatization. In the sections to follow, we outline the general logic of these explanations and generate testable hypotheses from them.

### **An economic utilitarian explanation**

An economic utilitarian explanation is one that argues that individuals base their support or opposition to economic liberalization on what they expect to make as tangible economic benefits or costs from the process. According to the logic of this mode of thinking, a person will support the privatization process if he or she expects to make a net increase in economic gains from the liberalization.

#### *Education*

In the literature on support for economic liberalization, a number of scholars have argued that it is possible to predict citizens' support for international and domestic economic liberalization based on the citizens' 'human capital' (Duch 1993; Gabel 1998a, 1998b; Gabel & Palmer 1995). 'Human capital' is the skills and education a person possesses that gives them the ability to compete in the marketplace. The economics and political science literature that deals with the concept of 'human capital' argues that, all things being equal, those with higher levels of human capital will do better in market competition than those with lower levels of human capital (Gabel & Palmer 1995). However, for this to be the case, the market must allow human capital to be the deciding factor. States often create institutions and policies that protect those with low levels of human capital from the ill effects of not being able to compete. Yet when the state does that, it constrains the ability of those with higher levels of human

capital to maximize their gains from the market. Taking this into consideration, many have argued that those with higher levels of human capital are more supportive of international and domestic economic liberalization than those with lower relative levels of human capital.

Thus the level of one's education should be a very important factor in determining how likely one is to support economic liberalization (Duch 1993; Gabel 1998a, 1998b; Gabel & Palmer 1995). One could posit that, in a transition economy, the more the market determines the distribution of gains from economic interaction, and the higher one's level of education, the greater one's net benefits from the economy in terms of income. Generally speaking, and particularly true in industrialized countries, education brings higher income because of the demand for the skills a highly educated person possesses. The higher the level of education a person has, the more they will expect to gain from a liberalized market (Duch 1993). Yet, this may not always be the case when considering the universe of post-Communist societies. Specifically, due to decentralization and the closing of state enterprises, it is not uncommon in post-Communist societies to find people with high levels of education working blue-collar or menial jobs (or are simply unemployed) because of the nature of economic circumstances. Generally speaking, then, such societies are full of examples of exceptions to the conventional wisdom where higher education brings greater income. Thus, we hypothesize that the higher one's level of educational attainment, the more likely one is to support the economic privatization process. Conversely, a person with little education will not expect to fare as well in the market as someone with a higher level of education.

### *Income*

A person's income should also be an important factor in shaping one's attitude toward economic privatization in post-Communist societies. There are a number of ways in which one could theorize about the nature of this relationship, however. For example, one could posit that in socialist countries those with higher incomes stand to lose from the privatization process. Higher income individuals in socialist economies are not subject to the competitive forces of the market. Therefore, the process of privatization, which does subject them to such forces, offers the possibility that those individuals may find themselves worse off in an open, competitive economic system. Thus, it is possible that higher income individuals would be less supportive of increased privatization.

Alternatively, we argue that those with higher incomes would be more supportive of reducing the magnitude of the state's role in the economy than those with relatively lower incomes. There are two reasons why we would expect

this to be the case. First, prior to privatization, state ownership of a particular firm creates a dependence on the wealthy individuals in the society to supply investment capital for the firm in the form of tax revenues. In states with progressive income tax systems (as is the case for most states), tax revenues flow from the wealthy to the less well off in the form of state ownership of the means of production. As such, the wealthy rely less on state ownership of firms to maintain their income than those that are less wealthy. Presumably, those with relatively higher incomes are less likely to be employed by state-owned firms. Alternatively, those with meager incomes would welcome the guarantee of employment typically provided by state ownership of firms.

The second reason why the wealthy would be more supportive of privatization is that the greater number of privately owned economic entities in society creates a greater number of potential investment opportunities for those with higher incomes. In essence, in addition to perpetuating the redistribution of wealth from those with higher incomes to those with lower incomes, the large erstwhile state sector also precluded investment opportunities for the wealthy. Therefore, taking these reasons together, wealthier individuals would likely have greater support for economic privatization than those with lower incomes.

### *Social class*

An individual's perception of his or her social class standing may also influence their attitude toward privatization. In socialist countries, social class status is a better measure of one's social standing than income because political power is often more important than one's income in determining one's position in society. As was the case with income, it is possible to hypothesize about the relationship between social class and support for privatization in different ways. On the one hand, one could argue that those with a higher social class status in a socialist economy would not favor privatization because of the possibility that market forces (as opposed to political forces) would displace them from their high social class status. This logic leads to the argument that those of higher social class status in post-Soviet economies would be less supportive of privatization than those of lower social class status.

On the other hand, we would argue that those with higher social class status in post-Soviet economies would be more supportive of privatization than those of lower social class status. We base this argument on the logic that those with higher social class status in the transition economies will have better connections than those with lower social class status. These connections will allow such individuals to maximize opportunities to make economic gains in a liberalized economic system. Thus we hypothesize that those at the upper

end of the social class ladder would presumably be pro-privatization, while those lower in the social class scale would be less supportive of privatization.

### *Gender*

A person's human capital is not the only potential personal attribute that could potentially influence his or her gains from market interactions. A person's gender could affect what they can expect to gain from an unfettered marketplace. It has been argued that women make losses, relative to men, from the economic liberalization process (Finifter & Mickiewicz 1992; Welsch & Carrasquero 2000). This argument is based on the reasoning that women are not as secure in the economy as men. This is because firms have a tendency to let women go before men when there is a downturn in the firm's economic fortunes. Why would women be fired first? One reason is because women may be perceived as more costly because of the potential of maternity leave. Corporate leadership may also perceive that since men are responsible for supporting the family, men have more to lose by being let go. Finally, it may be simple sexism. Thus, women would be less likely than men to support measures that would make it easier for firms to lay off workers.

There is another reason why women may not be as supportive as men of the privatization process. Some states have taken a number of measures to attempt to better meet the needs of working families with children. Daycare provisions as well as childcare allowances are just some of the things now provided to families in some states. However, as the government withdraws from a substantial role in the economy, these types of provisions currently enjoyed by families can be threatened. As women have traditionally played a larger role than men in caring for family matters, one can surmise that women would be less supportive than men of the government foregoing some of its support to families.

If one thinks about the very large state role in supporting women and families in socialist countries, one can surmise that women would stand to lose a great deal from the process of market liberalization. In the post-Communist countries of Eastern and Central Europe in particular, with their very high percentage of women in the workforce and single mothers, we hypothesize that women would not be as supportive as men of the economic privatization process.

### *Workplace status*

In addition to education, income, social class and gender, we argue that one's workplace status is another important measure of human capital and that it

should be considered as part of the economic-utilitarian explanation. Gabel and Palmer (1995) have argued that those who are less skilled will be more likely to be dismissed in economic hard times and have a harder time finding new employment compared to those with higher skill levels. This means that if the market is allowed to determine employment patterns, those at the lower end of the skill hierarchy will be more exposed to potential economic hardship than those who have greater skills. In our case, we make the occupational distinction between those who manage and those who are managed. Specifically, we argue that those who manage (i.e., employers, managers, supervisors, owners) would be more supportive of the privatization process than those who are managed (i.e., non-supervisory skilled, semiskilled and unskilled workers, agricultural workers, non-supervisory professional workers). In making this argument, we acknowledge that those who are managed would be less supportive of privatization because they benefit from the protection offered by state ownership of industry during times of economic downturns. State ownership of industry provides the managed with job security, which is characteristically one of the top priorities of those who are managed. Conversely, managers would be more supportive of privatization because private ownership of firms would give them more control over hiring and firing decisions in an unfettered market setting. Such decisions over the allocation of labor are crucially important to managers as they are determinants of firm profitability. Thus, we would hypothesize that those who are managers would be more supportive of privatization than those who are managed.

### *Employment status*

Another factor that may influence one's attitudes toward privatization is one's employment status. It is conventionally argued that the unemployed would be more supportive of state intervention in the economy in general than those who are employed because the unemployed want the state's help in finding a job. Unemployed workers confront the reality that the dependence on market forces in securing employment remains an uncertain proposition. Thus, the unemployed would want the state to maintain its ownership of firms as it increases the likelihood that they will be put back to work. Therefore, we would hypothesize that the unemployed would be less supportive of privatization than those individuals with jobs.

### *Retired status*

Retirement status is another aspect of one's employment status that could condition how one thinks about privatization. As one retires, one's ability to cope

with market downturns becomes severely constrained. For example, those persons with fixed incomes have less of an opportunity to recover from adverse economic events and/or a decline in their individual financial circumstances. Since retirees largely depend on pensions to provide continual economic support, we argue that they would not want the state to scale back its involvement in the economy. There may be significant fear that if privatized firms can create their own pension plans independent of state control, those firms will not be as generous as the state. Thus, retired individuals would be less supportive of privatization than those who remain active in the workforce.

### *Age*

A person's age may be another factor that could influence his or her attitude toward economic privatization. We would contend that the older an individual becomes, the more concerned one becomes about securing one's financial future. This would seem to be particularly true in post-Communist countries, where workers were sheltered from market demand for labor and had life-long job security. Privatization of firms is a direct threat to job security as it allows firm management a much freer hand in determining its workforce. We contend that the older one becomes, the less one would be willing to risk having to 'start over' if one loses one's job. Thus, the older one grows, the more one is concerned with job security. This concern with job security would lead older individuals to be less supportive of letting the market decide who has a job and who should be made redundant than younger workers. Older workers would look to the state to ensure their job security. This logic leads us to hypothesize that the older one becomes, the less one would support privatization.

In addition to viewing age as a reflection about concerns over job security, a person's age may determine what experience they have had with a market economy. Therefore, we also posit that one's age, plus where they grew up, may affect how they think about the privatization process. Among the countries included in this study, three have individuals still living who have experienced a capitalist economy. In Russia, Moldova, Belarus and the Ukraine, there are very few individuals living who can remember the period prior to the Bolshevik Revolution where the economy was transformed from market-based to state ownership of the means of production. In Russia, Ukraine and parts of Belarus, collectivization in the 1930s was particularly brutal, leading to mass starvation, deportations and displacement of entire communities. Conversely, the Baltic states of Estonia, Latvia and Lithuania became part of the Soviet Union only in 1940, when their economies became socialized. Thus, the Baltic states would have individuals over the age of 60 who would have had

direct experience with a market economy. We would argue that those who have had experience with such a system would find the change back to a capitalist economy less frightening than those who have never had any prior experience of a market economy. Thus, we hypothesize that those citizens of the Baltic states who are over 60 would be more supportive of the privatization process than others included in this study.

### *Financial satisfaction*

Finally, there is a large and growing literature on how one's perception of economic conditions affects one's attitudes toward many different aspects of politics. Typically, the economic voting literature focuses on three central considerations. First, the literature addresses the degree to which individuals' assessments of economic conditions are responsible for conditioning their attitudes toward broader political issues (Downs 1957). Second, scholars have also explored the relationship between concerns for one's personal economic well-being (i.e., egocentric considerations) versus one's concern for the economic well-being of the broader society (i.e., sociotropic considerations) (Kinder & Kiewiet 1981). Third, a great deal of scholarly literature has been developed on the temporal aspect of individual economic assessments. Specifically, scholars have questioned whether individuals tend to be forward thinking in their assessments of the economy (i.e., prospective considerations) or whether individuals place a greater emphasis on past economic conditions in their decision-making process (i.e., retrospective considerations) (Fiorina 1981). In asking these questions in the context of electoral behavior, the consensus in the literature indicates that individuals tend to be forward looking, pocket-book voters rather than backward looking, sociotropic voters (MacKuen et al. 1992).

The economic voting literature concerned with Eastern and Central European countries has shown that economic voting is increasingly common in those regions (Duch 1993, 1996, 1998, 2001; Gibson & Duch 1993; Mateju et al. 1999; Shabad & Slomczynski 1999; Shiller et al. 1991). Duch (1993) has argued that in the ex-Soviet Union there is a negative relationship between personal economic assessments and support for free market reform. In other words, those individuals who expect their personal economic situation to deteriorate are more supportive of free market reforms than those who expect their economic situation to improve. He makes this assertion based on the premise that those who expect things to get worse will want to change the economic system *status quo* in order to improve economic conditions. Przeworski (1993, 1996), on the other hand, argues that fears about negative future economic conditions make individuals less supportive of free market economic

reforms. This is because those individuals fear being made unemployed in a market that takes a downturn and not protected by the state.

Due to limitations, we are unable to obtain data on retrospective or prospective assessments of the aggregate economic situation. The WVS only asks a respondent to assess his or her personal financial situation at the time of the interview (more on this in the data and measures section to follow). Based on Duch's (1993) logic, this would lead us to hypothesize that the more negatively an individual rates his or her personal economic situation at the time of the interview, the more supportive that individual will be of the privatization process.

## **A psychological explanation**

One individual-level trait that has been ignored in work on public support for economic reform is an individual's psychology. We argue that a person's general predisposition toward taking risks and experiencing change in life is a substantial factor in how they think about economic reform. Work in economic psychology has demonstrated that a person's propensity to accept risk greatly influences her or his decision-making (Hogarth & Reder 1987; Kahnemann & Tversky 1979, 1983; Thaler 1980; Tversky & Kahnemann 1981). This work argues that individuals weight potential losses associated with a decision more than the potential gains they can achieve. This risk aversity shapes the decisions individuals make and often keeps them from maximizing their utility.

### *Risk acceptance/aversion*

We can assume that most individuals will think that privatization reduces the social safety net in the economy as economic liberalization means less state intervention in the economy and less of a welfare state. We can also assume that individuals realize that there will be less government control over the wealth-maximizing potential of individuals. The state is going to do less to redistribute the wealth from those with means to those who have less wealth. This means that those who win from the market can make greater gains from a less controlled market and those who lose from the market have farther to fall in such a scenario. Based on this logic, we can posit that those individuals who are risk averse would be less supportive of the prospect of economic privatization than those who are risk accepting. Those who are risk averse would think more about the potential losses and how far they can fall in a less constrained market. Those who are risk accepting are motivated by the potential gains to be had from a less constrained market. Thus, we hypothesize that the

more risk accepting an individual is, the more likely he or she is to prefer privatization.

### *Conservatism*

While risk acceptance/aversion is one aspect of a person's psychology that could affect how she or he thinks about privatization, there is another psychological trait that could influence that attitude: a person's willingness to accept new ideas. While it may be that some people are unwilling to accept new ideas because they are afraid that accepting such ideas will bring unnecessary risks, there may also be some who think that old ideas are simply better than new ideas because they have lasted for a long time. In other words, a person may believe that if an idea was poor, it would not have persisted over a long period of time. We describe this logic as conservatism (with a small c). In this sense, attitudes toward certain ideas or traditions become embedded in an individual's psychological profile over time. These attitudes are also quite distinct from utilitarian considerations where individuals seek to enhance their individual, economic well-being. Based on this logic, we could hypothesize that those who think that old ideas are generally better than new ones simply on the basis of (small c) conservatism would be less supportive of privatization in a transition economy because the privatization process would represent a new set of ideas for arranging the economy as opposed to the old idea of having the state own and manage the means of production.

## **Support for economic privatization in seven post-Communist states: Data and measures**

This study will now test empirically these various hypotheses and explain the variation in public support for economic privatization both across and among the seven states. Two multivariate linear regression models are used to test the hypotheses described above. The data for the study was taken from the most recent WVS with interviews conducted between 1995 and 1997 of adults aged 18 and over. The WVS provides considerable opportunity to conduct both a pooled analysis as well as sweeping cross-national analyses. Seven countries were included in this study to provide as large and comprehensive a sample as possible. The individual-level data for this particular analysis are derived from surveys conducted in Belarus, Estonia, Latvia, Lithuania, Moldova, Russia and the Ukraine.

Data limitations are traditionally an inherent problem when working with East European political attitude data. In this case, for example, data

limitations necessitated the exclusion of the other former Soviet Republics as well as other Eastern European transition economies (e.g., Poland, Hungary and the Czech Republic) from the analysis. Yet, on the whole, pooling of the data enables us to test hypotheses at the aggregate level of European, post-Soviet economies. The aim of pooling the data enables the researcher to avoid biasing the results with country-specific cultural or political idiosyncrasies (see Przeworski & Teune 1970). Alternatively, analyzing the data in country-specific cases allows us to determine if and to what degree the independent variables explain the variance in individual-level support for economic privatization across the seven European post-Soviet countries.

### *The dependent variable*

The dependent variable in this study is individual-level support for economic privatization. Such support applies to individual respondents across seven European post-Soviet economies. Specifically, respondents were asked to place their views along a ten-point privatization scale. The scale ranged from (1) *Private ownership of business and industry should be increased* to (10) *Government ownership of business and industry should be increased*. Selecting (1) indicates that respondents 'agreed completely' with the former statement, while choosing (10) means complete agreement with the latter statement. Respondents whose views fell somewhere in between these ends of the continuum were asked to choose any number between one and ten.

An interesting distribution of responses emerges when examining the dependent variable for the former-Soviet transition countries included in this analysis. Somewhat surprisingly, less than one-quarter of respondents (21.4 per cent) expressed support for the notion that private ownership should be increased (self-placed responses ranging from one to three). Alternatively, more than a third of respondents (36.8 per cent) expressed the preference to see an increase in government ownership of business and industry (self-placed responses ranging from eight to ten). Finally, nearly 40 per cent of all respondents indicated a self-placement between four and seven, suggesting a relatively neutral position regarding their attitudes toward economic privatization. This distribution of responses does not suggest overwhelming support for privatization by any means. Indeed, there appears to be a considerable amount of both opposition and indifference to the process of privatization. What factors account for the differences in opinions toward privatization among individuals residing in transition countries?

To provide a fuller picture of the distribution of attitudes regarding economic privatization, we also examine cross-national variation in levels of support for privatization. Individual responses aggregated at the national level

*Table 1.* Patterns of individual support for economic privatization, mean respondent self-placement on 10-point privatization scale: (1) = private ownership of business and industry should be increased; (10) = government ownership of business and industry should be increased

Country	Mean	Standard deviation	Frequency
Belarus	6.14	2.83	1,990
Estonia	5.62	2.55	988
Latvia	5.38	2.60	1,168
Lithuania	4.94	2.81	947
Moldova	6.84	2.92	960
Russia	7.07	2.66	1,960
Ukraine	5.86	3.00	2,589
Total	6.07	2.87	

are included in Table 1, which illustrates, for example, that support for economic privatization was highest, on average, in Lithuania (mean value = 4.94) and Latvia (5.38). This result is consistent with our intuitions regarding the perceived success of the economic privatization efforts in the Baltic States. On the other hand, aggregated individual responses from Russia (7.07) and Moldova (6.84) were considerably lower. This indicates a more general scepticism regarding the notion of privatization and is reflective of the more difficult transition to market-based economies that has occurred in these two states. Thus, even with the former states of the Soviet Union, we can see considerable variation with respect to attitudes toward economic privatization.

### **Analyzing public support for economic privatization**

This section describes our empirical model (descriptive statistics and correlation coefficients are available from the authors on request). Since the values of the dependent variable – support for increased economic privatization – are ordered along a 10-point scale, we use maximum likelihood estimation to evaluate two separate regression models. As described above, the specified models feature two primary classes of explanation (economic utilitarian and psychological), along with a set of controls for country-specific factors. First, the model is estimated using pooled data from across all seven European post-Soviet economies and includes dummy variables for individual countries. Second, we then re-estimate the model while controlling for cross-national differences by interacting individual country dummy variables with each of

the explanatory variables in the model. It is important to control for such cross-national differences in order to avoid the potential affects of country-specific economic or political idiosyncrasies. Both models are estimated using Stata 6.0.<sup>1</sup> The specific pooled data model estimated was:

SUPPORT (for Privatization) =  $f$  (Education, Income, Social Class, Gender, Workplace Status, Unemployed, Retired, Age, Financial Satisfaction, Conservatism, Risk) + Interaction (Baltic\*Age 60+) + Controls for Individual Countries

The results of the pooled data OLS model estimating the support for economic privatization are displayed in Table 2. We report the coefficients of the explanatory variables and standard tests of statistical significance to provide an initial interpretation of the results. Since significance tests offer relatively little information about the substantive meaning of the coefficients, we also report first differences.<sup>2</sup> The results generally lend mixed support to both of the explanatory categories described above. The first potential explanation, based on economic-utilitarian considerations, was tested using a variety of explanatory variables. First, the education variable, operationalized to include the highest level of education attained by the respondent, yielded a negative coefficient and was statistically significant. This supports the hypothesis that the higher the level of an individual's education (thus the greater their level of human capital), the more likely he or she would desire economic privatization. This means that as one increases one's skill level, one becomes more confident of making gains in a freer market economic environment. Consequently, those with higher levels of education think they stand to gain from competition, whereas those with less education think they stand to lose.

The role played by gender in determining one's attitude toward liberalization was also hypothesized to be an important component of the economic utilitarian explanation. Specifically, we hypothesized that women would be less supportive of economic privatization than men because of their relatively precarious position in the economy. The model indicates support for this hypothesis as the gender variable yielded a negative coefficient indicating that women are less likely to agree with the notion that the level of private ownership in the economy should be increased. Instead, women are more likely to agree with the alternative notion that government ownership of business and industry should be increased. Therefore, the results of the model also indicate empirical support for the economic utilitarian explanation. This finding seems to provide foundation for the assertion that women see themselves as potential losers from the economic liberalization process in post-Communist societies as private firms gain the freedom to hire and fire who they wish and can more easily forego programs to aid working mothers.

Table 2. Pooled individual-level support for privatization in seven post-Communist states, 1995–1997 (dependent variable: support for economic privatization: (1) low, (10) high)

Variable	Coefficient	Standard error	First difference
Constant	3.998**	0.264	
Education	-0.043*	0.016	-0.176
Income	0.011	0.013	
Social class	0.044	0.042	
Gender	-0.254**	0.060	-0.251
Workplace status	-0.069	0.072	
Unemployed	-0.067	0.114	
Retired	-0.139	0.106	
Age	0.019**	0.003	0.614
Financial satisfaction	0.004	0.004	
Baltic*Age 60+	0.167	0.151	
Conservatism	0.097**	0.012	0.513
Risk	0.147**	0.012	0.828
Belarus	0.049	0.096	
Estonia	-0.054	0.118	
Latvia	-0.036	0.115	
Lithuania	-0.413**	0.129	
Moldova	-0.130	0.118	
Ukraine	-0.230*	0.097	
Number of cases	8,522		
R <sup>2</sup>	0.05		

Notes: Coefficients reported are unstandardized coefficients. Russia is the reference category. \*\*  $p < 0.01$ , \*  $p < 0.05$ ; significance tests are two-tailed. First difference figures refer to the change in the expected value of the dependent variable caused by increasing the value of the particular independent variable from one standard deviation below the mean to one standard deviation above the mean while holding all other explanatory variables at their means. First differences were calculated using CLARIFY 2.0 (Tomz et al. 1999).

Age also proved to be a significant predictor of support for privatization. The model results show that the age variable had a positive coefficient that was statistically significant. Therefore, as predicted, the older one is, the more one believes that government ownership of business and industry should be increased (and the less supportive one is of the privatization process). Thus the age variable also strengthens the claims of the economic utilitarian approach that the potential losers from privatization will oppose the process more than the potential winners.

The fourth column in Table 2 provides estimates of the impact of each variable when the other explanatory variables are set to their means. Using the expected values, our results demonstrate that among the economic utilitarian variables, age remains highly important in predicting support for economic privatization. For example, the expected value of support for increased government ownership (i.e., the inverse of support for increased privatization) increases by 0.6 as one's age increases along the range of two standard deviations. On the other hand, the expected value of the support for increased privatization increases, though less so, as respondents increase their levels of education (-0.176) and being male (-0.251). None of the other economic utilitarian variables were statistically significant in this pooled analysis. Only one's level of education, age and gender proved viable predictors of support for the privatization process in the seven post-Soviet countries included in this study.

For the second explanation – the psychological explanation – the risk variable measures the individual's propensity to accept or avoid risk in their 'outlook on life'. Contrary to our expectation, the risk variable yielded a coefficient with a positive sign indicating that an individual's propensity to avoid risk is positively associated with their preference for economic privatization. In other words, for the post-Soviet transition economies included in this sample, those respondents who consider themselves cautious in their 'outlook on life' are likely to exhibit more support for privatization than those that expressed a higher degree of risk acceptance in their general outlook. The conservatism variable provided the same type of result. We find that the coefficient on the variable indicates that the more one tends to favor old ideas (versus new ones), the more one is likely to support the privatization process. Once again, if one considers the alternative (privatization versus more state ownership of the means of production), privatization is perhaps the less radical alternative. In relative terms, the effects of the psychological explanation are the greatest as an increase in the range of risk increases the probability of supporting increased government ownership (0.828).

It is important to note that the question about privatization in the WVS asks the individual if they want more privatization or more government ownership of the means of production. This result indicates that while privatization is a change in the *status quo* and thus may appear risky, it is less risky in the eyes of individuals in this study than moving toward a larger government role in the economy. The results of the pooled analysis suggest that people who are risk averse would rather move in the direction that most other states are moving – privatization.

Finally, using Russia as the reference category, each of the six country dummy variables produced a negative sign on the coefficient (with the excep-

tion of Belarus). Two of the six country dummy variables (Lithuania and Ukraine) were statistically significant. The negative sign on the coefficients points to the general support for increased privatization, yet the relative lack of statistical significance suggests mixed support for increased privatization across the European post-Soviet economies. It also suggests that country-specific factors are at work in terms of explaining respondent preferences for economic privatization. Consequently, the next section discusses the results from the second regression model that incorporates interaction terms combining the independent variables with individual country dummy variables.

### *The country-specific model*

The second model estimates the support for economic privatization by interacting country dummy variables with the independent variables. The results of the second model are displayed in Tables 3 and 4. In this case, we are most interested in examining the interactions between the country dummy variables and the independent variables. When we examine the results of the country dummy interaction variables, we find that a distinct pattern is visible. Education and conservatism (in terms of old versus new ideas) prove to be consistent and reliable predictors of support for privatization. In all six country interactions (with Russia as the reference category), the coefficient on the education variable was in the predicted direction and statistically significant. This result indicates that in each of the countries an increase in one's level of education is associated with the view among respondents that the level of privatization should be increased. Thus, those with more human capital in the seven countries in this study want a freer economy. The fact that this was found in each of the country dummy interaction variables serves as solid support for the economic utilitarian perspective on support for economic privatization.

In addition to this consistent result with the education variable, the only other economic utilitarian factors to be statistically significant in the second model are income (in the cases of Belarus and Moldova), retirement status (in the case of Estonia), and income and social class (in the case of Lithuania). The significance of the income variable in the cases of Belarus, Moldova and Lithuania suggest that those with higher incomes in these countries do not favor an increase in economic privatization. Instead, it could be argued that individuals with higher incomes in these countries were relatively more successful during the previous Communist regimes and therefore have a vested interest in retaining a high degree of state control over the means of

Table 3. Individual-level support for privatization in seven post-Communist states, 1995–1997 (dependent variable: support for economic privatization: (1) high, (10) low)

Variable	Belarus	Ukraine	Moldova	Estonia	Latvia	Lithuania
Constant	3.819 (0.675)					
Education	0.065 (0.040)	-0.134** (0.053)	-0.158** (0.068)	-0.142** (0.064)	-0.174** (0.062)	-0.153** (0.070)
Income	-0.32 (0.030)	0.014 (0.041)	0.088** (0.052)	0.054 (0.055)	-0.003 (0.045)	0.089** (0.053)
Social class	-0.084 (0.095)	0.176 (0.129)	0.008 (0.163)	0.052 (0.170)	0.239 (0.164)	0.452** (0.184)
Gender	-0.149 (0.142)	0.055 (0.195)	-0.089 (0.236)	-0.209 (0.234)	-0.277 (0.226)	-0.354 (0.249)
Workplace status	-0.252 (0.168)	0.256 (0.231)	0.071 (0.311)	0.424 (0.271)	0.081 (0.254)	-0.051 (0.298)
Unemployed	0.097 (0.300)	-0.484 (0.401)	0.421 (0.417)	-0.390 (0.465)	-0.305 (0.444)	-0.418 (0.453)
Retired	-0.023 (0.237)	-0.321 (0.327)	0.444 (0.424)	0.714* (0.414)	-0.234 (0.409)	-0.381 (0.442)
Age	0.019** (0.006)	0.002 (0.009)	-0.012 (0.011)	-0.015 (0.011)	0.015 (0.010)	0.014 (0.011)
Financial satisfaction	0.009 (0.017)	-0.012 (0.017)	0.028 (0.025)	-0.047 (0.029)	0.007 (0.023)	-0.000 (0.023)
Conservatism	0.179*** (0.029)	-0.167*** (0.040)	-0.006 (0.047)	-0.189*** (0.051)	-0.039 (0.047)	-0.058 (0.050)
Risk	0.141*** (0.027)	0.030 (0.037)	0.064 (0.046)	0.028 (0.045)	-0.068 (0.044)	-0.025 (0.047)
Baltic* Age 60+	-0.249 (0.235)					
Belarus	-0.108 (0.869)					
Estonia	1.211 (1.065)					
Latvia	0.465 (1.041)					
Lithuania	-1.196 (1.181)					
Moldova	0.046 (1.024)					
Ukraine	0.179 (0.846)					
N	8,522					
R <sup>2</sup>	0.07					

Notes: Coefficients are unstandardized. Standard errors in parentheses. Russia is the reference category. \*\*\* p < 0.01; \*\* p < 0.05; \* p < 0.1; significance tests are two-tailed.

Table 4. First differences for pool model results

Variable	Belarus	Ukraine	Moldova	Estonia	Latvia	Lithuania
Education	-0.548	-0.749	-0.529	-0.523	-0.726	-0.559
Income	0.506		0.236			0.386
Social class						0.907
Gender						
Workplace status						
Unemployed						
Retired				0.195		
Age						
Financial satisfaction						
Conservatism	0.945	-0.738		-0.667		
Risk	0.799					
Baltic* Age 60+						

Notes: First differences in the table refer to the change in the expected value of the dependent variable caused by increasing the value of the particular independent variable from one standard deviation below the mean to one standard deviation above the mean while holding all other explanatory values at their means.

production. In relative terms, however, the strength of the income variables across these three countries is less than the influence of education.

In terms of the psychological explanation, the conservatism (small *c*) variable was in the predicted direction and statistically significant in three countries: Belarus, Ukraine and Estonia. The fact that the conservatism variable proved statistically significant in these country dummy interactions means that how people think about old versus new ideas is a powerful predictor of how they view economic privatization. It is important to note here that the signs on the coefficients for both the conservatism variables and the risk variables are in the opposite direction in the country-specific analysis to what they were in the original pooled model. The results of the psychological explanation in these three countries shows that people who believe that new ideas are better than old ones and people who believe that one will never achieve much unless they act boldly strongly support the notion of increased government privatization – that is, they would prefer to go along with the increased privatization trends in other countries rather than move in the opposite direction. Perhaps taking a cue from their counterparts in Western European countries, these respondents may express an enthusiasm for moving toward an economic system based on competition, free markets and private property.

Finally, using Russia as the reference category, none of the six country dummy variables produced statistically significant coefficients.

## Conclusion

The process of economic liberalization has attracted a great deal of attention over the past decade. Since the move toward privatization is an inherently political process, politicians would like to have public support if they choose to undertake privatization. In fact, public attitudes may act as an important constraint on what politicians feel they can attempt in the privatization process. As a result, scholars have made a concerted effort to link economic liberalization with mass opinion. In conjunction with the broader effort to develop solid theoretical notions regarding economic liberalization and mass opinion, the primary focus of this article was to develop and test a set of hypotheses about economic privatization in seven countries of the European portion of the former Soviet Union. The results obtained in this analysis affirm some of the findings in the extant literature on liberalization as it applies to developed countries and case-specific studies of transition countries.

Economic utilitarian calculations proved to be productive predictors of support for economic privatization in the European post-Soviet states. In particular, the relationship between level of education and support for priva-

tization exposes the relationship between human capital and one's hopes for operating in a market economy. We found that those with higher levels of education were more supportive of privatization. Thus, it seems true that individuals with higher skills are less worried about market competition than those with less skill. Presumably, individuals with higher levels of education are in a better position to adapt to the challenges and uncertainties presented by a more liberal economic system and are potentially better able to withstand adverse economic circumstances.

Interestingly, the psychological explanation was also found to be consistently powerful. In this study, we found differing results when examining the pooled model and the country-specific analysis. In the pooled model, we found that the (small c) conservative and risk averse tend to support increased economic privatization. As discussed above, perhaps this result can be explained by the argument that in an era of open markets and increased international economic competition, increased privatization in the former European Soviet republics actually reflects the less radical alternative (compared to increased state ownership of the means of production). Alternatively, it could be that the pooling of the seven countries actually masks more subtle, country-specific differences. Or, in our country-specific analyses, we found attitudes about risk and new ideas were good predictors of support for privatization. This seems to indicate that those who wanted a reversion to or even increase in state ownership of the means of production are the risk takers/supporters of new ideas and those who support privatization are following the crowd. Given these competing interpretations, it is evident that the effects of both risk acceptance/aversion and small c conservatism need to be explored in more detail in future research.

Overall, we have found that an individual's level of human capital as well as their psychological predisposition toward change in life are the two most important factors conditioning their attitude toward economic privatization. Thus we cannot say that people in the former Soviet Union think about the privatization process purely from an economic utilitarian perspective. Nor can we say that it is only their attitudes about taking risks and/or accepting new ideas that determine whether they support the privatization process. We must say that both economic utilitarian calculations as well as psychological predispositions of individuals account for variations in citizen support for privatization. We can safely conclude that some individuals are making a rational future calculation about what opportunities privatization will bring them (based on how much education they have had) and some are thinking primarily about what can go wrong with privatization (i.e., those who focus on risks and the dangers of new ideas).

What is particularly interesting about the findings of this study is how

attitudes in these post-Soviet countries do not seem markedly different from what we would find in other, non-transition states or in any other society undergoing privatization. The findings in this study may indicate that the post-Soviet transition economies are not as unique as some may have thought them to be.

What do these findings mean for politics in the European post-Soviet states? They may mean that there is a growing degree of convergence between politics in Western and Eastern Europe. As states liberalize in Western and Eastern Europe, they must think about how to attract public support for those processes in much the same way. In a way, these findings suggest that as post-Communist states undertake political and economic reforms, they become more 'normal' (i.e., subject to processes not unlike those in established market democracies). Granted, the privatization process is much more profound in the former Soviet Union because of the magnitude of state ownership, but the ways people think about privatization are based on roughly the same calculus of decision-making.

One thing that we did not address much in this study because of data and space limitations is the relationship between political leadership and attitudes toward privatization. It would be incorrect to assume that political leaders simply react to public attitudes to privatization and then make policy based on those attitudes. It is more likely that policy makers have personal preferences toward privatization and look to see if public attitudes are supportive of such a policy program. If there is a disconnect between politicians' policy preferences and those of the general public, politicians may try to sway public opinion on this issue. Politicians who are convinced of the value of privatizing the economy may try to convince the public of the same through an education campaign. This was evident in the Baltic states, where political elites were more supportive of privatization than in Moldova, Russia or the Ukraine. Thus, publics do not form their positions on privatization in a political vacuum, but are influenced by the political messages they hear around them. Indeed, it would be of great interest to analyze the role played by the political elites in the Baltic states, both indigenous and émigré, especially the impact that returning Baltic émigré and foreign-born members of their diaspora communities had on the direction of post-Communist transition. The effects of elite persuasion on the general public leaves open an important avenue of research for the future. One could focus on how political parties craft their message to bring the public along on the issue of privatization. Another aspect of the relationship between elite and mass attitudes on this issue is how public attitudes actually constrain policies on privatization. Thus, there is much more to be done on this very central public policy issue in transition economies.

## **Appendix: Operationalization of the variables**

### *Support for economic privatization*

Respondents were asked to place their views along a ten-point scale ranging from (10) *Government ownership of business and industry should be increased* to (1) *Private ownership of business and industry should be increased*. Respondents whose views fell somewhere in between these ends of the continuum were asked to choose any number in between.

### *Education*

Education level was measured based on the respondent's answer to a question that asked him or her to identify the highest education level they attained. Respondents were given ten possible responses ranging from no formal education to university-level education, with degree.

### *Income*

Respondents were given a scale of incomes and asked to identify the group, ranging from (1) *low* to (10) *high*, that their household income fell into, before taxes and other deductions.

### *Social class*

Social class was measured based on the respondent's answer to the following question: *People sometimes describe themselves as belonging to the working class, the upper class, or lower or middle class. Would you describe yourself as (1) upper class, (2) upper middle class, (3) lower middle class, (4) working class, (5) lower class?*

### *Workplace status*

The original WVS question asked respondents: *In which profession/occupation do you work?* The responses from the following pre-listed categories were recoded as (1) to account for those considered to manage: employer/manager (of small and large firms), supervisory, foreman and supervisor, farmer who has own farm. Alternatively, the following occupations were coded as (0) and considered being 'managed' by others: professional worker, non-manual worker (non-supervisory), skilled manual worker, semi-skilled manual worker, unskilled manual worker, agricultural worker and member of armed forces.

### *Unemployed, retired, gender*

Unemployed respondents were coded as (1) and all other respondents (0). Retired respondents were coded as (1) and all other respondents (0). Respondents were also asked to identify themselves as male (1) or female (2).

### *Financial satisfaction*

A 10-point scale was used to capture *How satisfied are you with the financial status of your household?* A response of (1) indicates respondent dissatisfaction, while (10) expresses satisfaction.

### *Conservatism*

A self-placement scale was used to measure the respondents' level of conservatism. Respondents were asked to place their views regarding the following polar statements: (1) *Ideas that have stood the test of time are generally best* and (10) *New ideas are generally better than old ones*.

### *Risk acceptance/aversion*

Respondents were given paired, polarized statements and asked to choose how close they would place themselves to one or the other statement. A 10-point scale was used for self-placement purposes. On one end of the spectrum was the statement: *One should be cautious about making major changes in life* (1). On the other end of the spectrum was the statement: *You will never achieve much unless you act boldly* (10).

### *Interaction (Baltic\*Age 60+)*

Interaction term – Coding of Baltic respondent (1) or not (0) was interacted with respondent age 60 or more (1) or not (0).

## **Notes**

1. The dependent and independent variables constitute the actual responses given by individual respondents to each survey question. Those respondents answering 'don't know' to a given question were coded as missing cases and consequently excluded from the analysis. The pooled model estimated the responses of 8,522 survey respondents from seven countries. While this coding scheme led to a considerable loss of respondents in

the overall sample, this type of cross-national analysis is subject to the broader data limitations inherent in the WVS.

2. The first differences of the independent variables of theoretical interest that are statistically different from zero are also estimated and reported. In each case, the first difference refers to the change in the expected value of the dependent variable caused by increasing the value of the particular independent variable from one standard deviation below the mean to one standard deviation above the mean while holding all other explanatory values at their means (King et al. 2000; Tomz et al. 1999).

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