Support for Market Economy Principles in European Post-Communist Countries during 1999–2008*

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Abstract: Since the fall of the communist regimes in Central and Eastern Europe in 1989, a neoliberal discourse has dominated the thinking of the political elite in post-communist countries, paving the way for unprecedented mass privatisation, economic deregulation, and other market reforms. In this article, we study the development of public support for market economy principles in post-communist countries compared to other European countries between 1999 and 2008, the period that directly followed the initial stage of market transformation. The article is based on data from the European Values Study covering 22 European countries for the years 1999/2000 and 2008/2009. In addition to analysing the trends, multilevel regression models are used to study the determinants and levels of support for the market economy in post-communist and other European countries. When controlling for individual and country-level variables, a significant increase in support for market economy principles is observed in the post-communist cluster, which is not the case in the other countries. There is some inconsistency in support for the individual principles of market economics: support exists in post-communist countries for the notion that the state should be responsible for the social and economic well-being of its inhabitants and for state regulation of the economy, while support is high for some market economy principles, such as free competition and private ownership. In other words, support for some kind of social market seems to prevail among people living in post-communist countries, based on the notion that the state should combine a market economy with relatively generous social policies.

Keywords: market economy, post-communist countries, free competition, private ownership, state regulation of the economy, welfare attitudes
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Introduction

During the initial economic transformation period in the 1990s, neoliberalism dominated the public discourse in the European post-communist countries, as privatisation, economic liberalisation and deregulation, competitiveness, and growth were among the most highly prioritised objectives [Ferge 1997; Offe 1996]. The fall of communism coincided with the peak of neoliberalism's global diffusion and there were no influential transnational networks advocating alternatives to neoliberal theories [Ban 2016: 23]. Thus, the post-communist countries have prioritised policies that support these objectives. Even in the latter stage of the economic transformation (during the 2000s), these countries often pursued more radical market-oriented reforms than other EU countries, such as implementing a flat tax, reducing corporate taxes, and privatising the pension systems [Appel and Orenstein 2016]. The implementation of market reforms, however, did not entail simply transmitting the principles of market fundamentalism, but rather involved adopting them into the context of the transition to a market economy. A role in this was thus played by local conditions and external pressures [Ban 2016]. In particular, the reforms to maximise markets and competition were balanced with state intervention in such areas as economic protectionism. In addition, policy-makers in the post-communist countries deliberately used social policies to prevent public protest against the reforms [e.g. Offe 1996; Vanhuysse 2006] and developed the various types of hybrid welfare regimes that are in place today which combine liberal policies with conservative-Bismarckian and social-democratic universalist policies [Cerami 2006; Inglot 2008; Hemerijck 2013; Kuitto 2016].

The market reforms that were introduced in the post-communist countries raise questions about how the population views these reforms and whether they are legitimate and politically sustainable in the long term. This is particularly interesting given the fact that people now have decades of experience with the market reforms, and the economic and societal contexts have changed over the years (e.g. due to population ageing and increasing pressures on public budgets). Previous studies have shown that there is support for revising some of the radical market reforms in the post-communist countries, while others indicate that support for market principles is lower in post-communist countries than in other European countries (see below). In addition, previous studies have confirmed that there is strong public support for welfare state intervention and redistribution policies in the post-communist countries because of the deeply-rooted egalitarian values among the population stemming from the 'communist legacy' [Andreß and Heien 2001; Lipsmeyer and Nordstrom 2003; Dallinger 2010]. Furthermore, as the 'compensation/government protection hypothesis' predicts, the experience of economic hardship during transition to a market economy increases support for welfare policies [e.g. Vis et al. 2011]. Given that post-communist countries experienced hardship during the transition to a market economy, the legitimacy of market reforms may weaken over time. Orenstein [2009] argues that neoliberal economic reforms have produced mixed results: rapid economic transformation at the beginning of the transition and increased vulnerability to global economic crisis and capital flows later have led to increases in unemployment, poverty, and mortality and a decline in fertility (depending on the country). According to the 'Life in Transition' survey conducted in 2006 by the EBRD, most people in these countries reported in 2006 that they were economically better off under communism.

This paper analyses how public support for market economy principles developed during the 1999–2008 period in the post-communist countries compared to other European countries. This question concerns the legitimacy and political sustainability of previous and ongoing economic reforms. One might expect that attitudes to market principles would diverge between post-communist countries and the rest of Europe given their different starting points, the communist legacy, and the different societal, economic and political conditions at the beginning of the 1990s. With this in mind, we investigate whether the communist legacy has been fading in the public mind over time in the post-communist countries. In particular, the unique experience the public gained during the transition period may become more important than the communist legacy. The question of the convergence/divergence between the post-communist countries and other European countries is interesting given that the impact of the communist legacy combined with the unique experience of radical and rapid market transformation in post-communist countries has not yet been studied much.

Our study contributes to the discourse on attitudes towards economic reforms, as we focus on the 1999–2008/9 period to compare attitudes during the transition period with attitudes in the post-transition period and examine how the legitimacy of market reforms is changing.

Theoretical assumptions

In this section, we first discuss the market reforms that have occurred in post-communist countries since 1989 in order to provide the empirical and theoretical background for our study. We then discuss what previous studies have concluded about attitudes to market reforms in both post-communist countries and other countries.

Market reforms in post-communist countries

Economic and structural reforms in post-communist countries helped to establish the principles of markets, competition, and open trade in the public discourse. The open, market-based economy promotes individual initiative and self-interest [compare, e.g., Barr 1994; Fischer and Gelb 1991; Kórnai 1997; Offe 1996; Švejnar

2002].[1] The market reforms were accompanied by measures to stabilise the economy, such as wage and inflation controls and public deficit alleviation. Social protection measures were introduced to alleviate the negative social consequences of the transition to a market economy, to enhance social cohesion, and to prevent the public's resistance to the market reforms that were adopted [e.g. Bohle and Greskovits 2007; Offe 1996; Orenstein 2001; Roland 2002; Vanhuysse 2006].

Specific features of the market reforms in post-communist countries may have influenced the public's attitudes to and support for the reforms. Some authors who study market reforms in post-communist countries claim that neoliberalism (in the Baltic countries), or 'embedded neoliberalism' (in the Visegrad countries of the Czech Republic, Hungary, Poland, and Slovakia), has dominated policy-making and that social protection has become subordinated to the objective of competitiveness [e.g. Bohle and Greskovits 2007; Van Apeldoorn 2002]. Scholars have also noted that privatisation policies in post-communist countries were not accompanied by the development of the appropriate institutions for regulating the markets. The ineffective functioning of the legal systems of these countries, the weak standards of fiscal discipline, and high levels of corruption have provided evidence of this [e.g. Williams and Balaz 1999; Estrin 1994, 2008]. Consequently, strategic decisions regarding privatisation were largely determined by the political and social interests of the elite, as they used their privileged access to political power to accumulate wealth. Indeed, privatisation methods were quite innovative given the small stock of domestic private savings [Estrin 2008], but they often led to serious problems due to the lack of regulation. For example, the voucher privatisation scheme in the Czech Republic led to fraud and the outright theft of assets by fund managers in a process referred to as 'tunnelling' [Estrin 2008]. Moreover, before any formal privatisation took place in post-communist countries, members of the ruling communist nomenklatura engaged in 'spontaneous privatisation' through the blatant theft of state assets. Desai and Olofsgard [2006] argue that, despite the positive effects of market reforms, citizens in post-communist countries blamed market reforms for endemic corruption [e.g. Kaufmann and Siegelbaum 1996], political deadlock, and the increased vulnerability of many segments of the population to economic deprivation.

In addition, the poor institutional environment (e.g. poorly-designed tax laws and deficiencies in the institutional capacity of the state to collect taxes) led to problems such as large-scale tax evasion and an extensive shadow economy [e.g. Berend and Bugaric 2015; Hugh and Sporri 2007; Offe 1996; Torgler 2003]. Several scholars consider the interaction between the state's institutional capacity and tax evasion to be a vicious circle: trust in government, satisfaction with public servants, and a positive evaluation of the political system correlate strongly with high tax morale, whereas corruption hurts tax morale [Easter 2002; Torgler 2003, 2005].

[1] We refer here only to the basic principles of a market economy.

Although politicians and policy-makers in post-communist countries were strongly influenced by the neoliberal discourse that became hegemonic during the transition to a market economy, with respect to social policies they were generally much more cautious and pragmatic. First, politicians mitigated the negative social impacts of the transition to a market economy by creating and implementing social safety nets, unemployment protection, and some active labour market policies—job mediation/counselling, vocational training, and targeted job subsidies. Second, some countries followed a 'divide and pacify' strategy [Vanhuysse 2006], which divided weaker social groups so as to hinder their ability to unite around their interests and protest against market reforms. Third, in policy areas with longer social policy traditions, such as family policy or health care, post-communist countries were bound by higher degrees of path dependency as there were greater entrenched interests and stronger policy legacies [Saxonberg et al. 2013].

Attitudes to market reforms in the West and East

Studies of attitudes to market reforms implemented since the 1980s in Western Europe, the US, and Latin America have yielded ambiguous results. For example, studies show that, in the United Kingdom, the population was generally favourable in its view of market reforms, but they also displayed a tendency to hold the government responsible for economic circumstances [Studlar et al. 1990]. Similarly, Thompson and Elling's [2000] study of the US finds that although the public took a generally positive view of privatisation, most respondents still wanted the public sector to deliver the majority of individual services. This was especially true for services with a history of public provision or where regulation was a part of the governmental function. In the case of France, Durant and Legge [2002] confirm the findings of previous studies on the UK and the US that the privatisation of public services is driven by the elite rather than mass/median voters. Battaglio [2009] compares several countries with developed market economies and finds that respondents are generally apprehensive about privatising certain sectors, such as electricity and hospitals (due to fears of rate increases and delays), but respondents in countries with systems based on common law are favourable towards privatising the banking sector, while those living in countries based on civil law oppose it.

The Latin American population is even more in favour of revising market reforms. Panizza and Yañez [2005] explain the increasing discontent with market reforms as resulting from the low level of trust in political actors, the deterioration of the economic situation, the change in the political orientation of the population, and the increase in political activism. In particular, corruption accompanying the privatisation process and increasing income inequalities are responsible for the sense of dissatisfaction that exists among the majority of the public in Latin American countries [e.g. Checchi et al. 2006; Davis and Coleman 2001].

Some studies compare developed market economy countries to transition economies (i.e. post-communist countries). In general, people in post-communist countries are more resistant to market reforms and more supportive of the need for government responsibility. Kluegel et al. [1999] show that although in 1991 people living in post-communist countries (except the former East Germany) held more negative opinions of their country's economic performance than those living in other European countries, they were equally or more strongly supportive of capitalist principles, while at the same time being more supportive of egalitarianism. Studies have also concluded that if the population perceives the existing economic order to be fair, it is much more likely to support market-based solutions. For example, Legge and Rainey [2003] find that there is much less support for the privatisation of banks, hospitals, and electricity in the Bundesländer[2] of the former East Germany than in the Bundesländer of the West. They identify three reasons for the difference in attitudes: (1) the negative experience with the market transformation in post-communist countries; (2) the socialisation effect (people in post-communist countries learned to rely on the government during the communist era); and (3) the relative absence of democratic values and the lack of confidence in the democratic process (political efficacy). Similarly, Battaglio and Legge [2009] compare attitudes towards privatising the electricity industry in ten developed market economies and seven post-communist countries. Their results show there is much less support for privatisation in post-communist countries because of the suffering that people experienced from the market reforms, the lower level of political efficacy, and the weaker confidence in the civil servants who implement the policies.

Scholars that focus closely on post-communist countries observe that public support for the reversal of market reforms is generally quite high, but attitudes also depend on an individual's characteristics. People who possess the relevant market skills for doing well in a market economy (e.g. entrepreneurs and those employed in high-skilled occupations) are more supportive of market reforms and privatisation [Denisova et al. 2009], as are those with greater human capital [Denisova et al. 2012; Kaltenhalter et al. 2006]. Conversely, Rovelli and Zaiceva [2013] report that support for market reforms is lower among women, the elderly, the less educated, the unemployed, and the poor. Furthermore, people who do not own private property, who suffered economic hardship during the reforms, and who work in the public sector are also less supportive of market reforms. In other words, as the *economic hypothesis* predicts, those who benefit most are the most supportive of reforms, while those who suffer most are the least supportive.

At the country level, economic factors also matter. Stronger economic growth and stability, decreasing inequality in income distribution, lower inflation rates, a larger private sector, a larger share of white-collar workers, and a larger share of university-educated people in the population all increase support for

[2] Bundesländer refers to the states of the Federal Republic of Germany.

market reforms. Conversely, economic instability, high income inequality, high inflation, a larger share of blue-collar workers, and a greater portion of the population in retirement all decrease support for reforms [Fidrmuc 2000; Golinelli and Rovelli 2013; Rovelli and Zaiceva 2013]. The effect of high unemployment may be expected to be similar. On the other hand, particularly at the beginning of the reforms, high unemployment may actually signal the need for more radical reforms and thus reinforce the support for them [Fidrmuc 1999].

In addition to self-interest, the legitimacy of the privatisation process also influences support for market reforms. For example, privatisation schemes that favour outsiders are perceived as being more legitimate than those that favour insiders, such as management and employees of formerly state-owned enterprises [Denisova et al. 2012]. Furthermore, the performance and quality of institutions (measured by the degree of the rule of law, control of corruption, and quality of democracy) also increase support for market reforms and privatisation [Golinelli and Rovelli 2013; Denisova et al. 2012; Rovelli and Zaiceva 2013]. Consequently, attitudes to market reforms are more positive if the population feel that the country's democratic institutions function well [Golinelli and Rovelli 2013; Denisova et al. 2012; Rovelli and Zaiceva 2013]. At the same time, paradoxically, support for redistribution also increases when the population perceives that the country's democratic institutions function well [Rovelli and Zaiceva 2013].

We may also expect that trust in state institutions matters [e.g. Rothstein 1998]. The public's specific experience with the institutions charged with protecting the economic order could affect support for market principles depending on the extent to which the population feels that the state is operating according to 'the rules of the game'. If people believe that the economic and social order is effectively protected, they might not be apprehensive about market reforms and thus may support them. On the other hand, people might favour market reforms if they believe that the state is weak and ineffective and therefore do not trust state institutions to implement policies that would protect them; thus, they look for alternative solutions (*the policy dissatisfaction hypothesis*; see Oskarsen [2007]). Given that post-communist countries suffer from a low level of trust in state institutions [Rose, Mishler and Haerpfner 1998; Rose 2001], this hypothesis predicts that people living in these countries will be more supportive of market principles and reforms. Furthermore, individual and institutional factors interact: where democratic institutions function poorly, not much difference exists in support for market reforms between people with more and less market skills, while differences increase when the quality of governance increases. This indicates that individual competences and the quality of governance are complementary in increasing support for market reforms [Denisova et al. 2009].

Meanwhile, studies conclude that people in post-communist countries are more positive towards redistributive policies [Dallinger 2010], welfare spending [Lipsmeyer and Nordstrom 2003], and 'governmental action' [Andreß and Heien 2001] than people in other European countries. Even though citizens in post-communist countries often voted for right-wing parties because they saw that as a way of preventing the communists from returning to power, they were still used to holding the state responsible for the welfare of the population. Thus, support for generous welfare policies has remained high in post-communist countries [Renwick and Tóka 1998; Saxonberg 2005, 2007].

Two main explanations account for the strong public support for state responsibility for social policies in post-communist countries. The first is the communist legacy: the communist regimes promoted relatively egalitarian policies, which established egalitarian values among the population, values that continued to be held after the collapse of these regimes [Andreß and Heien 2001]. Consequently, support for dismantling the welfare state can be expected to be low. However, this legacy is expected to decrease over time [Andreß and Heien 2001; Lipsmeyer and Nordstrom 2003], and people living in these countries may develop attitudes similar to those of people living in other European countries. The second explanation comes from the *compensation hypothesis*, which predicts that resistance to welfare cutbacks will increase because of the negative social impact of economic fluctuations or slow economic progress [Vis et al. 2011]. Dallinger [2010: 346] explains the comparatively high support for redistribution in post-communist countries thus: 'If wage fairness fails, equality is expected to be realised by the state. If the economy fails, citizens prefer a welfare state that steps in and cushions the negative effects of market processes.' This means that economic affluence and low unemployment should make the population less concerned about the risks ushered in by market reforms and thus increase its support for market principles, as people do not then feel vulnerable. Conversely, economic hardship is expected to make people more resistant to market principles and reforms.

In summary, these studies conclude that, despite support for general market principles and values, people living in post-communist countries tend to be more critical of specific market reforms, particularly those leading to cuts in the provision of public services and the elimination of the state regulatory role.

Hypotheses

Based on the theoretical discussion above, we raise the following hypotheses about the post-communist countries of Central and Eastern Europe:

H1 There is less support for market principles in post-communist countries owing to the *communist legacy* (combined with fears about the impact of the economic transformation), particularly regarding rolling back the protective role/responsibility of the state. However, over time this legacy fades as young generations have lower expectations towards the state.

H2 Support for some market principles (e.g. the principle of free competition) is greater in post-communist countries because of the failures experienced during the command economy. However, over time, support for these economic principles in post-communist countries converges at levels observed in other European countries, as people reflect on their own experience with the market economy.

We expect that support for market principles in post-communist countries is counterbalanced by the following factors:

H3 Support for market principles depends on specific national-economic contexts such as the GDP level and unemployment level. The more uncertainties or the harsher the conditions that people face, the less support there is for market principles/reforms in any area (*government protection hypothesis*). Similarly, the performance of state institutions and confidence in institutions matter. The greater the dissatisfaction with state institutions and policies (e.g. the justice system, the social security system), the greater the support is for market principles (*dissatisfaction hypothesis*). In addition, we hypothesise that people might reject market reforms because they are afraid of losing their economic affluence and standard of social protection (*foregone gains hypothesis*).

H4 Support for market principles is associated with the uncertainties people face when confronted with market reforms, depending on their labour-market and social status and the risks to which they are exposed. Thus, women, singles, people in prime age, less-educated persons, the unemployed, and low-income earners are less supportive of market principles.

Data and methods

The data come from the third and fourth waves of the European Value Survey [EVS 2015], covering 22 European countries (N = 50,485) for the years 1999/2000 and 2008/2009.[3] In the survey, we identify four indicators to measure support for market economy principles. These measurements correspond to the principles of the European Bank for Reconstruction and Development [EBRD 2018], which produces transition indicators measuring progress in privatisation, governance, state-owned enterprise restructuring (deregulation), and competition policy, among others.[4] Additionally, we include the principle of individual versus

[3] The survey fieldwork for the third wave was conducted during 1999 in all countries except Finland, where it was conducted in September 2000. The survey fieldwork for the fourth wave was mostly carried out during 2008, but Belgium, Finland, Iceland, Italy, Sweden, and the United Kingdom were conducted in the second half of 2009.
[4] Other EBRD transition indicators like price liberalisation and the liberalisation of trade and foreign exchange system are more instrumental relative to the basic/general principles of a market economy.

Table 1. Definitions of the dependent variables

Variable name	Value	Description
Competition	10	Competition is good. It stimulates people to work hard and develop new ideas
	1	Competition is harmful, it brings out the worst in people
Responsibility	10	Individuals should take more responsibility for providing for themselves
	1	The state should take more responsibility to ensure that everyone is provided
Private ownership	1	Government ownership of business and industry should be increased
	10	Private ownership of business and industry should be increased
Firm freedom	1	The state should control firms more effectively
	10	The state should give more freedom to firms

Source: EVS [2015].

state responsibility, which is used in the literature to measure attitudes towards the protective role of the state in general [e.g. Blekesaune 2007; Miller, Hesli and Reisinger 1994].

The wording of the survey questions used in the analysis is provided in Table 1.[5] All items are coded from 1 to 10 such that higher values always indicate more support for market principles:

1) 'Competition is good. It stimulates people to work hard and develop new ideas' (the free competition principle);
2) 'The state should give more freedom to firms' (the deregulation principle);
3) 'Individuals should take more responsibility for providing for themselves' (the individual initiative/responsibility principle);
4) 'Private ownership of business and industry should be increased' (the private ownership principle).[6]

Since the four variables did not give a reliable score for 22 countries (Cronbach's alfa is only 0.63), we analyse these items separately.

[5] The World Values Survey also includes several suitable variables. However, in the recent wave of 2012, which would enable us to study the impact of the financial crisis, only seven European countries participated. EVS 2017 data is expected to be available by the end of 2019.

[6] This question was asked only in 9 of the 22 countries in the year 1999.

The data allow us to study the dynamics of support for market principles in post-communist countries compared to other European countries. The pooled sample includes 9 countries with a communist past: Bulgaria (BG), Czech Republic (CZ), Estonia (EE), Hungary (HU), Latvia (LV), Lithuania (LT), Poland (PL), Slovenia (SI), Slovakia (SK), and 13 countries without a communist past: Belgium (BE), Germany (DE), Denmark (DK), Spain (ES), Finland (FI), France (FR), United Kingdom (GB), Ireland (IE), Iceland (IS), Italy (IT), Netherlands (NL), Portugal (PT), and Sweden (SE).

The measures of individual-level control variables are: age, gender, education, marital status, household income, and employment status. To identify differences in the support for market principles by age, we divide age into four categories representing cohorts. The first age category includes persons younger than 16 as of 1990, which means ages 16–25 in 1999 and 26–35 in 2008. The second age category identifies persons aged 16–25 in 1990, which means ages 26–35 in 1999 and 36–45 in 2008. The third age category includes persons aged 26–50 in 1990, which means ages 36–60 in 1999 and 46–70 in 2008. The fourth age category includes persons older than 51 in 1990, which means older than 61 in 1999 and older than 71 in 2008. We expect that persons who lived longer under communism will have the weakest support for market principles. Conversely, younger cohorts in post-communist countries, who are not influenced by the communist legacy, are expected to have stronger support for market principles than their counterparts in other European countries. In accord with Hypotheses 1 and 2, we expect the differences in the age cohort in post-communist countries to become narrower in the second period.

Furthermore, we include two variables at the individual level from the EVS indicating the quality of the government/state: confidence in the social security system and confidence in the justice system. Both variables are coded from 1 to 4, with the higher value indicating more confidence.

Table 2. Country-level characteristics: post-communist countries vs other Europe

	GDP		Unempl. rate		Corruption Index	
	mean	sd	mean	sd	mean	sd
1999						
post-communist	8.3	0.5	12.1	3.6	55.4	8.9
other Europe	10.1	0.2	8.0	2.8	25.5	17.3
2008						
post-communist	9.3	0.3	6.4	1.6	48.1	9.0
other Europe	10.4	0.2	6.5	2.1	23.6	13.1

Source: Eurostat [2017a, b], Transparency International.

We use country-level variables obtained from Eurostat [2017a, b] to analyse the impact of economic performance (GDP per capita, unemployment rate). The Corruption Index is available online at www.transparency.org/cpi. We revert the scale so that 100 identifies a highly corrupt and 0 a very uncorrupt country. Table 2 shows the mean values of country-level variables in two periods. The observed patterns confirm a high degree of convergence between post-communist countries and other European countries, although the gap in GDP and corruption remains visible, while the average unemployment rates have completely converged in the second period.

The household income variable in the EVS is a categorical variable that ensures comparability across countries. Income is measured on a three-point scale: low, middle, and high. However, 18% of the cases are missing. To avoid biased estimates, we opted for the multiple imputations approach, which creates multiple imputed datasets, taking into account the clustered structure of the data [Raghunathan et al. 2001].[7] The weight in the EVS is constructed for all national datasets on the basis of gender and age categories. We apply weight in the analyses to correct for the limitation that not all individuals from the population were given equal chances to participate in the survey.

Findings

In this section, we first analyse the aggregate results and then present the results of our multi-level regressions.

Development of support for market economy principles during 1999–2008 in Europe

First, we examine the mean scores for the support for market principles in post-communist countries and other Europe in two periods. Table 3 shows the country means for all three variables along with minimum and maximum values. Interestingly, the support for market principles is the highest for the competition variable and the lowest for firm freedom. In 1999, most of the post-communist countries were among the leaders in support for free competition, but the gap narrows in the second period. Figure 1 illustrates that, relative to other variables, the mean scores for competition remain very robust, i.e. the position of countries remains close to the 45 degree line indicating little change over time. Support for competition is the lowest in the countries of Western Europe (i.e. Belgium, France, Netherlands) and Southern Europe (i.e. Italy, Portugal, Spain).

Support for firm freedom has the lowest mean scores of the three variables. This variable also shows the largest gap between post-communist countries and

[7] We used Stata 13 to perform the imputation and the estimation of the main model.

other European countries ('other Europe'), with respondents living in other Europe being much more supportive. However, this variable also shows the greatest convergence over time. Figure 1 illustrates the diverse trajectories in the support for firm freedom. The scores have increased in many post-communist countries but have decreased in most other European countries over time. However, the lowest mean scores remain in the post-communist countries (i.e. support remains below 5 in Hungary, Latvia, and Slovakia).

Support for individual responsibility instead of government responsibility has increased considerably in the post-communist countries from 5.2 to 5.9. Figure 1 shows that support for individual responsibility remains extremely low in Spain and Italy.

Support for private ownership instead of state ownership is considerably lower in post-communist countries, but the difference decreased slightly between 1999 and 2008, when support decreased more in the other European countries than in the post-communist countries.[8]

Notably, attitudes between the post-communist countries and other Europe are converging on all four questions. Nevertheless, support for most economic principles (i.e. individual responsibility, private ownership, and deregulation/freedom for firms) remains lower in the post-communist countries than in other Europe.

The results are compatible with our Hypotheses 1 and 2 about post-communist countries having different attitudes towards market principles. There is more support in the post-communist countries for it being the state's responsibility to provide for people than there is in other Europe, but at the same time there is also considerably more support for market competition. The differences can be attributed to the *communist legacy*, but over time post-communist countries have been converging with other Europe, where support for market principles has remained relatively stable. The results for the firm freedom (vs state control) variable and the support for private ownership variable are surprising: in 1999 there was much lower support for market principles in the post-communist countries. A possible explanation for the low support for these principles may be the public's experience with the weakly-controlled and non-transparent privatisation schemes and widespread tax evasion during the 1990s, which made people more supportive of state control (*the government protection hypothesis*). However, over time post-communist countries have converged towards other Europe, as support for firm freedom and private ownership has increased, while in advanced economies fears resulting from the financial crisis—already felt at the time of the 2008/9 EVS survey—have spurred public support both for greater state control over firms and for state ownership.

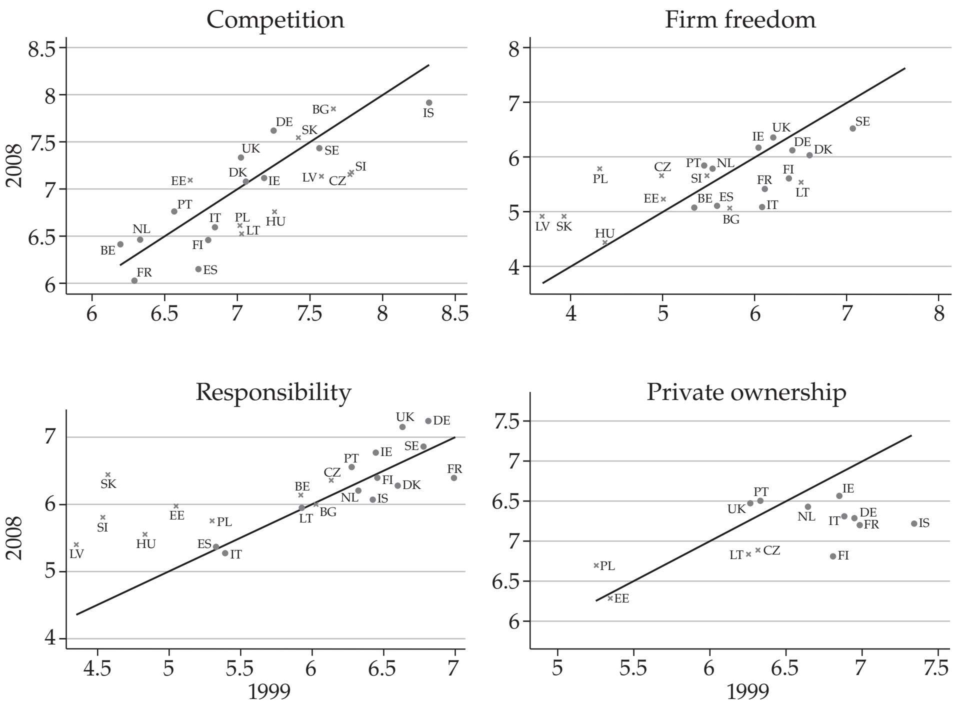
[8] This question was not asked in nine countries (four of which were post-communist countries) and therefore the results for 1999 must be viewed with caution.

Table 3. Support for market economy principles (1–10 scale)

	Competition			Firm freedom			Responsibility			Private ownership		
	mean	min	max	mean	min	max	mean	min	max	mean	min	max
1999												
post-communist	7.3	6.7	7.8	4.9	3.7	6.5	5.2	4.4	6.1	5.8	5.3	6.3
other Europe	6.9	6.2	8.3	6.2	5.3	7.6	6.3	5.3	7.0	6.8	6.3	7.3
2008												
post-communist	7.1	6.6	7.8	5.2	4.4	5.8	5.9	5.4	6.4	5.6	4.8	6.3
other Europe	6.9	6.0	7.9	5.8	5.1	6.5	6.4	5.3	7.2	6.3	5.5	6.8

Note: See Table 1 for the definitions of the variables. Design weights are applied.

Figure 1. Country averages of support for market economy principles



Note: Scores marked with a cross and dot indicate post-communist countries and other Europe, respectively.

Multilevel regressions: The factors/drivers of support for market principles

We used multilevel regression models to study the level of support for market principles in post-communist countries and other Europe. The models were estimated separately in two periods to allow for a comparison of predictors between 1999 and 2008. We added interaction terms for all explanatory variables with post-communist countries to test if correlations are statistically different from other Europe. Adding the interaction terms to the model changes the interpretation of the coefficients. The direct effects relate to the countries in other Europe. The effect of the variable in post-communist countries is given by the sum of the direct effect and the interaction effect. We discuss the overall significance of the effect below.

Table 4. Estimates from the pooled sample—first part

	Competition		Firm freedom		Responsibility		Private ownership	
	1999	2008	1999	2008	1999	2008	1999	2008
Female	–0.29***	–0.30***	–0.20***	–0.14***	–0.17***	–0.25***	–0.30***	–0.26***
	(0.04)	(0.04)	(0.05)	(0.04)	(0.05)	(0.04)	(0.05)	(0.04)
Single	–0.15**	–0.01	0.01	–0.01	–0.07	–0.03	–0.1	–0.05
	(0.06)	(0.05)	(0.07)	(0.06)	(0.07)	(0.06)	(0.07)	(0.05)
Edu – middle	0.20***	0.14***	0.24***	0.17***	0.19***	0.36***	0.22***	0.03
	(0.05)	(0.05)	(0.06)	(0.05)	(0.06)	(0.06)	(0.06)	(0.05)
Edu – high	0.10*	0.09*	0.21***	0.09*	0.15**	0.32***	0.22***	–0.05
	(0.06)	(0.05)	(0.06)	(0.06)	(0.06)	(0.06)	(0.07)	(0.05)
Age 0–15 in 1990	0.21***	0.23***	–0.03	0.13**	–0.01	–0.13**	–0.04	–0.01
	(0.08)	(0.05)	(0.09)	(0.06)	(0.09)	(0.06)	(0.10)	(0.05)
Age 16–25 in 1990	0.16**	0.10*	0.15**	0.04	0.13**	–0.08	0.04	–0.01
	(0.06)	(0.05)	(0.06)	(0.06)	(0.06)	(0.06)	(0.07)	(0.05)
Age 50+ in 1990	0.43***	0.40***	0.28***	0.1	0.50***	0.20**	0.32***	0.16**
	(0.07)	(0.07)	(0.07)	(0.08)	(0.07)	(0.08)	(0.07)	(0.07)
Employed	0.19***	–0.01	0.27***	0.15***	0.21***	0.09*	0.09	0.11***
	(0.05)	(0.05)	(0.06)	(0.05)	(0.06)	(0.05)	(0.06)	(0.04)
Income – middle	0.07	0.12**	0.09	0.10*	0.21***	0.24***	0.11	0.17***
	(0.06)	(0.05)	(0.06)	(0.06)	(0.06)	(0.06)	(0.07)	(0.05)
IIncome – high	0.23***	0.41***	0.38***	0.50***	0.45***	0.52***	0.36***	0.47***
	(0.06)	(0.06)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.05)
Confidence in Justice	–0.12***	–0.10***	–0.21***	–0.16***	0	–0.08***	–0.04	–0.05
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.04)	(0.03)
Conf. in Soc. Sec. Sys.	0.20***	0.15***	0.21***	0.15***	0.05	0.04	0.03	0
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)

Table 4. Estimates from the pooled sample—second part

	Competition		Firm freedom		Responsibility		Private ownership	
	1999	2008	1999	2008	1999	2008	1999	2008
GDP log	0.27**	–0.82***	0.90***	–0.74***	0.46***	–0.89***	0.82***	–0.06
	(0.14)	(0.14)	(0.14)	(0.16)	(0.15)	(0.16)	(0.16)	(0.14)
Unempl. rate %	–0.02	–0.10***	0.03***	–0.05***	–0.01	0	0.01	–0.13***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Corruption index /100	–1.07***	–1.61***	–1.46***	–2.36***	–1.50***	–3.07***	0.50**	0.78***
	(0.16)	(0.24)	(0.17)	(0.26)	(0.17)	(0.26)	(0.21)	(0.23)
Constant	4.11***	16.00***	–3.19**	13.97***	1.63	16.01***	–1.81	7.57***
	(1.42)	(1.51)	(1.44)	(1.72)	(1.52)	(1.72)	(1.68)	(1.49)
Interaction terms for post–communist countries								
Female	0.08	0.02	–0.08	–0.06	0.08	–0.04	–0.14	–0.04
	(0.07)	(0.06)	(0.08)	(0.07)	(0.08)	(0.07)	(0.10)	(0.06)
Single	0.27**	0.05	0.29**	0.06	0.16	0.19**	0.26*	0.18**
	(0.11)	(0.08)	(0.13)	(0.09)	(0.13)	(0.09)	(0.16)	(0.08)
Edu – middle	0.20**	0.22***	0.26***	0.25***	0.1	0.08	0.2	0.24***
	(0.09)	(0.08)	(0.10)	(0.09)	(0.10)	(0.09)	(0.12)	(0.08)
Edu – high	0.57***	0.39***	0.90***	0.74***	0.62***	0.51***	0.85***	0.71***
	(0.10)	(0.09)	(0.12)	(0.10)	(0.11)	(0.10)	(0.14)	(0.09)
Age 0–15 in 1990	–0.1	–0.20**	0.28*	0.24**	0.17	0.17*	0.49**	0.38***
	(0.14)	(0.08)	(0.16)	(0.09)	(0.16)	(0.09)	(0.20)	(0.08)
Age 16–25 in 1990	0.03	–0.13	0.27**	0.12	–0.02	0.04	0.63***	0.26***
	(0.10)	(0.08)	(0.12)	(0.09)	(0.11)	(0.09)	(0.14)	(0.08)
Age 50+ in 1990	–0.36***	–0.44***	–0.39***	–0.27**	–0.29**	–0.18	–0.2	–0.32***
	(0.11)	(0.11)	(0.12)	(0.12)	(0.12)	(0.13)	(0.16)	(0.12)

Table 4. Estimates from the pooled sample—third part

	Competition		Firm freedom		Responsibility		Private ownership	
	1999	2008	1999	2008	1999	2008	1999	2008
Employed	–0.09	–0.01	–0.26**	–0.04	0.12	–0.03	0.06	–0.06
	(0.09)	(0.07)	(0.10)	(0.08)	(0.10)	(0.08)	(0.13)	(0.07)
Income – middle	–0.08	–0.03	0.07	0.14	0.19*	0.05	0.05	0.08
	(0.10)	(0.08)	(0.11)	(0.09)	(0.11)	(0.10)	(0.14)	(0.09)
Income – high	–0.03	–0.06	0.23*	0.07	0.23**	0.06	0.05	–0.01
	(0.10)	(0.09)	(0.12)	(0.11)	(0.12)	(0.10)	(0.16)	(0.09)
Confidence in Justice	0.17***	0.21***	0.24***	0.07	0.07	0.17***	0.22***	0.02
	(0.05)	(0.04)	(0.06)	(0.05)	(0.06)	(0.05)	(0.08)	(0.04)
Conf. in Soc. Sec. Sys.	–0.19***	–0.17***	–0.21***	0.17***	–0.09	0.07	–0.01	0.14***
	(0.05)	(0.04)	(0.06)	(0.05)	(0.05)	(0.05)	(0.07)	(0.04)
GDP log	0.08	0.15	–1.62***	1.19***	–1.03***	1.16***	–4.50***	0.81***
	(0.18)	(0.18)	(0.19)	(0.21)	(0.19)	(0.20)	(0.80)	(0.18)
Unempl. rate %	–0.07***	0.08***	–0.09***	–0.13***	–0.11***	–0.05**	–0.50***	–0.01
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.07)	(0.02)
Corruption index /100	5.26***	0.09	–1.73***	3.79***	3.96***	4.22***	–1.44	1.31***
	(0.50)	(0.49)	(0.58)	(0.54)	(0.54)	(0.55)	(1.08)	(0.50)
CEE dummy	–1.43	–2.34	15.76***	–13.73***	7.62***	–13.93***	43.77***	–9.97***
	(1.85)	(1.93)	(2.00)	(2.22)	(2.03)	(2.19)	(7.98)	(1.97)
N	23125	27360	23125	27360	23125	27360	13812	26453

Source: EVS [2015], Eurostat [2017a,b], authors' calculations.
Note: Observations weighted by design weights. Heteroskedastic-consistent standard errors are presented next to coefficients.
$*p = 0.1$; $**p = 0.05$; $***p = 0.01$.

Individual-level variables

Estimates for the individual-level variables confirm Hypothesis 4 concerning economic self-interest. People who are less exposed to the potential risks emerging from reforms based on market principles are more supportive of market principles than others. In contrast, women, people in prime working age, the less-educated, the unemployed, and those with lower incomes—and, in some respects, singles—all support market principles less than others. In post-communist countries, singles and better educated individuals show consistently more support for market principles, though the differences become milder in the second period. In 1999, affluent individuals in post-communist countries were more supportive of private ownership, firm freedom, and individual responsibility than were their peers in other Europe. However, this gap disappeared in the second period, except for support for private ownership, where the gap remained. The age cohort dummy confirms that older generations who spent their lives under communism are substantially less supportive of market principles. In other Europe, by contrast, the older generations are more supportive of market principles than the younger age cohorts. The youngest cohorts in the post-communist countries show more support for private ownership, firm freedom, and individual responsibility, but less support for competition as they are less influenced by the legacy of communism. As the communist legacy hypothesis predicts, in the post-communist countries market principles are more embedded in the younger generations, which are less influenced by the communist legacy.

Country-level variables

The economic context is a significant predictor of support for market principles. The GDP level showed a positive correlation in other Europe in 1999, which confirms the *protection hypothesis* that economic affluence decreases people's fears about the negative impacts of market reforms. However, the correlation became negative in 2008 and insignificant in the case of support for private ownership. We assume that on the eve of the global financial crisis, people in richer countries may have been more concerned about a considerable loss in the value of their assets and about a decline in their living standard than people in less affluent countries and, consequently, they became less supportive of market principles (*the foregone assets hypothesis*). In the post-communist countries, by contrast, the correlation changed from negative to positive: at the end of the 1990s, hopes for more economic affluence combined with the prevalent neoliberal public discourse triggered support for market principles among those living in these countries. However, in 2008 the actual level of affluence achieved mattered, as those living in post-communist countries perceived wealth to provide protection against the consequences of market reforms. Thus, by 2008 attitudes in the post-communist countries had become similar to those in other European countries (*the government protection hypothesis*). In 1999, the unemployment level was insignificant for or positively correlated with support for market reforms in the sample of all countries, but not amongst post-communist countries, where it correlated negatively with this support. In 2008, however, it became negative and a significant predictor of support for the market principles of competition and firm freedom, as Hypothesis 3 predicts: With the coming financial crisis, people in other European countries, where unemployment was higher, were less supportive of market principles as they felt more vulnerable (*the government protection hypothesis*). The exception is support for private ownership, which remained strong despite the high unemployment rates. In the post-communist countries, this relationship was even stronger and led to a significant and negative correlation between support for market principles and unemployment in both periods, except in the case of support for private ownership, which became insignificant in 2008. In other words, except for the issue of private ownership, the higher the unemployment rate is, the weaker the support for market principles. This also confirms the relevance of the *government protection hypothesis*.

The level of corruption has a *negative* association with support for market principles for both periods in other Europe. This means that the *government protection hypothesis* (Hypothesis 3) holds: When corruption is low, people trust the state to be able to ensure the functioning of the economic and social order, and they are not afraid to support market reforms. When there is a high level of corruption, however, people fear the impact of implementing market principles and prefer to have the state protect the economic and social order. Support for private ownership is an exception, as it is positively correlated with the corruption index. People probably believe that private ownership provides less opportunity for public servants to engage in corruption. In post-communist countries, by contrast, the correlation with the corruption level is significant and *positive* for supporting market principles, except when it comes to support for firm freedom and for private ownership in 1999 and support for competition in 2008. This indicates that the *policy dissatisfaction hypothesis* is more relevant in post-communist countries: people are more supportive of market principles when corruption is high, as they probably do not trust the state's ability to guarantee the economic and social order.

Confidence in the social security system is a significant and negatively correlated predictor of support for market principles in the non-post-communist countries for both periods except for support for private ownership which is an insignificant predictor. This means that if people trust the social security system to protect them effectively, they are less supportive of market reforms because they are afraid of losing the protection provided by the system (*the foregone gains hypothesis*). In post-communist countries, by contrast, the sum of the direct effect and the interaction effect for the social security system was not significant in 1999 (except for support for the case of individual responsibility). The effect was positive and significant in 2008 for the competition and individual responsibility variables and thus the *government protection hypothesis* is more relevant for those living in post-communist countries: People support market principles when they feel protected against the negative consequences of the reforms.

Confidence in the justice system is a significant, positive predictor of support for the market principles of competition and firm freedom but is insignificant in the case of state responsibility and private ownership. This means that if people in countries without a communist past feel that the economic and social order is ensured effectively by the justice system, they tend to support market principles more. If they perceive the justice system to be ineffective and do not trust it, they are less likely to accept some market principles: competition and firm freedom. Interestingly, in post-communist countries, the correlation for 1999 is zero (i.e. the sum of the direct effect and the interaction effect is statistically not different from zero). This means that public support for market principles is not related to confidence in the justice system. However, in 2008 there is a positive correlation of trust in the justice system and support for firm freedom, private ownership, and state responsibility, but the correlation is insignificant between trust in the justice system and support for free market competition. These results provide further support for a convergence between post-communist countries and other Europe.

Conclusion

In this paper, we show the diminishing effects of the communist legacy in the support for market principles and reforms. In 1999, a decade after the fall of the Iron Curtain, support for individual responsibility was lower in the post-communist countries than in other European countries, as residents were more positive about the idea that the state should take care of them. Similarly, support for firm freedom and private ownership was also lower in countries with a communist past, although we argue this is not because of the communist legacy, but rather because of people's experience during the transition period, such as uncontrolled privatisation, which was linked to widespread corruption. However, people living in post-communist countries are more supportive of free competition than their peers in other European countries, since this principle, as they see it, sharply contrasts with the poorly performing command economy. As predicted by the communist legacy hypothesis, in the post-communist countries support for market principles has converged to the levels in other European countries. This means that support for free competition has declined and support for individual responsibility and firm freedom has increased, although it remains at lower levels relative to other European countries. Support for private ownership decreased less than in the other European countries.

The individual-level variables explain the uncertainties and risks that people may face when confronted with market reforms (depending on their labour market and social status). We find less support for market principles among women, singles, people in their prime age, the less-educated, the unemployed, and people with low income. These differences are more pronounced in the post-communist countries. Further, the *age cohort effect* is significant in post-communist countries as young generations are more supportive of market principles than people who lived longer periods of their lives under communist rule.

Support for market principles further depends on the economic, societal, political, and institutional features of their country-specific contexts. Thus, one must be cautious in interpreting these results, as the interplay of the country-level variables seems to be complex. First, as the *government protection hypothesis* predicts, support for market reforms is greater when people feel more protected against the negative consequences of market reforms. Second, there is a positive correlation between trust in institutions and support for market principles. Third, according to the *foregone assets hypothesis*, the fear of losing assets due to market reforms is higher when a country has a higher level of economic affluence and when social protection is better. Under these circumstances, people are less supportive of market reforms, particularly in times when they foresee an imminent economic recession.

Our findings indicate that in post-communist countries (1) the communist legacy matters (support for market principles is accompanied by greater support for state responsibility to provide for people), but this legacy is losing strength; (2) the experience of corruption and poorly-regulated privatisation during the transformation period makes people reluctant to adopt market principles; (3) the effects of the country-level variables are mostly consistent with the *government protection hypothesis*,[9] except for the *policy dissatisfaction* effect associated with perceptions of high corruption. This means that if people believe they are protected by the social security system or they feel more affluent, then support for market principles is greater. In other European countries, support for market principles is lower when corruption levels are higher, except support for private ownership, which increases with the corruption index; people are probably afraid that public officials may abuse public ownership. Support for market principles is also lower when there is less trust in the social security system. In other words, if levels of corruption are low and levels of trust in the social security system high, then people residing in other European countries are more likely to support most of the market reforms because they assume the reforms will be implemented in a proper and ethical manner that does not favour certain groups. In addition, they trust the social security system to be able to compensate them if their socio-economic situation deteriorates due to the reforms.

In this respect, we find that both the *legacy of communism* and the *economic hardship of the transition* play a role in making people more sensitive to economic risk, and thus decrease support for market reforms and increase demand for gov-

[9] In other words, people want more state responsibility when they feel less affluent and poorly protected against economic risks.

ernment protection. However, as the communist legacy hypothesis predicts, the differences between post-communist countries and other European countries are diminishing. The fifth wave of the EVS from 2017, when released, will enable us to examine if this trend continues and to study the economic hardship and other negative societal consequences brought about by the crisis.

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