Chapter 10

Student Attitudes towards Free Markets: China and the United States Compared

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In their 1992 study "Hunting for homo sovieticus: situational versus attitudinal factors in economic behavior," Robert Shiller, Maxim Boycko and Vladmimir Korobov investigated this important question: "Have years of communist rule in former communists countries produced a human character type that is virtually a different species in terms of its motivational stance toward economic activity?" If yes, then this familiar claim would have dire implications for the prospects for transforming the economic system in ex-communist countries to western-style free-market economy. It will take much more than just a system imitation to make the transition work. If not, then one would know that people in former communist countries, as rational economic agents, would respond to incentives in a market economy in similar ways as people in western countries. Therefore, the successful transition to a western-style free-market economy should just be a matter of time.

Comparing survey data from Russia, Ukraine, former East Germany, the United States, Japan, and former Western Germany, Shiller et al rejected the common belief of the existence of "homo sovieticus," claiming that the differences in attitudes between former communist countries and western industrial countries were mainly situational rather than attitudinal. While attitudinal factors relate to psychological treats, personality, and culture, situational factors relate to people's situations that affect them.[1] In other words, while attitudinal differences, if exist, are much more difficult to change, situational differences would disappear as soon as the situation around the people, such as the economic system, has changed.

China, yet another communist country on its way of economic system transition, with its unique cultural and historical background, adapted a gradual economic reform rather than a system overhaul. Although the economic reform in China has been quite successful, China still has a long way to go in the transition process. The smoothness of the transition will depend on many factors, including Chinese people's attitudes towards free-market economy. Do Chinese, under the influence of Confucius doctrine for two thousand years, and communist ideology for more than forty years, have different ideas about entrepreneurial spirits, initiatives, leadership, motivation, and the willingness to take risks and assume responsibilities as their western counterparts, such as the Americans?

The purpose of this study was to collect up-to-date survey data on students' attitudes towards free market at five universities in Guangzhou, China, and compare the survey with the data collected by Hemesath and Pomponio in Shanghai, China, and Minnesota, the United States in 1992-93.[2] The researchers would like to see whether the two sets of Chinese data led to consistent findings, when compared with the U.S. data. If yes, then the results of Hemesath and Pomponio's study would be supported and the conclusions would be more generalized; if not, then either there were regional differences in students' attitudes towards free markets in China, or the attitudes have changed in the past few years, or both. The results of this study, along with other similar studies, can be used as a foundation to develop more generalized and in-depth research projects, such as popular attitudes towards free markets among the general public, and the relationship between attitudinal factors and economic outcomes, which will have direct implications for the design and forecast of further economic reform in China.

Literature Review

Shiller, Boycko and Korobov developed a questionnaire of 36 questions, addressing various aspects of human behavior related to free markets, including opinions concerning whether price changes are fair, attitudes towards income equality, popular theories concerning the importance of incentives, inhibitions against exchange of money, envy or hostility towards business people and the rich, popular understandings of the welfare effects of compensated price changes, and expectations of future government interference. While some questions probed public opinion on certain issues related to free markets, most questions asked the respondents to consider some imaginary situation that they might experience and to describe their behavior in, or judgment of, that situation.[3]

Shiller et al compared data collected from a random sample of 391 residents of Moscow and 361 residents of New York through telephone interview in May 1990. They found some evidence that the Russians were more resistant toward exchange of money and had less warm attitudes toward business than their American counterparts. They also found evidence that the Russians were a little more concerned that the government may later nationalize private business. Other than that, there were very little difference between the Russians and the Americans in their opinions on price changes, income inequality, and other aspects of free markets.

Because the differences they found between these two countries concerning attitudes towards free market were often small or nonexistent, Shiller et al suggested that the pressing and immediate problems facing former Soviet Union countries may be political and institutional in nature, instead of problems with people's attitudes towards free markets.

In 1992, Shiller and his colleagues extended their study by including more questionnaires and administrating the questionnaires to more countries. The major findings of their study were briefly reviewed at the beginning of this paper.[4]

Interested in whether people's attitudes towards free markets might have played an important role in China's successful economic development and Russia's relatively unsuccessful economic reform, Hemesath and Pomponio extended Shiller and his colleagues' 1991 study to include survey data collected from 231 Chinese students in Shanghai in 1992/93, 251 American students in Minnesota in 1992, and 361 Russian students in Krasnodar in 1991, using the same questionnaire developed by Shiller et al.[5]

While similarities were found between Chinese and American students' attitudes, particularly a shared interest in material gain and belief in the importance of material incentives, there were also significant differences. Chinese students were less comfortable with market outcomes and more willing to support government intervention in markets than Americans were. Also, Chinese students expressed more doubts about the characteristics of business people than did their

American counterparts.

When compared to Russian undergraduates, Chinese students were found to be less concerned about the fairness of market outcomes, but they were also more supportive of government interventions. Russian students were found to be more interested in material gain and more supportive of business than their Chinese counterparts.

Russian students, while generally expressed support for markets, tended to be less supportive of market outcomes than American undergraduates. In particular, Russian students had different ideas about fairness, and less trust of government and business, compared to their American peers. On the other hand, despite some misgivings, the Russians seemed to be willing to actively participate in the market. Most of them were willing to accept market outcomes, even if they believed them to be unfair. They were willing to accept even more income equality than American students. Hemesath and Pomponio's study suggested that the differences in the attitudes towards free markets among these three countries did not seem to be big enough to be the main cause of different economic outcomes.

All these studies have rejected the notion that differences in people's attitudes towards free markets were the main cause of differences in economic success in different nations. However, the results of these studies are more suggestive rather than definitive, due to the limitations in sampling and methods. Although it is possible to conduct a survey on national representative samples, it will be very costly. Not all is lost, though. The rule of inter-subjectivity states that if different researchers, using different samples and/or methods, could come to the same conclusion, then the conclusion is closer to the truth. It is the purpose of this research to study another sample of Chinese students, at a different location and a different time, to add some more information to the research in this area.

Data and Methods

Data

Data used in this study were from two sources. The Shanghai, China and Minnesota, U.S. data were collected by Hemesath and Pomponio in 1992-93, and their study was reviewed in the previous section. Details for their data collection procedures can be found in their paper.[6]

The second source was data collected in the summer of 1996 from five universities in Guangzhou, China. The questionnaires originally developed by Shiller, Boycko, and Korobov in 1991 were translated

into Chinese and used in the survey. Under the supervision of an international economics professor, college students went to five universities to distribute and collect questionnaires. The five universities were Zhongshan University, Jinan University, Huanan University of Science and Technology, Huanan Normal University, and Guangdong Commercial College. The student investigators were trained by the professor, and had experiences in doing similar field surveys for academic or commercial institutions. Among 407 usable questionnaires collected from the Guangzhou survey, 39% were females, 81% from urban hometown, and 42% economics and business related majors and 6.5% foreign language majors.

Analytical methods

The Guangzhou data were combined with Hemesath and Pomponio's Shanghai and US data for the analysis. Two pairwise comparisons were made, one was the Chinese versus U.S. sample, and the other was the Guangzhou versus Shanghai sample. The Chinese sample was composed of the Guangzhou and Shanghai sample. Probit (for categorical dependent variables) and OLS regressions (for continuous dependent variables) were used to control for the differences in factors other than countries or regions, such as age, gender, academic major (economics and business related, language, and others), and hometown (rural vs. urban). All "don't know" answers were treated as missing values. The findings are presented in a way similar to Shiller, Roycko, and Korobov's 1991 study, in which only the significant levels of the selected variables in the multivariate analyses are presented along with the corresponding descriptive statistics. The complete findings are available from the authors upon requests.

Issues of interpretation

Situational vs. cultural factors

Shiller and his colleagues proposed the framework of situational vs. attitudinal factors to interpret the results in their 1992 paper. Since differences in attitudinal factors were mainly caused by cultural differences, it refers to cultural factors. In this study, the questions designed by them in 1991 were used before they proposed the framework. Thus, the emphases of situational and attitudinal factors were not straightforward in the questions asked in our study. The researchers interpreted the results of the analysis with regard to situational vs. cultural factors based on their judgment of the questions.

China sample vs. U.S. sample

China and the U.S. have very different political, cultural, social, and economic systems. Currently, the major difference is that China is in an economic transition process, from a central-planning economy to a market economy. The U.S., on the other hand, has been in a relatively stable market economy for many years. In addition, Chinese traditional values, mainly a combination of a two-thousand-year old Confucius doctrine and forty-plus-year communism ideology, are quite different from American's values, which are fostered by the doctrine of Christianity and reality of capitalist mechanism.[7] Given the existence of both situational differences and culture differences between these two nations, the differences in people's attitudes could be caused by both.

Guangzhou sample vs. Shanghai sample

Guangzhou is a major Chinese city in southern China, nearby Hong Kong, and Shanghai is the largest industrial city in China, located in the east coastal area of China. One important difference between the two cities is the intensity of the economic reform. Guangzhou is in one of the earliest "economic reform experimental zones," to which Chinese government granted many special reform-policy privileges that were not allowed in other areas in the early years of the economic reform. Because the market economy is developed earlier in Guangzhou than in Shanghai, and the Guangzhou data were collected three years later than the Shanghai data, the Guangzhou sample is expected to be more similar to the U.S. sample, compared to the Shanghai sample. In addition, people from Guangzhou and Shanghai have many different characteristics that constitute regional differences. These differences were taken into consideration during our analysis.

Student sample vs. general public sample

Compared with their counterparts in 50s, 60s, and 70s, today's Chinese college students have changed their value system from communism-loyal to independent thinking.[8] Chinese with college degrees have the most favorable attitudes towards the economic reform, and are more willing to take risks in order to get the benefits that are brought by the reform.[9] Because of the economic reform, social values of the general public in China also have shifted towards values in western countries, although not as much as the young educated generation. The differences between the attitudes of college students and that of the general public should be kept in mind when reading the results.[10]

Results and Discussion

The results are presented in nine sections reflecting nine aspects of students' attitudes towards free markets. These nine aspects are: (1) fairness of price changes, (2) government intervention, (3) understanding of compensated price changes, (4) income inequality, (5) exchange of money and money tradeoffs, (6) attitudes towards business people and speculation, (7) work incentives and initiatives, (8) risk taking, and (9) consumption and saving. In all the tables presenting the results of our analysis, *** are used to denote the two parties of interest were significantly different in their answers to the questions at $\alpha = 0.01$ level, ** is significantly at =0.05 level, and * is significant at =0.10 level.

(1) Fairness of price changes

Questions B2, B11, and A9 were related to whether it's fair to raise the price of a commodity when the demand of the commodity has increased. Question B12 asked whether the factory had the right to raise the price regardless of fairness, and Question 10 was related to whether it's fair for companies to make large profits. Table 1 presents the results of our analysis.

Most students, both in China and in the United States, thought it was fair for sellers to increase the price of a commodity when the demand of the commodity has increased. Furthermore, in both countries, even more respondents seemed to think that the sellers had the right to increase the price of a commodity when the demand has increased, regardless of their perception of fairness. Most students also thought that it was fair for businesses to make profits.

Although significant differences between the respondents in the U.S. and in China existed in their answers to three of the five questions, the magnitudes of the differences were rather small. Overall, the notion of fairness of price changes seem to be neither country-specific nor situation-specific. This finding is somewhat contradictory to the findings of the 1991 study by Shiller et al with the Russia and U.S. sample, where they found that the perception of fairness of price changes were situation-specific, but not country-specific. They also found that most respondents in their sample perceived the price increase in flowers was unfair. Since the sample consisted of only

Table 1. Results of questions related to fairness of price changes

	China vs. U.S.			Guangzhou vs. Shanghai		
	China	U.S.	Sig.	Guangzhou	Shanghai	Sig.
B2. Fair to increase flower price	80.3%	87.9%	***	78.5%	83.3%	
B11. Fair to increase table price	78.5%	81.6%		81.9%	72.7%	
B12. Factory has right to raise price	81.5%	94.5%	***	81.1%	82.1%	
C10. Fair to make large profit	79.4%	77.9%		81.8%	75.5%	
A9. Fair to raise rent	80.8%	84.4%	**	78.6%	84.4%	

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

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

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

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

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

students, that there might be a generation difference in people's attitude. Overall, the reported evidence suggests that there is actually little ground to believe that Chinese students were characteristically hostile toward free-market price changes.

(2) Government intervention

Questions B3 and C4 asked about attitudes towards government intervention. Questions C7 and B8 were related to the possibility of reversing the reform process. Table 2 reports the results. The difference in attitudes towards government intervention was quite apparent. Chinese students, grown up in a society where government intervention in different aspects of live has been quite common, were much more likely to feel comfortable with that. More than half of the

Table 2. Results of questions related to government intervention

	China vs. U.S.			Guangzhou vs. Shanghai		
	China	U.S.	Sig.	Guangzhou	Shanghai	Sig.
B3. Favor gov. limit on flower price	56.7%	9.9%	***	63.7%	44.4%	***
C4. Favor gas rationing over taxing	17.1%	21.5%		16.8%	17.4%	
C7. Gov. likely nationalize business	17.5%	7.4%	***	17.6%	17.4%	*
B8. Gov. likely prevent use of saving	52.4%	38.5%	***	44.5%	63.8%	***

B3. In the flower price case (see B2), should the government introduce limits on the increase in prices of flowers, even if it might produce a shortage of flowers?

C4. Suppose the government wishes to reduce the consumption of gasoline. They propose two methods of attaining this goal. First, the government could prohibit gas stations from selling, for example, more than five gallons to one person. Second, the government could put a tax on gasoline, and prices of gasoline would go up. From your point of view, which of these methods is better?

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

B8. How likely is it, from your point of view, that the government in the next few years will take measures, in one way or another, to prevent those who have saved a great deal from making use of their savings? Is it (1) quite likely or possible; (2) unlikely or impossible?

Chinese respondents thought that government should set a limit on the price of flowers, whereas only less than 10% of the American students agreed with that. This difference could be both situational and cultural. Even though China is moving towards a market economy, the government has dominated the production and sales process of almost all consumer goods and services for over forty years, and the proportion of current government intervention in the economy is still substantial. The idea that people should obey the government has a deep root in traditional Chinese values. For example, Chinese philosophy refers a country as a family. In a country, people should obey the ruling officials, just like in a family, children should obey parents. However, when it comes to the way government should use to intervene the market, there were no significant difference between these two countries. Most respondents favored a taxing approach over a rationing approach.

There was also a difference between the Guangzhou sample and Shanghai sample in their answers to Questions B8. This difference reflects the different intensity of the reform process, both geographically and chronically. Guangzhou students were more likely than their Shanghai counterparts to welcome government intervention. This reflects people's wish that government can deal with the problems emerged in the development of the market economy. The problems coming with the early stages of market economy, such as unfair competition due to the lack of an established and enforceable legal system, may be more serious in Guangzhou, which started the reform process earlier than other parts of China. Also, the Guangzhou data were collected three years later than the Shanghai data. As the reform goes further, the problem with the lack of an effective legal system becomes more and more serious, and people may turn to the government for solving these intensified social problems.

(3) Understanding of compensated price changes

Questions C6 and B10 asked about the respondents' understanding of compensated price changes. Table 3 presents the results. Answers to the two questions were similar between the Chinese and American students. With about one third of the respondents saying that they would be worse off in that situation in both countries, economists might wonder how good the assumption of our utility maximization model is. Respondents in both countries seemed to be more comfortable with the price increase of a single commodity than an overall high inflation.

Differences were found between the Guangzhou and Shanghai sample, in which the respondents in Guangzhou seemed to be much more reluctant to a compensated inflation, but less concerned about the price raise of electricity. Note that the answers of Guangzhou students were similar to their American counterparts, which implies that Guangzhou students might have a better understanding about the compensated price changes than students in Shanghai. This finding is consistent with our expectation.

Table 3. Results of questions related to the understanding of compensated price changes

	China vs. U.S.			Guangzhou vs. Shanghai		
	China	U.S.	Sig.	Guangzhou	Shanghai	Sig.
C6.Better off or the same with increase in electricity price &income	63.3%	68.0%		66.4%	57.3%	***
B10.Support high inflation & high income growth	46.7%	46.6%	**	40.3%	57.3%	*

C6. Suppose the price of electricity rises fourfold, from 10 cents per kilowatt-hour to 40 cents per kilowatt-hour. No other prices change. Suppose also that at the same time your monthly income increase by exactly enough to pay for the extra cost of electricity without cutting back on any of your other expenditures. Please evaluate how your overall material well being has changed. Would you consider your situation (1) somewhat better off; (2) exactly the same; and (3) somewhat worse off.

B10. Suppose that economists have come to the conclusion that we could substantially improve our standard of living in the next year if we would be willing to accept a 30 percent inflation rate (increase in the prices of goods by thirty percent). This would mean that our incomes would rise by more than 30 percent. Then we could buy more goods at the new higher prices. Would you support such a proposal?

(4) Income inequality

Questions A4 and A10 were related to people's attitudes towards income or wealth inequality. Table 4 reports the results of our analysis. Chinese students were more likely to support a plan that would cause great inequality than their American counterparts. The difference mainly comes from situational factors. In China, the society is moving from a fairly equal one to a less equal one, which is encouraged by the government. One of the reform slogans is "To let some people get rich first." This slogan is certainly welcomed by college students, who likely will be in the rich group given their skills. In the U.S., the more relevant issue is to decrease the gap between the poor and the rich, given income inequality is getting wider in recent years. American students' answers reflected this situation.

Table 4. Results of questions related to income inequality

	China vs. U.S.			Guangzhou vs. Shanghai		
	China	U.S.	Sig.	Guangzhou	Shanghai	Sig.
A4.Support reform with more inequality but nobody is worse off	73.3%	58.1%	***	75.6%	68.9%	
A10.mean inheritance tax rate	45.2%	29.4%	***	45.6%	44.4%	

A4. Suppose the government wants to undertake a reform to improve the productivity of the economy. As a result, everyone will be better off, but the improvement in life will not affect people equally. A million people (people who respond energetically to the incentives in the plan and people with certain skills) will see their income triple, while everyone else will see only a tiny income increase, about one percent. Would you support the plan?

A10. In your opinion, what inheritance tax rate for really wealthy people do you think we should have? A tax rate of zero percent means that they can pass all of their wealth to their children, making them as rich as their parents. A rate of 50 percent means that they can pass half to their children. A rate of 100 percent means that they can pass none at all to their children.

Chinese students assigned higher inheritance tax rates than their American counterparts (A10). Since inheritance taxes (or any kind of personal income tax) are more common in the U.S. than in China, Chinese students' answers were more hypothetical. However, this difference is a function of current situation in China and traditional Chinese values. Although the gap between the rich and the poor in China is much smaller than that in the U.S., the majority of Chinese are struggling to fight high inflation with limited resources. Most Chinese are not comfortable to see a minority of people who made a fortune by ethnical or unethical business dealings. A psychology of envy does exist.

The psychology of envy also has its roots in Chinese culture, and the forty-plus years of central-planning economy have intensified that. During the cultural revolution (1966-76), a popular slogan was: "We

prefer the poverty of socialism to the wealth of capitalism."

(5) Exchange of money and money tradeoffs

Questions A7, A8, and B7 asked about people's the attitudes towards exchange of money. Question A6 was related to the tradeoffs between money and time. Question B4 asked about the tradeoffs between money and fame. Table 5 presents the results of our analysis. American students were more likely to charge interests when loan money to their friends (A7), and less likely to get annoyed by the exchange of money for a place in a long line (B7). The differences reflect both situational and cultural differences. Compared to U.S., the incidence and intensity of exchange of money in China are still relatively low. It may be commonly acceptable for American students to charge interest on a loan to a friend, but for most Chinese, this would be considered "too greedy." The traditional Chinese values teach people that friendship is priceless. Therefore, charging interest on a loan to a friend would be placing money over friendship, and is therefore not acceptable to many Chinese. In the case of Question B7, the person who offered his place in the long line for money would be considered as "taking advantage of the situation" and therefore considered "unethical" by many Chinese. The differences in attitudes towards exchange of money are more cultural than situational.

There was also a significant difference between the Guangzhou sample and the Shanghai sample in their answers to Question A7. In China, people from Shanghai have the reputation of being more calculating in money matters than people from other parts of China. The result from A8 is not expected, since people from Shanghai were expected to be more likely to clarify financial matters with friends. One possible explanation is that people from Guangzhou are more and more influenced by the western style of money management due to the economic reform, and due to its closeness to Hong Kong.

The results of Question A6 indicate that Chinese students were more likely to trade money for leisure. The difference may be cultural since the old Chinese tradition promotes that money is not the most important thing in the world. The popular doctrine of "golden mean" can be applied to the allocation of time between work and leisure. The difference between these two countries can also be situational given that Chinese people have longer average working hours than Americans.

Table 5. Results of questions related to exchange of money and money tradeoffs

	China vs. The U.S.			Guangzhou vs. Shanghai		
	China	U.S.	Sig.	Guangzhou	Shanghai	Sig.
A7. Charge friend interest on loan	31.1%	36.5%	**	25.4%	41.1%	***
A8. Count shared expenses with friends	52.4%	56.3%		53.4%	50.8%	**
B7.Annoyed at exchange of money for place in line	50.2%	36.5%	***	50.1%	50.2%	
A6. Would trade money for leisure	28.5%	13.0%	***	25.3%	34.1%	
B4. Favor fortune over fame	76.0%	65.0%	**	75.9%	76.0%	

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

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

B7. You are standing in a long line to buy something. You see that someone comes to the line and is very distressed that the line is so long, saying he is in a great hurry ans absolutely must make this purchase. A person at the front of the line offers to let him take her place in line for $10.00. Would you be annoyed at this deal even though it won't cause you to wait any longer?

A6. Suppose that for certain reasons you are offered a 10 percent reduction of the duties you perform at your work place with the following terms: Your work week will be cut by 1/10 (say you will have an additional half a day free) but your take-home pay will also decline by 10%. If you take this offer, this has no other effects on your prospects for promotion or relations with co-workers. Do you consider it attractive to have more free time, but less money, so that you would take this offer, or would you decide to reject it?

B4. Which of the following achievements would please you more: (1) You win fortune without fame; you make enough money through successful business dealings so that you can live very comfortably for the rest of your life; (2) you win fame without fortune; for example, you win a medal at the Olympics or you become a respected journalist or scholar.

Chinese students were more likely to prefer fortune to fame than their American counterparts. The difference reflects the current popular "money making" mentality in China. Some students put remarks on the margin of the questionnaire, which read "I want both fortune and fame," reflecting the conflicting interaction of traditional value and current popular mentality, since traditional Chinese values emphasize fame over money.

(6) Attitudes towards business people and speculation

Questions C1, C9, C11, and C5 were related to people's attitudes towards business people, and Questions C8 and B6 asked about people's perception of speculation. Table 6 reports the results of our

Table 6. Results of questions related to attitude towards business people and speculation

	China vs. U.S.			Guangzhou vs. Shanghai		
	China	U.S.	Sig.	Guangzhou	Shanghai	Sig.
C1. Friends nice to you if you become rich by business dealings	92.3%	94.7%		92.5%	92.0%	
C9. Friends respect you less if you are in own business	16.8%	8.6%	**	14.1%	21.4%	***
C11. Difficult to make friends with business people	49.0%	14.2%	***	51.6%	44.7%	
C5. Business people often dishonest	58.6%	45.8%	*	59.0%	58.0%	
C8. Speculation causes more frequent shortage	47.4%	30.9%	*	40.4%	59.6%	**
B6. Increase in coffee price caused by speculators	49.7%	11.3%	***	60.8%	31.9%	***

C1. Suppose that as a result of successful business dealings you unexpectedly become rich. How do you imagine it would be received by your relatives at a holiday family gathering? Would they congratulate you and show great interest, or would they be judgmental and contemptuous? (1) They would show interest, would congratulate. (2) They would be quiet indifferent. (3) They would be judgmental and contemptuous.

C9. Do you think that if you worked independently today as a businessperson and received profit, that your friends and acquaintance would respect you less and not treat you as you deserve?

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

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

C8. Grain traders in capitalist countries sometimes hold grain without selling it, putting it in temporary storage in anticipation of higher prices later. Do you think this "speculation" will cause (1) more frequent shortages of flour, bread and other grain products; (2) no effect on shortage; and (3) shortage less common?

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

analysis. Both Chinese and American students reported that people would be interested in them if they have a successful business. However, the answers for the other three questions related to attitudes towards business people indicate that Chinese students were more likely to have a negative attitudes towards business people, compared to their American counterparts. The traditional Chinese values emphasize agriculture over commerce. A popular Chinese old saying "no merchant is not cunning" reflects the common attitude towards business. At the beginning of the Chinese economic reform, most people who started their own business had low social status and were at the margin of the social mainstream. Naturally, this phenomenon was caused by their low opportunity cost. In addition, since the legal system in China is not very effective, unethical business dealings have been quite common. Now that these people are rich, others who perceive themselves as in the mainstream are having a "sour grape" mentality. The current popular saying of "only bad people has made a fortune" reflects partly the reality and partly the jealousy mentality.

The results of Question C9 indicate that Shanghai students had more negative attitudes towards business than their Guangzhou counterparts. The difference can be regional given the special policy status of Guangzhou. Also, people in Guangzhou have a long tradition of owning small businesses. In addition, Guangzhou is also geographically close to Hong Kong and Macao, and people in Guangzhou have more relatives and friends who are business owners overseas.

In China, speculation is related with unethical business people and has a negative connotation. The negative attitudes towards speculation among Chinese students were reflected in the answers in C8 and B6. However, speculation has a neutral meaning in English, and sometimes speculation is referred to as a technique or skill of doing business. Thus, the attitudinal difference towards speculation is mainly caused by cultural differences.

(7) Work incentives and initiatives

Questions A1, C3, A3, and A5 asked about work incentives. Question B1 was related to personal work initiatives. Table 7 presents the results of our analysis. The overwhelming majority of the respondents in both countries thought material incentives were very important for hard working, with Americans more likely to agree with that compared to their Chinese counterparts (A1 and C3). On the other hand, a significantly higher proportion of Chinese students in the sample seemed to agree that income equality and economic development cannot coexist, given material incentives for hard-working would promote development but create income inequality (A3). This difference may be contributed to Chinese respondents' witnessing of the failure of the old economic system where material incentives were lacking.

Differences were found in the answers to A3 between the Guangzhou sample and the Shanghai sample. Shanghai students were more likely to support to think that there was a tradeoff relationship between economic development and income equality. This finding may be explained by regional and time differences between these two samples. The difference in their attitudes may be a reflection of dissatisfaction to the country's moving to greater income inequality, as the reform furthers.

Table 7. Results of questions related to work incentives and initiatives

	China vs. U.S.			Guangzhou vs. Shanghai		
	China	U.S.	Sig.	Guangzhou	Shanghai	Sig.
A1. Work harder if pay is related	92.1%	95.4%	**	91.2%	93.7%	
C3. Good manager should be strict in enforcing discipline and give incentives to good work	58.2%	32.3%	***	59.1%	56.5%	
A3. Agree with the tradeoff between equality and economic development	75.9%	52.3%	***	71.7%	83.4%	***
A5. Important work benefits the country	81.6%	95.4%	***	78.1%	74.6%	
B1. Well-motivated employee is better than do-as-told employee	76.4%	92.1%	***	77.5%	87.6%	

A1. Do you think that people work better if their pay is directly tied to the quantity and quality of their work?
C3. Which of the following qualities is more important for the manager of a company? (1) The manager much show good will in his relation to workers and win their friendship. (2) The manager must be a strict enforcer of work discipline, giving incentives to hard workers and punishing laggards.
A3. Some have expressed the following: "It's too bad that some people are poor while others are rich. But we can't fix that: if the government were to make sure that everyone had the same income, we would all be poor, since no one would have any material incentive to work hard." Do you yourself personally agree with this theory?
A5. Is it important to you that your work benefits the country, and is not just to make money? (1) Very important or somewhat important; (2) Not important.
B1. In your opinion, which of the following statements is closer to the truth? (1) An employee who works hard and has the best interests of the business at heart can be worth twice as much to his/her company as a less well-motivated employee; (2) As a rule, an employee should generally do just what she/he is told-trying to do much more is likely to do more harm than help.

Question A5 asked if benefiting the country was one of the working incentives. While the American students were more likely than their Chinese counterparts to say yes, the magnitude of the difference was quite small. The answers to this question indicate an important value change for Chinese students, since Chinese were taught at young ages that work was for the country but not for oneself. The findings in this question indicate that Chinese students have adopted western values regarding working incentives.

American students were more likely than their Chinese counterparts to value individual initiatives at work. The difference is both situational and cultural. Under the central-planning economic system, work initiatives were not considered desirable in China. Even in the early years of the economic reform, college graduates had to wait for the government to assign a job instead of looking for jobs by themselves. For the same reason, it was hard for a person to change jobs. In addition, Chinese tradition values call for the obedience to the leader and teach the idea of "static is better than dynamic. " These would discourage individual initiatives at work. However, even with the above factors, over three-quarters of Chinese students supported the statement that encouraged individual initiatives, indicating that people's attitudes have been changing.

(8) Risk taking

Question C12 and B5 asked about people's willingness to take risks. Table 8 reports the results of our analysis. American students were more likely to take risks in the job market, but less likely to take risks in investment. This may be caused by different opportunity costs associated with these two types of risks in these two countries. In China, job securities used to be guaranteed under the central-planning economy system, and in many cases, it still is. Therefore, the opportunity cost of given up a guaranteed job is quite high. Furthermore, even though current college graduates are not very likely to get permanent jobs, the psychological costs of changing jobs are probably higher for Chinese given what they were used to in the past. On the other hand, in the U.S., most jobs don't come with a guaranteed job security, therefore, the opportunity cost of trying another job is much less. However, when it comes to money investment, the opportunity cost in the U.S. may be higher than that in China. In the U.S., the financial market is well established, and people could easily invest in stocks, bonds, mutual funds, and other investment alternatives. In contrast, in China, stock-trading just got started couple years ago and the risks involved in investing in stocks are much higher than that in the U.S. given that the financial market has not yet well-established and inside trading is rather common. Therefore, the opportunity cost of investing in a friend's risky business is much higher in the U.S. than in China.

When comparing to Guangzhou students, students from Shanghai were more likely to take risks both in the job market case and the investment case. As argued earlier, there is a regional difference between people from Shanghai and from other parts of China when it comes to money management matters. Also, the Shanghai universities where the students were interviewed were considered to be better quality universities than some of the Guangzhou universities, therefore, the Shanghai sample might be more confident in their ability to success under an uncertain situation.

Table 8. Results of questions related to risk taking

	China vs. U.S.			Guangzhou vs. Shanghai		
	China	U.S.	Sig.	Guangzhou	Shanghai	Sig.
C12. Take a new job with uncertainty	86.6%	91.6%	**	82.3%	93.5%	***
B5. Invest in a risky business	46.8%	32.6%	**	43.6%	52.1%	**

C12. Imagine you are offered a new job that increased your salary by 50 percent. The new job is no more difficult than your present job, but not everyone is good at this line of work. It would turn out that after a year or two in this new job, you will be told that you are not doing well in the job and will be let go. Your chances of keeping the job and your changes of losing the job are about equal. Given this situation, would you take the risky, high-paying new job? In answering, assume that if they let you go, you could, after some time, find something more or less similar to your old job.

B5. Suppose that a group of your friends are starting a business that you think is very risky and could fail but might also make investors in that business rich. Would you be tempted to invest a substantial portion of your savings in it?

(9) Consumption and saving

Question C2 was related to conspicuous consumption behavior. Questions A11 and A12 asked about saving behavior. Table 9 reports the results of our analysis. Surprisingly, American students were more likely to report conspicuous consumption behavior than their Chinese counterparts since conspicuous consumption is an important social problem in today's China. Most of the newly riches would use any available means to show off their wealth. Ordinary people celebrate the major events in their lives, such as wedding, new birth or death, by inviting many guests and holding fancy ceremonies. It is not uncommon for people to spend more money than what they can afford

Table 9. Results of questions related to consumption and saving

	China vs. U.S.			Guangzhou vs. Shanghai		
	China	U.S.	Sig.	Guangzhou	Shanghai	Sig.
C2. Would by extravagant items	46.6%	61.4%	***	35.6%	64.1%	***
A11.Saved money last year	48.8%	70.9%	***	43.8%	58.1%	***
A12. Saved because buying the thing wanted takes too much effort	7.5%	2.5%	**	6.0%	10.5%	**
A12. Saved for retirement or emergency	8.5%	6.5%		9.5%	6.6%	
A12. Saved to buy durable goods	18.5%	31.5%	***	15.5%	24.3%	
A12. Saved for better things in the future	43.0%	16.5%	***	46.7%	35.9%	**

C2. If you ever became rich, would you really like to spend some of the money by purchasing really fashionable clothes, expensive cars, or other extravagant items that make an impression on people?
A11. Did you save any money from the income you earned last year?
A12. Which of the following is the best explanation why you saved? (1) Because to acquire the things I want takes too much effort. I just couldn't spend the money; (2) I put money away for old age, in case of illness or other unforeseeable circumstances; (3) I saved money so that I will have the means to by a vacation home, an apartment, automobile, or other such things of long-term use; (4) I hoped that better things will be available for my money in future years; (5) Other;

for these events. Even among college students, conspicuous consumption behaviors, such as purchasing brand name clothing, eating in luxury restaurants, and entertaining in expensive kola-okay clubs, have been observed. The motivation of such behavior is related to Chinese ideas of "peer comparison" and "not losing faces." Comparatively, American people are perceived as more practical and have no fear of losing faces.

The unexpected result might be caused by several reasons. First, since the China sample only consisted of college students who were not rich at the time of the interview and were much better educated than most of the newly riches in China, they might be aware that show-off one's wealth is putting oneself in a lower-status and less-educated group. Furthermore, even if they would engage in this kind of conspicuous consumption behavior, Chinese were more reluctant than Americans to give socially undesirable answers. Second, the question asked used as examples expensive cars and houses, which are items

that are quite rarely purchased by private individuals in China. The students in the sample might have other more pressing needs in their mind if they do get rich in the future.

The observed difference in conspicuous consumption behavior between the Guangzhou sample and the Shanghai sample might be regional. People from Shanghai are perceived to pay more attention to their appearances than people from other parts of China. One popular perception is that people from Shanghai prefer clothing to food, but vise versa is said people from Guangzhou.

When it comes to saving behavior, American students were more likely than Chinese students to report saving, which is counterintuitive since the saving rate in China is much higher than that of the U.S. However, the difference lies in the limited resources of Chinese students. Unlike American students, Chinese students usually do not work part-time when attending school. Some Chinese students wrote on the questionnaire: "How can I save if I do not earn money?" In China, it is common that the college expenses are paid by the government and/or parents, although the situation is changing now. More and more colleges require families to pay a larger portion of the expenses, and students are starting to have part-time jobs. Some of them even made fortunes when doing business as college students.

The percentage of respondents who saved last year was significantly different between the Guangzhou sample and the Shanghai sample, with a higher percentage of students in Shanghai reported saving behavior. Again, this may be explained by the regional differences in China, where people from Shanghai are well known for their better skills of financial management.

In term of the incentives of saving (A12) , the major differences were shown in options 3 and 4. While American students were more likely to report saving for specific future expenses, Chinese students were more likely to report saving for "better things in the future." These differences are mainly situational, reflecting a lack of availability of high-quality, yet fairly affordable durable goods in the Chinese market. In addition, the example used in this question was again vacation homes and cars, which were not commonly consumed by private individuals in the current China.

Conclusions and Implications

This study reported the results of a new survey in Guangzhou, China, on student attitudes toward free markets. Combined with data collected by Hemesath and Pomponio in 1992-93, this study compared

Chinese students' attitudes with that of American students, while looking at regional and chronological differences in China at the same time. The following significant and substantial differences are found in the attitudes towards market between Chinese and American students:

(1) Compared to American students, Chinese students were much more comfortable with government intervention. However, when it comes to the method of intervention, students in both countries favored a taxing approach than a rationing approach. This difference is attributed to both situational and cultural factors.

(2) Compared to American students, Chinese students were more likely to support a reform plan which will bring greater income inequality. This difference is attributed to situational factors.

(3) Chinese students were less likely to feel comfortable with exchanges of money, compared to their American peers. However, Chinese students were more likely to favor fortune over fame, which is anti-tradition. Chinese students were also more likely be willing to trade money for leisure. These differences are attributed to both situational and cultural factors.

(4) Compared to American students, Chinese students were more likely to have a negative attitude towards business people, and a suspicious attitude towards business speculations. This difference is attributed more to cultural factors than situational factors.

(5) Compared to their American counterparts, Chinese students were more likely to think that there is a tradeoff relationship between economic development and economic equality. They were also less likely to value work initiatives, and the idea of contributing to the society is less likely to be important for them. This is mainly attributed to situational factors.

(6) Chinese students were more likely to take risks in financial investments, but less likely to take risks in the job market, compared to their American peers. These differences are attributed to situational factors.

(7) Compared to American students, Chinese students were less likely to save. The main reason for saving for Chinese students were for "better things available in the future," whereas for American students, the main purpose of saving was to buy a car, a house, or other durable goods. These differences are mainly attributed to situational factors.

When comparing the Guangzhou sample and the Shanghai sample, the following significant and substantial differences are found:

(1) Students in Guangzhou were more likely to welcome government intervention in controlling prices, compared to students in Shanghai. This is mainly attributed to chronological differences of these two samples.

(2) Students in Shanghai were more likely to think that there is a tradeoff relationship between economic development and income equality, compared to students from Guangzhou. This is mainly attributed to regional differences.

(3) Compared to students from Shanghai, students in Guangzhou were less likely to be willing to take risks, both financial risks and job risks that is also attributed to regional differences.

(4) Compared to students from Shanghai, students in Guangzhou were much less likely to say they would engage in conspicuous consumption if they became rich. They were also less likely to save money. That is mainly attributed to regional differences.

Among other findings, this study confirmed Hemesath and Pomponio (1995)'s conclusions that Chinese students were more willing to support government intervention in the markets than Americans were, and had a more negative attitude towards business people. All the findings in this study suggest that the differences between students in the U.S. and in China are both situational and cultural, yet situational differences are more prevalent. The differences between the Guangzhou sample and the Shanghai sample are mainly regional.

The findings of this study may be used to understand Chinese people's perceptions of current situation in order to predict their reactions to further economic policy changes. Apparently, since cultural differences do exist, it is important for Chinese policy makers to incorporate traditional Chinese values into the economic reform process, not to exactly copy the western-style market economy system. On the other hand, Chinese students in the sample had very similar attitudes towards many aspects of free markets, such as the perception of the fairness of price changes, therefore, borrowing part of the western-style market economy system should have a positive effect. While effective legal system is eminently needed in China to maintain order and ensure fair competition in business, education is also necessary to change people's negative perception towards business people. The differences between students' attitudes towards government control of prices in the Guangzhou sample and the Shanghai sample should be alarming. If the inflation rate keeps on reaching double digits, people's attitudes towards the economic reform and the role of government might change in an unfavorable direction. The findings of this research, along with results from previous studies, can be a starting point for research Chinese people attitudes and behavior in a radically changing social system. Based on the findings, future research should develop questionnaires that apply to the general Chinese population. Future research is also needed to develop variables related to economic outcomes or performances, along with variables measuring attitudes. Future research should also fully utilize the framework of situational versus cultural factors for their research design.

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