Public Support for the Market: 
The Rescue Hypothesis in Cross-National Perspective

ABSTRACT

The rescue hypothesis holds that support for market-oriented economic reforms in countries historically characterized by state capitalism and by command economics will be highest when hyperinflation motivates a desire for market orthodoxy. To date, this hypothesis has not been tested in terms of its relevance for understanding individual people’s attitudes toward the market. In this paper, I consider the possibility that high unemployment can also trigger the rescue scenario and that the most severe crises combine hyperinflation and high unemployment. Analysis of the 1995-97 wave of the World Values Survey finds support for all three variants of the rescue hypothesis in eight Latin American countries but confirms only the unemployment-related dimensions in a larger group of twenty-two developing countries.

Charles H. Blake
Associate Professor of Political Science
MSC 1101
James Madison University
Harrisonburg, VA 22807
Phone: (540) 568-6344
Fax: (540) 568-8021
E-mail: blakech@jmu.edu

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In a recent body of research, Kurt Weyland has become the primary proponent of the “rescue hypothesis” of support for market-oriented reform. Building on psychological studies in prospect theory and risk acceptance, Weyland departs from the premise that market-oriented reforms will impose visible losses on large segments of the population (1996). He then asks how it could be that many market-oriented reformers can build support for their agenda before the promised economic outcomes even have a chance to arrive? Weyland writes, “Draconian adjustment may elicit strong support only if it holds out the hope of ending a deep crisis that has hurt most people and that threatens them with further deterioration…. Thus, neoliberal programs should find much higher support in countries suffering from deep crises, such as hyperinflation, than in nations with better economic prospects” (1998: 544).

In an initial empirical examination of this theory (1998), Weyland confirmed this hypothesis in an aggregate-level, comparative case study of mass support for economic reform in four countries in visible crises (Argentina, Bolivia, Brazil, and Peru) and two countries with less clearly out-of-control economies at the time of the decision to pursue market-oriented reform (Mexico and Venezuela). A subsequent comparative case study extended elements of the argument to encompass Latin America and Eastern Europe (1999). More recently, Weyland confirmed the relevance of this hypothesis in a longer comparative case study of economic policy making in Argentina, Brazil, Peru, and Venezuela during the 1980s and 1990s and briefly extended the argument to cases around the globe (2002: 257-280).

One of the most interesting aspects of the rescue hypothesis is the notion that it provides a theoretical microfoundation for a shift to market-oriented economic policies at the close of the twentieth century. This dynamic of risk acceptance amid crisis is said to hold true for both leaders and mass publics. Weyland asserts, “Relying on a well-corroborated psychological finding, this explanation operates at the individual level. It thus constitutes a microfoundation, as demanded by rational-choice theorists. But it breaks the monopolistic claim that only rational-choice arguments qualify as microfoundations” (2002: 256).

Despite the clarity of this microtheoretical argument, the rescue hypothesis has not yet been studied empirically at the individual unit of analysis. In this paper, I will examine the rescue hypothesis’s relevance in understanding public opinion toward market-oriented reform in developing economies during the 1990s. Working from the case study literature on economic reform and from studies of mass opinion on economic reform, I build a model of support for market-oriented economic policies. In the process, I argue that a full test of the rescue hypothesis should examine the possibility that hyperinflation is not the lone dimension of the crisis scenario. High unemployment rates may also motivate a similar desire to escape bad economic conditions via economic reform.

This model is then examined empirically at the individual level through the analysis of data from the 1995-1997 wave of the World Values Survey. Analysis of twenty-two countries in the WVS data finds support for the rescue hypothesis in the multidimensional conceptualization that I develop here. High unemployment is associated with greater support for market-oriented reform in Latin America and Eastern Europe alike. However, while hyperinflation is associated with support for the market in Latin America, it is associated with opposition to the market in
Eastern Europe. The concluding section considers the implications of these findings for future research and for policymakers.

Past Research on the Politics of Market-Oriented Reform in New Democracies

The conflictual nature of economic reform has been reaffirmed by case studies of contemporary reform efforts around the world (Åslund 2002; Bates & Krueger 1993; Haggard & Kaufman 1992; Haggard and Webb 1994; Jeffries 1996; Jenkins 2000; Layachi 1998; Nelson 1989; Niblock & Murphy 1993; Perkins & Roemer 1991; Shliefer & Treisman 2000; Williams 2001; Williamson 1994). Successful reformers have not been associated with any single strategy and/or set of contextual conditions, but all have faced vibrant opposition from several sectors of society. Some recommend that reformers build a coalition for reform by using the media (Naim 1993) or by targeting compensation to key losers (Bruhn 1996; Haggard & Webb 1992; Roberts 1995). As noted earlier, Weyland has put forward the “rescue hypothesis” that societal support for market-oriented policies is more likely to emerge in countries experiencing serious economic crisis.

Others counter that reformers should press ahead with or without a visible societal consensus (Sachs 1994), perhaps gaining election while hiding their true reform intentions (Przeworski 1991). If the reforms bring desirable results, they will build a consensus. If they do not, the previous market-oriented consensus – and the democracy itself – may not withstand the negative economic outcomes (Haggard & Kaufman 1995: 325-334).

Building a Model of Attitudes toward Market-Oriented Economic Policies

In this section, I advance a series of hypotheses regarding the dynamics of public support for market-oriented economic policies. Some of these build on the case study literature discussed in the prior section while others build on patterns identified in the study of mass opinion on economic policy. To date, the examination of public opinion regarding economic attitudes in Latin America has tended to focus on individual countries although there have been some recent efforts to explore the issues in groups of national opinion studies (Turner and Elordi 1995, Stokes 2001) and, rarer still, in pooled cross-national data sets (Seligson 1999).

Given the frequent recourse to reform by executive decree in Latin America and beyond, several studies of reform dynamics have examined the implications of a top-down reform model for the consolidation of both democracy and the market (Acuña & Smith 1994; Bresser Pereira, Maravall, & Przeworski 1993; Domínguez 1998; O’Donnell 1992; Smith 1993). These studies contend that top-down reform limits support for reform in two ways. First, it directly limits support by spending less time cultivating that support. Second, it can indirectly corrode support for reform by enacting reform through processes of questionable legitimacy and probity. Corruption concerns, in particular, can conceivably undermine support for the new measures. In the analysis that follows, we will examine the possibility that perceived corruption undermines support for market economics.

In turn, other studies of reform (Haggard & Kaufman 1995) counter that market-oriented reformers can build support for their agenda when those policies are associated with good economic outcomes in the minds of the citizenry. This notion finds further empirical support in several studies of mass opinion toward economic reform and toward reform-minded presidents in
studies of Mexico (Buendía 1996; Kaufman and Zuckerman 1998), Peru (Stokes 1996), and
Venezuela (Weyland 1998a). Here, we will examine both conjunctural and structural
macroeconomic conditions – economic growth rates and national wealth, respectively – to
analyze their relevance for economic attitudes.

Two additional structural economic factors could also affect market support. On the one
hand, greater exposure to the world economy could conceivably promote acceptance of market-
oriented policies. In other words, the relative weight of trade in a country’s economic activity
could build support for market economics over time by conditioning people to think in terms of
free-flowing exchange relationships. Conversely, a closed economy could serve to limit support
for market economics by limiting the prevalence and visibility of economic exchange.

In a related vein, the experience of living in a command economy could influence
attitudes toward the market. This would seem particularly likely in the early years following the
end of the socialist system. Since the World Values Survey data we will use were gathered in
the years 1995-1997, it seems plausible that many citizens in postcommunist countries will be
more skeptical toward the recent shift toward the market than their counterparts in Latin
America. In the state capitalist countries of the Americas, the debate about moving toward the
market (and the transition toward more market-oriented policies) took place over a period as long
as two decades. This longer process may have given Latin Americans more time to build up an
acceptance of the market than citizens in postcommunist Eastern Europe.

Beyond national economic factors, we will also test the possibility that individual
economic conditions influence economic attitudes. Individual unemployment should reduce
support for the market by increasing a desire for government to provide economic assistance.
Conversely, personal economic satisfaction should be positively related to support for the
market. Those comfortably satisfied with their circumstances should be more willing to permit
market dynamics to hold sway.

Demographic factors can also influence economic attitudes. In a study of mass support
for market-oriented economic reform in eight Latin American countries, Welsch and Carrasquero
(2000) found that age was negatively related to market-oriented ideas in Argentina and Brazil.
In the study of Latin America, this hypothesis has been justified by noting that older citizens tend
to have matured during an era in which state capitalist economic policies were in vogue under
democratic and military governments alike. Conversely, younger citizens have grown up in an
atmosphere in which the prior consensus across policy-makers in support of varied forms of
government intervention in the economy has broken down. Furthermore, young adults came of
age during the era of the collapse of communism – a watershed event that has frequently been
portrayed as a vindication of market-oriented policies. Similar findings have emerged in the
study of Eastern European countries in the 1990s (Mishler and Rose 1995).

Welsch and Carrasquero also found that female gender was also negatively associated
between female gender and support for Latin American economic integration, as well. Perhaps
one could speculate that women are more risk averse than men in these countries and therefore
oppose major shifts in government policies. Finifter and Mickiewicz (1992) posed an analogous
theory in discussing a similar relationship between gender and support for market-oriented reform in the Soviet Union.

In a series of recent studies, trust in others has been posited as a potential influence on the functionality of market economics. Where trust is more prevalent, capitalism is held to function better than where such social capital is in shorter supply. This debate sparked by Putnam’s work on Italy (1993) stimulated cross-national research confirming in part or in whole his proposed linkages between social capital, governance, and economic performance (Fukuyama 1995; Granato, Inglehart, & Leblang 1996a, 1996b; Whiteley 2000). These works consider social capital as an independent variable operating at the aggregate unit of analysis. In our analysis here, we will control for the possibility that there is an analogous positive relationship between trust in others and support for the market.

*Reconceptualizing the Rescue Hypothesis*

All of the prior variables will serve as control variables for the main hypothesis of interest in this study: the rescue hypothesis. As noted at the outset of this paper, Weyland’s conceptualization of the rescue scenario focuses on the role of hyperinflationary crises in reducing support for state capitalism and command economics in the developing world. He writes,

Hyperinflation rapidly erodes the income and savings of large masses of people and threatens to destroy their livelihood. The speed of this deterioration keeps people from gradually lowering their reference point for assessing gains and losses and from adjusting their aspiration levels downward. Therefore, skyrocketing price rises create a clear, unmitigated perception of severe losses. Hyperinflation thus puts a majority of common citizens in the domain of losses. Other economic problems, such as unemployment, do not erupt at the same speed or affect a large majority of people. Hyperinflation is therefore the single most important condition for massive numbers of people to see themselves in the domain of losses. In turn, the more people have such negative economic prospects, the stronger mass support for the bold, drastic stabilization measures enacted by new chief executives is likely to be (2002: 52-53).

In line with Weyland’s argument, our empirical analysis will examine the relationship between hyperinflationary conditions and support for market economics.

At the same time, one wonders whether the crisis scenario central to the rescue hypothesis should be reduced conceptually to hyperinflation alone. I suggest that we consider the possibility that high unemployment constitutes another relevant indicator of crisis. Weyland is correct above to a certain extent: high unemployment does not affect directly as many people as hyperinflation. When unemployment stands at 10 percent, for example, presumably the other 90 percent of the economically active population has a job. That said, high unemployment can have a serious impact on individuals’ calculations of the likelihood that they can get a better job. Serious unemployment also influences employed persons’ expectations regarding the possibility that they, too, might become unemployed in the foreseeable future. These calculations can have a profound effect on citizens’ evaluations of economic conditions because the potential cost of
unemployment are even more severe than those associated with hyperinflation. Hyperinflation reduces most people’s purchasing power directly and visibly, but high unemployment can make a majority of the workforce fear a worse outcome: the loss of one’s entire purchasing power. Accordingly, high unemployment rates will also be examined as a potential trigger for the rescue scenario.

The discussion above suggests an additional crisis indicator: a combination of hyperinflation and high unemployment. The argument for this indicator of economic crisis is straightforward. Citizens facing this scenario face Weyland’s domain of losses on both fronts. On its face, this would seem to the strongest indicator of a macroeconomic crisis with relevance for people’s economic attitudes. With the inclusion of all three of these conceptualizations of the rescue hypothesis, we arrive at a total of thirteen independent variables in the model. The expected relationships between these variables and support for market-oriented economic policies are summarized in Table 1.

Support for Market-Oriented Reform in Less Developed Economies

What are the principal determinants of mass support for market-oriented economics? Which of the propositions developed in narrative case studies and aggregate data analyses can be confirmed at the individual unit of analysis? In particular, which dimensions of the above conceptualization of the rescue hypothesis are relevant? To address these concerns, we will examine the dynamics of individual people’s attitudes toward the market.

Operationalization

The variables in this model of support for market-oriented reform will be studied using the 1995-1997 wave of the World Values Survey (Inglehart, et al. 2000) supplemented by national economic data from the World Bank (World Bank 1999). The WVS dataset for those years includes data gathered in 53 independent nation-states representing three-fourths of the world’s population. In this analysis, we will examine all twenty-two developing economies for which data are available on all of the variables in this model. This leaves us with eight Latin American countries (Argentina, Brazil, Chile, the Dominican Republic, Mexico, Peru, Uruguay, and Venezuela) and fourteen postcommunist countries (Armenia, Azerbaijan, Belarus, Bulgaria, Croatia, Estonia, Latvia, Lithuania, Macedonia, Moldova, Poland, Russia, Slovenia, and Ukraine).

The dependent variable, support for market-oriented reform, has been measured via an index of 2 closed-ended questions – averaged into a 10-point index (MARKET). The rescue hypothesis has been operationalized in the following manner. The existence of hyperinflation has been measured as a dummy variable in which an annual price change of 500 percent or more during the last five years is coded as hyperinflation (HYPERINF). Inflation is measured using the changes in the GDP deflator found in World Bank data (1999). High unemployment has been operationalized as a dummy variable for an unemployment rate of 10 percent or more in the year preceding the WVS interview constitutes an unemployment crisis (HIGH_UE). The worst-
case rescue scenario of recent hyperinflation and high unemployment is captured by an interactive term of the two preceding variables (INF_UE).

The various control variables in the model have been measured through a mix of WVS and World Bank data. Respondents’ perception of corruption was measured using the four-point scale found in the WVS (CORRUPT). A variety of national economic conditions were measured using World Bank data (1999). The annual change in gross domestic product in the year preceding the interview measures economic growth (GROWTH). Economic openness is measured as the total of all exports and imports expressed as a percentage of gross domestic product (OPENNESS). National wealth is measured as gross national product per capita (GNP_CAP). The experience of living under communism is expressed as a dummy variable (POSTCOMM). Personal economic conditions are measured using responses to the 10-point scale of household financial satisfaction found in the WVS (FIN_SAT). Individual employment status is coded as a dummy variable for all unemployed responses to variable 220 in the WVS (JOBLESS). Possible age effects are controlled for tracking respondents’ age in years as measured in variable 216 in the WVS (AGE). Gender is a dummy variable for women based on responses to variable 214 (FEMALE). Trust in others is measured as a dummy variable for respondents agreeing that “most people can be trusted” in variable 27 in the WVS (TRUST). The descriptive statistics and correlation coefficients for these data are presented in the Appendix.

Results in the Latin American Cases

Weyland’s formulation of the rescue hypothesis in the Latin American context was examined via OLS regression analysis of the following equation:

\[ \text{MARKET} = k + \text{HYPERINF} + \text{CORRUPT} + \text{GROWTH} + \text{GNP_CAP} + \text{OPENNESS} + \text{FIN_SAT} + \text{JOBLESS} + \text{AGE} + \text{FEMALE} + \text{TRUST} + e \]  \[ \{1\]  

In equation 1, \( k \) is a constant, \( e \) is an error term, and the rest of the variables are those defined above. The results of that analysis are summarized in Table 2. The model \( R^2 \) of .033 is significant at the .001 level (the adjusted \( R^2 \) is .032). All of the coefficients are statistically significant at the .05 level except for JOBLESS. Collinearity does not confound this model; the lowest tolerance statistic among the ten independent variables is for HYPERINF (.40).

As predicted by the rescue hypothesis, the coefficient for HYPERINF is large and positive. Respondents in countries exposed to hyperinflation (Argentina, Brazil, and Peru) were more prone to express market-oriented attitudes than residents of the other countries. Most of the control variables’ relationships are in the expected directions with the exception of the other national economic factors and the age variable. Among these eight Latin American countries, economic growth, national wealth, and economic openness were not associated with support for market-oriented policies. Instead, respondents faced with these conditions tended to be more critical of market-oriented policies than their counterparts living under different conditions.
Contrary to the expectations of the results-breed-support school, good economic outcomes did not seem to drive economic attitudes here. We will return to this issue later in this paper.

The relationship between age and economic attitudes contradicts findings at the aggregate level in the Americas and findings at the individual level in Eastern Europe. Older Latin Americans were not afraid of a shift toward the market but rather tended to support it. One possible explanation is that older Latin Americans – in comparison with their Eastern European counterparts – tended to be even more dissatisfied with government services. We will examine this possibility in the subsequent section when we incorporate the postcommunist countries into the analysis.

The other columns in Table 2 present the results for modified versions of Equation 1 incorporating new conceptualizations of the rescue scenario that bring labor market conditions into play. In Equation 2, hyperinflation is replaced as a crisis indicator by high unemployment. The coefficient for HIGH_UE is moderately large and positive as predicted. However, for these data, the use of HIGH_UE alone does not provide quite as good a fit as HYPERINF (the adjusted $R^2$ of .030 for Equation 2 is slightly lower than it was for the initial model). All other results are similar to those discussed earlier and collinearity is not a problem.

Equation 3 inserts terms for both hyperinflation and high unemployment. As predicted, both factors are positively and substantively related to support for market-oriented reforms. Equation 4 adds the interactive term, INF_UE. The combination of hyperinflation and high unemployment is positively associated with market support. In these eight Latin American countries, it did not prove to be the strongest crisis indicator for these respondents. As Weyland’s research has argued, hyperinflation was a more powerful motor for the rescue scenario than unemployment. Nevertheless, even when hyperinflation is controlled for, high unemployment and the interactive term for high unemployment with hyperinflation remain influences on economic attitudes, as well.9

Adding Perspective: An Examination of Latin America and Eastern Europe

To test the generalizability of the rescue hypothesis beyond the Latin American context, we will now add fourteen Eastern European countries into the dataset – giving us a total of 25,459 respondents from twenty-two countries. As discussed earlier, we will control for the possibility that the communist legacy might shape attitudes toward the market differently than in the state capitalist legacy found in these Latin American cases by adding a dummy variable, POSTCOMM, to the initial model. By modifying Equation 1 in that way, we get:

\[
\text{MARKET} = k + \text{HYPERINF} + \text{CORRUPT} + \text{GROWTH} + \text{GNP_CAP} + \text{OPENNESS} + \text{POSTCOMM} + \text{FIN_SAT} + \text{JOBLESS} + \text{AGE} + \text{FEMALE} + \text{TRUST} + e \quad (5)
\]

In equation 1, $k$ is a constant, $e$ is an error term, and the rest of the variables are those defined above. The results of that analysis are summarized in Table 3. One can see from the results that this model as a whole fits these Eastern European countries better than the Latin American cases. The adjusted $R^2$ of .077 is visibly larger for the combined dataset than it was for Latin America alone (.032). All of the coefficients are statistically significant at the .05 level. Collinearity is
The lowest tolerance statistic among the eleven independent variables is for POSTCOMM (.34).

In contrast to the Latin American results, once the postcommunist countries are added, the coefficients for GNP_CAP, GROWTH, and AGE return to their predicted directions. Greater national wealth and economic growth are associated with greater support for the market in these Eastern European countries. Similarly, older Eastern Europeans are more likely to oppose market-oriented policies. As suggested earlier, older citizens of communist states may have had less negative evaluations of government intervention than their Latin American counterparts. In addition, senior citizens in postcommunist states may have suffered a greater loss in government services during the reform period that made them desire greater government assistance. Economic openness is also positively related to MARKET in the Eastern European cases; however, the size of this relationship is not large enough to counteract the visible, negative relationship found in the Latin American cases.

The crucial difference between Equation 5 and the earlier results can be found in the coefficient for HYPERINF. You will recall that hyperinflation alone in Equation 1 held a strong, positive association with market support in Latin America. Here we find that relationship to be weak and negative. In other words, hyperinflation alone did not trigger the rescue scenario in Eastern Europe.

The rest of Table 3 presents the results for modified versions of Equation 5 incorporating the potential role of high unemployment. In Equation 6, the substitution of high unemployment for hyperinflation improves the model’s performance considerably. The coefficient for HIGH_UE is large and positive as predicted. The adjusted $R^2$ of .081 for Equation 6 is observably higher than it was for Equation 5. The simultaneous inclusion of HYPERINF and HIGH_UE, in contrast, does not visibly improve the model’s fit – even though the coefficient for HYPERINF returns to its predicted (positive) direction.

Equation 8 provides the full model controlling for all three potential indicators of economic crisis – HYPERINF, HIGH_UE, and INF_UE. In this full model, the combination of hyperinflation and high unemployment proves to be the most powerful trigger of the rescue scenario. Furthermore, once all dimensions of the rescue scenario are controlled for in this largest dataset, hyperinflation’s observed relationship with market support is negative.\(^\text{10}\)

Implications

This analysis of the mid-1990s World Values Survey supports the core theoretical argument of the rescue hypothesis. Severe economic crises in historically state capitalist and command economies are associated with greater public support for market-oriented reforms. This logic holds true not just in the Latin American context in which Weyland developed this hypothesis but also in Eastern European countries engaged in a distinct, yet shared movement toward more market-oriented economic policies during the 1990s.
While Weyland’s core theory holds true, his conceptualization of hyperinflation as the central dimension of economic crisis proves too narrow to reflect the empirical reality examined here. In the eight Latin American cases examined, Weyland’s emphasis on hyperinflation finds confirmation. But, in the fourteen Eastern European countries examined here, hyperinflation did not work to promote support for the market. Hyperinflation alone is associated with lower probabilities of market support.

Instead of narrowly conceptualizing groundbreaking crises as hyperinflationary episodes, I have argued for a more eclectic approach that encompasses both hyperinflation and high unemployment rates as indicators of an economic crisis profound enough to push citizens into the domain of losses central to the rescue hypothesis. Logically, a combination of hyperinflation and high unemployment can also constitute a crisis scenario. This alternative conceptualization of the rescue scenario finds robust support in these data. In Latin America, high unemployment proved influential even after controlling for the visible influence of hyperinflation. In Eastern Europe, high unemployment – both working alone and in conjunction with hyperinflation – was associated with greater support for market-oriented policies.

Why did hyperinflation fail to have the hypothesized effect in Eastern Europe during the mid-1990s? At this juncture, I would suggest that people’s reaction to hyperinflation in economies in transition was framed by years of living under rigid price controls. Many citizens may have felt that command economies suppressed inflation while they held the transition to the market responsible for the onset of hyperinflation. In contrast, in the Latin American experience, the onset of hyperinflation occurred prior to the major push toward the market. The differing time sequence could explain a considerable share of the regional differences observed here.

However, if that is the case regarding hyperinflation, why didn’t Eastern Europeans hold their reformist governments equally responsible for the emergence of high unemployment? After all, just as command economies controlled prices they also promoted full employment policies – albeit in ways that tended to lower labor productivity and economic efficiency more generally. Why, then, didn’t this crisis dimension also bear a negative relationship to support for the market? One possible explanatory dynamic rests in the daily experience of life under communism. Most citizens could testify first-hand to the day-to-day problems of command economy in the workplace. They knew its links to absenteeism, low productivity, low morale, and, frequently, shoddy products. Perhaps these experiences created a greater tendency to trust in market-oriented solutions to employment problems.

In short, differing reference points can produce distinct causal relationships that follow the general logic of the rescue hypothesis without following the same precise path. Weyland himself has argued explicitly for that possibility near the close of his most recent work on the subject:

In sum, the crisis argument that this study derives from prospect theory elucidates a range of political events and issues, far beyond economic policy-making. Obviously, however, the operational criteria specified in the discussion of crisis arguments above cannot be directly transferred. Whether it is possible to specify objective criteria for
identifying such a variety of crises or whether scholars have to rely on subjective accounts is a topic for future research (2002: 280).

In this paper I have demonstrated that these sorts of operational refinements are useful for applying the rescue hypothesis not just to other policy issues, but also to different contexts for economic reform. Future research will be needed to examine the robustness of my conceptualization of economic crisis to other regional contexts and to other time periods.

I want to close by highlighting the potential relevance of the rescue hypothesis for policymakers in Latin American and Eastern European countries that already implemented considerable economic reforms during the 1980s and 1990s. During this earlier time period, state capitalist and command economies served as the reference point around which citizens formed their desires for change. The rescue hypothesis does not allege that crisis produces support for the market under all circumstances. Instead, it argues that severe crises motivate many people to abandon the status quo for some riskier alternative. Advocates of market-oriented policies would do well to remember this as some pronounce a need for drastic adjustment on the road to more fully market-oriented systems in Argentina, Brazil, Russia, and elsewhere. Citizens at the close of the twentieth century in many developing economies tended to blame crises on past interventionism. The rescue hypothesis, however, would suggest that policymakers pursuing “second generation” market-oriented reforms may find that citizens’ reference points have shifted by the time a new crisis emerges.
Table 1. A Model of Support for Market Economics in Developing Economies

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Relationship to Support for Market Economics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hyperinflation</td>
<td>+</td>
</tr>
<tr>
<td>High Unemployment</td>
<td>+</td>
</tr>
<tr>
<td>Hyperinflation and High Unemployment</td>
<td>+</td>
</tr>
<tr>
<td>Perception of Political Corruption</td>
<td>--</td>
</tr>
<tr>
<td>Prevailing Economic Growth Rate</td>
<td>+</td>
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<tr>
<td>National Wealth</td>
<td>+</td>
</tr>
<tr>
<td>Economic Openness</td>
<td>+</td>
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<tr>
<td>Postcommunism</td>
<td>--</td>
</tr>
<tr>
<td>Individual Economic Satisfaction</td>
<td>+</td>
</tr>
<tr>
<td>Individual Unemployment</td>
<td>--</td>
</tr>
<tr>
<td>Age</td>
<td>--</td>
</tr>
<tr>
<td>Female Gender</td>
<td>--</td>
</tr>
<tr>
<td>Trust in Others</td>
<td>+</td>
</tr>
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Table 2. Regression Results for Equations 1-4: Dynamics of Market Support in Latin America (1995-1997)

(unstandardized coefficients with standard errors in parentheses)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Equation 1</th>
<th>Equation 2</th>
<th>Equation 3</th>
<th>Equation 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>HYPERINF</td>
<td>.477*** (.080)</td>
<td>.235*** (.057)</td>
<td>.382*** (.084)</td>
<td>.455*** (.084)</td>
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<td>HIGH_UE</td>
<td>.382*** (.084)</td>
<td>.278*** (.057)</td>
<td>.243*** (.059)</td>
<td>.243*** (.059)</td>
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<tr>
<td>INF_UE</td>
<td></td>
<td>.346** (.129)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CORRUPT</td>
<td>-.099*** (.028)</td>
<td>-.073** (.027)</td>
<td>-.116*** (.028)</td>
<td>-.116*** (.028)</td>
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<td>GROWTH</td>
<td>-.039*** (.005)</td>
<td>-.045*** (.005)</td>
<td>-.037*** (.005)</td>
<td>-.032*** (.005)</td>
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<tr>
<td>GNP_CAP</td>
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<td>-.0002*** (.000)</td>
<td>-.0003*** (.000)</td>
<td>-.0003*** (.000)</td>
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<td>OPENNESS</td>
<td>-.009*** (.002)</td>
<td>-.017*** (.002)</td>
<td>-.013*** (.002)</td>
<td>-.014*** (.002)</td>
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<tr>
<td>FIN_SAT</td>
<td>.047*** (.008)</td>
<td>.047*** (.008)</td>
<td>.052*** (.008)</td>
<td>.055*** (.008)</td>
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<td>JOBLESS</td>
<td>-.113 (.083)</td>
<td>-.121 (.083)</td>
<td>-.118 (.083)</td>
<td>-.100 (.083)</td>
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<td>AGE</td>
<td>.005** (.002)</td>
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<td>FEMALE</td>
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<td>-.280*** (.045)</td>
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<td>TRUST</td>
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<td>.144* (.060)</td>
<td>.161** (.060)</td>
<td>.160** (.060)</td>
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<td>$R^2$</td>
<td>.033***</td>
<td>.031***</td>
<td>.035***</td>
<td>.036***</td>
</tr>
<tr>
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<td>.030***</td>
<td>.034***</td>
<td>.035***</td>
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* denotes significant at .05 level
** denotes significant at .01 level
*** denotes significant at .001 level
Table 3. Regression Results for Equations 5-8:
Dynamics of Market Support in Latin America and Eastern Europe
(1995-1997)
(unstandardized coefficients with standard errors in parentheses)

<table>
<thead>
<tr>
<th></th>
<th>Equation 5</th>
<th>Equation 6</th>
<th>Equation 7</th>
<th>Equation 8</th>
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<td>.120*** (.048)</td>
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<tr>
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<td>.423*** (.034)</td>
<td>.120*** (.048)</td>
<td>.604*** (.067)</td>
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* denotes significant at .05 level  
** denotes significant at .01 level  
*** denotes significant at .001 level
APPENDIX

Appendix A. Descriptive Statistics for Variables in the Market Support Model

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# Appendix B. Correlation Matrix for Variables in Market Support Model

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</tbody>
</table>

* denotes significant at .05 level (2-tailed test)
** denotes significant at .01 level (2-tailed test)
REFERENCES


ENDNOTES

1. This research was supported by an educational leave from James Madison University. The author is responsible for the opinions expressed in this paper.

2 In all of the empirical analyses, the cases are weighted using variable 236 in the WVS. Given the cross-national data here that combines country-level data with responses to the WVS, this weight is necessary to keep some countries’ varying sample sizes in the WVS from substantially outnumbering other countries’ samples. The weight used adjusts all countries to a national sample in which N = 1500.

3 Variable 126 in the WVS asks respondents to place their views on a 10-point scale between “private ownership of business and industry should be increased” and “government ownership of business and industry should be increased.” This indicator has been inverted from the original scale so that 10 denotes higher support for market-oriented policies. Variable 127 in the WVS asks respondents to place their views on a 10-point scale between “the government should take more responsibility to ensure that everyone is provided for” and “people should take more responsibility to provide themselves.” These two scales provide a valid measure of support for market-oriented reform because high values capture not just support for market-oriented policies but also a desire for even more market-oriented policies than currently exist.

4 Weyland’s argument highlights the possibility that the hyperinflation-triggered rescue scenario may fade in relevance over time. In conducting the empirical analysis of this notion, I have examined the data using various reference points tracking hyperinflation over the past two years, three years, four years, and five years. The five-year period of reference is emphasized in the results because that is the time period that places Weyland’s key cases (Argentina, Brazil, and Peru) as having incurred hyperinflation prior to the implementation of the WVS. A two-year reference period would code all Latin American cases equally as not having experienced hyperinflation while a three- or four-year period would code only Brazil as hyperinflationary. These alternative operationalizations were therefore rejected on two grounds. First, they would treat the recently hyperinflationary Latin American countries as equivalent to those with more stable prices (Chile, Dominican Republic, Mexico, and Venezuela). Second, it would become impossible to examine patterns in the Latin American subset for the full model if hyperinflation were measured thusly.

On a related note, to control for even longer time memories, I also examined the model using a reference point of ten years (which adds Bolivia to the group of hyperinflationary countries) and of twenty years (which adds Chile into that category). These alternatives also do not change the results observed; contact the author for results.

5 Inflation was measured here using the GDP deflator because several countries had missing data on changes in their respective consumer price indices during the years under examination. The correlation between these two measures of inflation in the twenty countries for which data are available on both indicators is high: $r = .99$.

6 The question for variable 213 in the WVS reads: “How widespread do you think bribe taking
and corruption is in this country?” Responses range on a 4-point scale from “almost no public officials are engaged in it” to “almost all public officials are engaged in it.”

7 The question for variable 64 in the WVS reads: “How satisfied are you with the financial situation of your household? If ‘1’ means you are completely dissatisfied on this scale, and ‘10’ means you are completely satisfied, where you put your satisfaction with your household’s financial situation?” [The interviewer points to a card with a 10-point scale.]

This measure for individual economic position was chosen over the available alternative in the WVS, variable 227, because that income measure asks the respondent to place his or her household on a 10-point-decile scale relative to other households. This alternative measure would introduce greater noise in the data than the financial satisfaction variable because many respondents are apt not to know which income decile to use while others may be more tempted to understate their income than they are tempted to understate their personal financial satisfaction.

8 Variable 220 in the WVS asks: “Are you employed or not?” Respondents who reply no are then given four response options – retired, housewife not otherwise employed, student, or unemployed. Only those respondents who used the unemployed category are coded on unemployed on this dummy variable.

9 Collinearity is not a problem for Equation 3. The inclusion of the interactive term in the full model for Equation 4 produces some collinearity, but not enough to drive the tolerance indicators lower than .22 (for GNP_CAP) and .29 (for INF_UE).

Furthermore, there are no serious outlier problems in any of these four models in the Latin American WVS data. None of these equations produce any standardized residuals larger than 3.

10 Collinearity is not a problem for Equations 6-8. Tolerance indicators never drop below .34 in Equations 6 and 7 and only do once in Equation 8 (.26 for HYPERINF) in Equation 8. There are no serious outlier problems in any of these four models in the combined WVS data. Equations 5-7 never produce any standardized residuals larger than 3 while Equation 8 does so for a single respondent from Ukraine.

Collinearity would become a problem, however, if one examined the Eastern European countries alone. In the full model that includes all independent variables, collinearity among the three crisis indicators confounds the analysis. For that reason, I have discussed the Eastern European results as distinct from the Latin American findings without presenting the postcommunist cases as a distinct subset a la Table 2 re: Latin America. The first three equations for that subset do not present collinearity or outlier problems and their results are available from the author.