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# **DO CHANGES IN SOCIAL AND ECONOMIC CHARACTERISTICS AFFECT ATTITUDE TOWARDS PRICE CONTROL?**

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**Policy Brief No E16/05**

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# **Do changes in social and economic characteristics affect attitude towards price control?**

by Sergiy Polyachenko

## **Policy Brief**

### **A. Exposition of the policy problem(s) under investigation**

In this project we aim to investigate what kind of social and economic characteristics affect individual demand for government price control. As a result, we would like to come up with an efficient set of policy tools aimed at decrease of demand for government price control in the society. Decrease of demand for government price control is a very important component of market reforms acceptance by the society.

### **B. Critical review of existing policies and/or legislation**

According to (Denisova, Eller, & Zhuravskaya, 2010) "...Russia has been trapped into *uncivic* equilibrium..." modelled by (Aghion, Algan, Cahuc, & Shleifer, 2010) "...in which the government is corrupted and predatory but the public demands regulation...". However authors do not provide any suggestions on how we can fix the situation and turn public opinion in favor of market reforms that are so much necessary for Russia.

Indeed, the population plays the key role in the formation of economic freedom. In this context mechanisms of population's attitudes formation play very important role. That is because population delivers demand for government intervention. In the context of recent political changes, Russian government does not seem to be interested in any decrease in government regulation of the economy. Therefore, the only beneficiary of such policy might be the Russian society.

### **C. Overview of alternative policy changes**

To our knowledge, there are no centralized policy programs in Russia aimed at improved business literacy of the population and formation of liberal attitudes to economic process.

#### **D. Policy recommendations arising from the research**

While we observe effects of variety of social and economic characteristics on individual demand for government price control, policy maker can effectively control only few of them. From the study we can infer two crucial points of impact meant to change public opinion about role of government in contemporary economies. These points are education and entrepreneurship experience.

We can infer from the study importance of education for decrease in individual demand for government price control. Especially it is true for higher education. Therefore, in order to decrease demand for government price control and increase economic freedom, the main efforts should be concentrated on the increase in stock of higher education. However, this recommendation is subject to adjustment, since recent trends in Russian educational system suggest huge increase in higher education attendance, which is not coming with a jump in pro-market preferences. Therefore, probably quality of the education would have to be taken into account.

Our results suggest that second important policy point is increase in individual experiences of entrepreneurship and business. Especially, this is true for female population. Therefore, we can recommend increase in programs supply (both international and local) aimed at increase of female participation in business. Such programs could be support of startups or any other business initiatives. The support could be provided in the form of grants for project development along with technical assistance for its realization. Alternatively, educational business programs potentially would also have an effect.

#### **E. Directions for further policy analysis**

Further we plan to re-estimate our models employing forthcoming data on demand for government price control, containing questions that are identical to ones used in 2006, which will allow us to avoid limitations faced during this research. Second, we will concentrate on quality and content of educational programs, because so far our finding suggest that, despite the

fact that females prefer humanities and economics related specialization at their university-level studies, makes seems to be more sensitive to changes in the stock of education in terms of their pro-market preferences.