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# **Institutional trust and economic coping strategies in response to sanctions: The case of Russia and Iran**

**Elaheh Khezri, Alexander Tatarko**

## **Institutional trust and economic coping strategies in response to sanctions: The case of Russia and Iran**

### **Abstract**

Sanctions are now an established feature of the economic landscape in Russia and Iran and may lead to economic insecurity and distrust of political bodies among citizens of these countries. However, few studies have investigated the way individuals cope with sanctions and if their coping strategy relates to their trust in institutions. To address this gap, we aimed to compare Russians and Iranians regarding their economic coping strategies (ECS) in response to sanctions and the relationship of these strategies with their institutional trust. Using a cross-sectional design, we administered surveys in Russia and Iran. The results indicated that Russians have higher institutional trust and lower degrees of utilizing ECS compared to Iranians. Furthermore, we found that lower institutional trust is related to more use of overall ECS among Russians, but not Iranians. When we examined each coping strategy separately, we found that Russians with lower institutional trust relied more on seeking extra work, cutting expenses, and resorting to social and material resources for dealing with sanctions, while in Iran, this relationship was observed for cutting expenses and modern investments. We concluded that in Russia, financial insecurity induced by sanctions may have impacted institutional trust for low-income individuals that have been pressed to use certain strategies, while in Iran, the link between cutting expenses, modern investments, and institutional trust may be better explained by reduced life satisfaction and strict regulation of some investing activities.

**Keywords:** economic sanctions, economic behavior, cross-cultural economic coping strategies, institutional trust, sanctions in Russia, sanctions in Iran

### **Introduction**

With the increasing complexity of the modern world, the global conflicts are also progressively getting more complicated. Economic sanctions have emerged as a modern means of warfare between countries and are increasingly being used as a policy instrument and a form of collective punishment in contemporary global conflicts. Sanctions are linked to economic insecurity of citizens, especially vulnerable groups such as the youth and low-income households (Ghomi 2022). This economic insecurity may jeopardize institutional trust (Perry 2021), leading to detrimental outcomes for democratic stability (Alessandro et al. 2021). When considering that sanctions are now an integral part of life in countries like Russia, Iran, and Venezuela, these ramifications become more pronounced, highlighting the necessity of understanding the

economic behavior of individuals in response to sanctions and their levels of institutional trust in these times of economic uncertainty.

Despite this necessity, only a limited number of studies explored the consequences of sanctions for ordinary citizens. For example, in the case of Venezuela, it has been discussed that the US sanctions led to reduced calorie intake and increased mortality for a spectrum of age groups (Weisbrot and Sachs 2019). In Iran, research has addressed the collateral harm of sanctions for citizens' economic welfare (Ghomi 2022), their mental (Aloosh et al. 2019) and physical (Abdoli 2020) health, and their access to life-saving drugs and medical supplies (Akbarialiabad et al. 2021), but their relation with economic behavior and institutional trust have not been examined. As for Russia, studies of economic sociologists regarding the socio-economic coping practices of Russians exist (Radaev 2023), but their outcomes for institutional trust is yet to be investigated. Accordingly, there exists a gap in the literature concerning the role sanctions may have played in changing economic behaviors of citizens and their trust in the state and its institutions.

To address the aforementioned gaps, the present research focuses on exploring how individuals economically cope with sanctions, what factors are associated with preference of certain economic coping strategies, and how universal are these factors. Therefore, in this paper, we attempted - from a politically neutral perspective - to address these questions by comparing Russians and Iranians in their economic coping strategies and how they relate to their sociodemographic characteristics and institutional trust.

### **Sanctions in Russia and Iran**

With respect to Russia, since the onset of its special military operation in Ukraine in early 2022, this country has been exposed to extensive sanction packages, and according to various sources, it is by far the most heavily sanctioned country in the world, with 14,081 sanctions placed against it as of February the following year. The consequences of economic sanctions against Russia are currently not obvious. Despite the fact that economists say that the Russian economy has somewhat suffered from sanctions, about 80% of the Russian population state that their lives have not changed, and they do not feel the negative effects of these sanctions (Radaev 2023). Polls also reflect an increased level of institutional trust during 2022 and 2023 (Levada Center 2022, 2023). However, sanctions may have long-term negative effects. These effects may be better understood by exploring the case of Iran.

The history of sanctions in Iran goes back to 70 years ago, the first case being sanctions imposed by Great Britain in response to nationalization of the Iranian oil industry during the Pahlavi regime. The current sanctions, however, began in the aftermath of the Iranian revolution in 1979 and the US embassy hostage crisis. Ever since then, Iran has undergone numerous rounds of sanctions - mostly imposed by the US, the European Union, and the UN Security Council - that have intensified over the past four decades (Akbarialiabad et al. 2021). In 2016, following the JCPOA agreement between Iran and the members of the UN Security Council, some sanctions were lifted. However, unilateral withdrawal of the US from the JCPOA in 2018 led to reinstitution of these sanctions as well as issuing of new ones.

These sanctions have impacted both the larger economy and the lives of Iranians. Economically, they have led to extreme limitations in trade, shipping, insurance, etc. (Abdoli 2020), as well as sharp decreases in gross domestic product (GPD), hyperinflation, and high unemployment rates (Ghomi 2022). Detrimental consequences for ordinary citizens have been found regarding their economic welfare (Ghomi 2022), mental (Aloosh et al. 2019) and physical (Abdoli 2020) health, and access to healthcare, life-saving drugs and medical supplies (Akbarialiabad et al. 2021). As a result, the legitimacy of sanctions has been questioned on the grounds of human rights (Kokabisaghi 2018).

Despite the evident consequences for ordinary citizens, sanctions are theoretically proposed as a humane and soft foreign policy tool targeted at the sanctioned governments (Nephew 2017). However, the case of Iran shows that the effectiveness of sanctions in changing the behavior of the government is also debatable. Specifically, scholars note that sanctions have contributed to the reinforcement of the current power structure in the Islamic government, the weakening of Iran's civil society (Fathollah-Nejad 2014), and the decline of Iran's middle-class and reformist movement (Heiran-Nia and Monshipouri 2022). Accordingly, using large-scale national data on income and expenditure, Ghomi (2022) traced the poverty mobility of different Iranian households with relation to sanctions, and found that households working in governmental sectors were not influenced by the sanctions, while households in private sector, low and middle-income households, religious minorities, the youth, and the illiterate had the highest rate of moving into poverty as a result of sanctions. This study provides evidence that consequences of sanctions were not consistent with their initial goal of punishing the government, as vulnerable groups were most severely affected by sanctions, while households affiliated with the government were not.

Overall, these experiences of Iranians and the longer exposure to sanctions compared to Russians may have implications for the comparison of economic coping strategies and institutional trust of Russians and Iranians. Accordingly, we may propose that the use of economic coping strategies against sanctions would be more prevalent in Iran, while institutional trust may be higher in Russia.

### **Individuals' behavioral strategies during economic sanctions**

Current research on behavioral strategies in response to economic sanctions or economic crises is limited. Social psychological research has attempted to characterize coping strategies, but these are often general and not specific to economic behavior. For example, the COPE methodology (Carve 1997) mentions several strategies to cope with stress: active coping, planning, positive reframing, acceptance, humor, religion, using emotional support, self-distraction, denial, venting, substance, behavioral disengagement, self-blame. Another classification includes maladaptive coping strategies, problem-focused strategies, and emotion-focused strategies (Adamus and Grežo 2021). As these strategies are concerned with a wide range of stressful events, they may also be relevant for undergoing sanctions, because sanctions are linked to stress-related illness, such as cardiovascular and respiratory diseases (Akbarialiabad et al. 2021). If we focus specifically on strategies of economic behavior in the context of sanctions policy, the few existing studies mentioned reactive and proactive practices (Radaev 2023). Reactive practices include reducing any types of activities and purchases of any goods or services, while proactive

ones involve searching for various opportunities to improve one's financial situation. Still, further research is needed to better and more specifically understand the economic coping strategies in the context of sanctions.

Accordingly, in our study, we identified a wide range of strategies (17 in total; see Appendix A) that covers the available classifications while also being exclusively focused on economic behaviors. These strategies are categorized under traditional ways of keeping money, modern investments, cutting expenses, seeking extra work, and resorting to social and material resources. The choice of a particular strategy may depend on a variety of factors, such as income, education, and employment. However, due to the political nature of sanctions, this choice may also be related to political factors such as institutional trust. It is with these considerations that the central question of this research focuses on how socio-demographics and institutional trust are related to the preferred strategies of economic behavior in the context of sanctions. This issue is further explored in the following section.

### **Sanctions and institutional trust**

Institutional trust is defined as people's positive expectations of the competence, reliability and goodwill of the authorities who perform institutional duties on their behalf (Liang and Ma 2021). Trust in the political system of society as a whole also encompasses confidence in its stability and effectiveness (Luhmann 1979). When the state effectively ensures compliance with the law, then trust in the state and its institutions grows. However, trust cannot be "created" solely through the strong hand of the law; coercion reduces mutual trust in society (Sitkin and Roth 1993).

Research on institutional trust is highly relevant to economic behaviors under sanctions, as numerous studies demonstrate that institutional trust, along with generalized trust, are key socio-psychological factors of economic progress and democratic stability (Alessandro et al. 2021). On the other hand, economic insecurity is linked to institutional distrust (Perry 2021). Evidence also exists that downward socioeconomic mobility may lead to higher levels of political distrust, as people adopt a 'blame the system' attitude when framing their experience (Daenekindt et al. 2018). This is also relevant to sanctions, as their consequent economic instability could affect income levels and lead to downward mobility, especially among more vulnerable segments of society (Kokabisaghi 2018; Ghomi 2022). It is also important to note that trust in political power is not separate from trust in other institutions; a person perceives various elements of the political system and its institutions holistically. Due to this interdependence, distrust of some elements of the political system - such as the economy - spreads to other elements, such as politics and laws (Veselov et al. 2004). We may therefore assume that economic issues arising out of sanctions impact institutional trust as a whole.

This assumption is in line with one of the goals of economic sanctions, which is to change a country's political course by undermining social capital, particularly institutional trust, through affecting income and living standards. Precisely, sanctions aim to put the sanctioned governments in a position where they have to choose between changing their policy or risk being voted out of power or overthrown by people due to erosion of their institutional trust (Kirshner 1997). However, in response to sanctions, the state authorities may attempt to mitigate the

negative effects, while the population also independently makes certain efforts to cope with the economic consequences, for example, by relying on their own experience of passing through previous economic crises. Therefore, sanctions may interact with institutional trust, but how this interaction would play out is not as straightforward, as evident by Ghomi (2022) study that showed government-affiliated households were least affected by sanctions. Hence, this research attempts to examine if and how economic coping strategies relate to institutional trust.

### Current Research

According to the previous theoretical considerations, this study aims to examine the potential differences between Russians and Iranians in their utilization of economic coping strategies and their levels of institutional trust. Furthermore, it attempts to investigate the relationship between institutional trust and economic coping strategies.

Accordingly, the first hypothesis is that Iranians are more likely to employ economic strategies compared to Russians, thus reflecting a country-level variation in coping behaviors in response to sanctions. This hypothesis is rooted in the fact that compared to Russia, Iran has been exposed to sanctions for a longer period, and the Iranian population may have more experiences of using economic coping strategies. The second hypothesis states that Russians would report higher degrees of institutional trust, compared to Iranians. This higher trust may be due to several historical factors, such as the relatively shorter duration of sanctions on Russia compared to Iran, and the historical hostility between state and society in Iran (Katouzian 2003). The third hypothesis is that institutional trust would be associated with economic coping strategies in both countries. However, we cannot make assumptions about the direction of these relationships and how they will differ in Russia and Iran. Accordingly, we formulate two research questions: 1) What is the direction of the relationship between institutional trust and economic coping strategies? 2) What are the differences in the relationship between institutional trust and economic coping strategies between Russia and Iran?

### Method

This study implemented a cross-sectional design and was carried out using surveys.

#### Participants

We launched two surveys in Russia and Iran. The Russian survey was administered in May 2022 and the sample included 384 participants (53.9% female, 46.1% male) aged from 18 to 54 ( $M = 37$ ,  $SD = 9.5$ ), with 78.1% reporting being employed. Education levels were: basic general education, 2.1%; completed secondary, 5.5%; primary vocational, 3.6%; secondary vocational, 19.3%; incomplete higher, 8.1%; completed higher, 60.2%; academic degree (PhD, Doctor of Science), 1.3%. Participants also reflected an appropriate variation in terms of income ( $M = 4.44$ ,  $SD = 1.63$ , Skewness = 0.26, Kurtosis = 0.12). As for the Iranian survey, it was administered in June 2022 and the sample were 311 participants (50.3% female, 49.7% male) aged from 18 to 61 ( $M = 33$ ,  $SD = 9.1$ ), with 61.2% being employed. Education levels were as follows: elementary school, 0.6%; middle school, 1.9%; completed high-school, 20.1%; associate's, bachelor's, or



master's degree, 69.9%; PhD, 7.4%. Income levels had a normal distribution ( $M = 2.15$   $SD = 0.89$ , Skewness = 0.44, Kurtosis = -0.49).

## Measures

The measures - which were administered in Russian and Persian - are as follows.

**Institutional Trust.** We extracted the statements of institutional trust from the European Social Survey (European Social Survey 2020). The items ask participants to rate how much they trust each government institution (e.g., “Legislative authorities”, “President of the country”, “Police”, “Politicians overall and political parties”) on a Likert-type six-point scale (1 = absolutely don't trust, 6 = absolutely trust). The Russian version included 8 items, and yielded an alpha of 0.95 in the present study. The Iranian version included 10 items, with a Cronbach's alpha of 0.92. The difference between the Russian and the Iranian survey was that in the latter, one item was added to assess trust in Islamic Revolutionary Guard Corps (Sepah), due to its high influence in Iran's politics. Also, items of politicians overall and political parties were separated in Iran's survey.

**Economic Coping Strategies (ECS).** We developed an instrument for measuring economic strategies of people for coping with financial consequences of sanctions. We analyzed internet forums, expert interviews, and existing scales for measuring similar parameters (with special attention to questions of the Russian Longitudinal Monitoring Survey; Kozyreva et al. 2016) to identify possible strategies in reaction to lowered living standards. Overall, we developed 17 items to measure five categories of strategies: traditional ways of keeping money (gold, bank deposit, real estate; e.g., “have you started investing in gold?”), investing in modern means of storing value (stocks and cryptocurrency; e.g., “are you investing in cryptocurrencies such as Bitcoin, Ethereum, etc.”), seeking extra work (e.g., “are you looking for extra income opportunities?”), cutting expenses (e.g., “had you to save on entertainment and vacation expenses?”), and resorting to social and material resources which included seeking help and selling property (e.g., “have you obtained financial support from relatives and friends?”). A likert-type five-point scale was used, wherein participants indicated to what extent they used each strategy to cope with sanctions in the past three months. The present study yielded an alpha coefficient of 0.83 for the Russian sample, and 0.67 for the Iranian sample.

**Family Coping Strategies.** We used Family Crisis Oriented Personal Evaluation Scale (F-COPES; Schumm and Bolsen 1985) to measure familial behavioral and problem-solving strategies for coping with difficult situations. F-COPES uses 30 items (e.g., “When we face problems or difficulties in our family, we respond by sharing our difficulties with relatives”) and Likert's five-point scale (5 = strongly agree, 1 = strongly disagree). This measure was previously translated into Russian and adapted for use in Russia (Jurcik 2013). The Cronbach's alpha of the Russian version in the present study was 0.88. The Persian translation was also obtained using reverse translation, which yielded an alpha of 0.81 in the current study. The original 5-factor structure (Schumm and Bolsen 1985) was replicated which confirms the construct validity of the Persian version. We used F-COPES to assess the convergent validity of ECS factors.

**Sociodemographic Variables.** We collected data on gender, age, education, income

level, and employment status using corresponding questions in both samples.

## Procedure

For Russia, we collected data using the platform Anketolog.ru. Considering the population of the Russian Federation as of January 1, 2021 (146,171,015 people) paired with the confidence interval level of 95%, the optimal sample size was calculated as 384 people<sup>1</sup>. Our obtained sample size met this criteria. The sample was stratified by 3 main socio-demographic characteristics: gender, age, and place of residence (federal district). The proportions of the Russian population by these selected characteristics - as defined by Rosstat data (January 1, 2021)<sup>2</sup> - are repeated in our sample. Since the Anketolog.ru platform restricts respondents' age in the range from 18 to 54 years, the last age interval in our sample is limited by 54 years.

The same calculator was used to determine sample size for Iran, with a population of around 87,920,000 in 2021. To collect data from Iranians, we used voluntary response sampling and snowball sampling. Accordingly, we published a call for voluntary participation on an Iranian Telegram channel (named Farsi Tweets) with around 500,000 subscribers. This channel is dedicated to re-publishing viral Iranian tweets, and has no specific topic or orientation. The same call was sent to family and friends for redistribution among their acquaintances. The content of the call provided a vague description of the study ("We are collecting data for comparing economic behaviors of Iranians with Russians"), statement of anonymity and confidentiality of the data, and a link to the survey. Upon collecting sufficient data, the database was screened and three cases under 18 years old were excluded.

## Statistical Procedures

We conducted statistical analyses using R and SPSS. First, we pre-processed data to account for outliers and missing values. Next, we calculated Cronbach's alpha of the scales. We then performed multigroup confirmatory factor analysis (MGCFA) to establish configural, metric, and scalar invariance of ECS scale in Russian and Iranian sample. To further establish convergent validity of the factors, we observed Spearman correlations between latent factors of this scale, factors of F-COPES, and income. In the next stage, we observed the Spearman coefficients between variables of interest and demographics to examine the interrelationships.

To test the hypotheses, we conducted Mann-Whitney U tests to evaluate the significance of difference for all variables between Russia and Iran. Then, we utilized multivariate regression to assess if institutional trust is related to ECS when controlling for demographics. We tested this model on both samples.

## Results

For all the variables of interest, missing data was less than 5%, which is negligible. The results for invariance of ECS scale, correlations, descriptive comparisons, and multivariate regressions are reported.

<sup>1</sup> We used this calculator: <https://blog.anketolog.ru/2015/12/vyborka/>

<sup>2</sup> <https://rosstat.gov.ru/compendium/document/13284>



### Invariance of economic coping strategies scale

The results of confirmatory factor analysis of the ECS scale with the loadings of corresponding items are provided in Appendix A. To establish configural, metric, and scalar invariance of the ECS scale, we conducted MGCFA, assuming five latent factors of traditional ways of keeping money (gold, bank deposit, real estate), investing in modern means of storing value (stocks and cryptocurrency), seeking extra work, cutting expenses, and tapping into social and material resorts which included seeking help and selling property. As our data violated the assumption of normal distribution, we used diagonally weighted least squares as the estimator, per suggestions of Mîndrilă (2010).

The results of MGCFA for configural, metric, and scalar invariance are demonstrated in Table 1. As previous research shows the unreliability of chi-square test in large pooled samples ( $N \sim 500$ ; Putnick and Bornstein 2016), we did not report this statistic, and instead used  $\Delta CFI \leq 0.01$ ,  $\Delta RMSEA \leq 0.015$ , and  $\Delta SRMR \leq 0.030$  (for metric invariance) or 0.015 (for scalar invariance) as cutoff criteria (Chen 2007). The configural model indicated sufficient model fit. Additionally, for both metric and scalar model, changes in RMSEA and SRMR were within the acceptable range, reflecting the existence of invariance. Although changes in CFI slightly violated the cutoff criteria, we decided to recognize the model as invariant based on the complex of all indicators. It is also notable that removing potential problem items did not improve the invariance of the instrument.

**Table 1.** Invariance of the economic coping strategies scale (Russia and Iran)

Model	CFI	$\Delta CFI$	RMSEA	$\Delta RMSEA$	SRMR	$\Delta SRMR$	DF
Configural invariance	0.950		0.044		0.066		218
Metric invariance	0.937	0.013	0.048	0.004	0.069	0.003	230
Scalar invariance	0.914	0.023	0.055	0.007	0.074	0.005	242

Note. CFI = comparative fit index, RMSEA = root mean square error of approximation, SRMR = standardized root mean square residual, DF = degrees of freedom.

### Correlations and Descriptive Comparisons

The relationships between all variables of interests and demographic variables are presented in Table 2. We used Spearman correlation, since factors of ECS and institutional trust did not follow a normal distribution in either samples. The results demonstrate that in Russia, institutional trust has a significant positive relationship with age, and negative relationships with seeking extra work, cutting expenses, and using social/material resorts. The negative association of institutional trust and cutting expenses is observed in Iran as well. However, the other relations are not found. Instead, in Iran, institutional trust negatively correlates with education, traditional money-keeping, and modern investments.

**Table 2.** Spearman correlations between variables (first row: Russia, second row: Iran)

Variables	1	2	3	4	5	6	7	8	9	10
1. Income										
2. Gender	0.07									
	0.01									
3. Age	-0.03	0.04								
	-0.10	0.02								
4. Education	0.18**	-0.08	0.12*							
	0.07	0.04	-0.00							
5. Employment	-0.29**	-0.19**	-0.14**	-0.20**						
	0.00	-0.42**	0.26**	0.15**						
6. Traditional money-keeping	0.05	0.19**	-0.001	0.02	-0.11*					
	0.19**	-0.07	-0.05	0.14*	0.09					
7. Modern investments	0.06	0.24**	-0.07	-0.07	-0.10*	0.50**				
	0.08	-0.23**	-0.01	0.06	0.10	0.36**				
8. Extra work	-0.012*	0.07	0.00	-0.03	0.05	0.27**	0.34**			
	-0.12*	-0.09	-0.04	-0.01	0.03	0.09	0.24**			
9. Cutting expenses	-0.24**	-0.00	0.04	0.10*	0.02	0.09	0.06	0.35**		
	-0.25**	0.00	0.11*	0.06	0.07	0.02	0.09	0.22**		
10. Social/material resorts	-0.21**	0.10*	-0.05	-0.03	0.10	0.33**	0.29**	0.40**	0.30**	
	-0.27**	-0.08	0.02	-0.07	0.12*	0.04	0.03	0.19**	0.22**	
11. Institutional trust	-0.03	-0.08	0.14**	-0.04	-0.02	-0.02	-0.05	-0.14**	-0.18**	-0.16**
	0.023	-0.03	0.06	-0.19**	-0.13*	-0.11*	-0.12*	-0.06	-0.15**	-0.04

Note. \*p < .05. \*\*p < .01. \*\*\*p < .001.

Table 3 and Table 4 present the results of descriptive comparisons between Russia and Iran. As all variables of interest (except income) violated the assumption of normal distribution, we conducted Mann-Whitney U tests to determine differences in ECS and institutional trusts between Russian and Iranian samples. In accordance with our hypotheses, tests indicated that Russians and Iranians significantly differed in their levels of institutional trust, traditional ways of keeping money, modern investments, seeking extra work, cutting expenses, and using social/material resorts, with Russians having higher levels of institutional trust and lower levels of all economic coping strategies compared to Iranians. Cohen's *d* values indicate a large effect size when it comes to their differences in institutional trust, a small effect size for traditional money-keeping, modern investments, extra work, and social/material resorts, and a medium effect size for cutting expenses. Furthermore, we ran t-tests for independent samples to determine mean differences in income, as this variable followed a normal distribution. According to Table 4, Russians have significantly higher income levels compared to Iranians, with a medium effect size.

**Table 3.** Mann-Whitney U tests for group differences

Variable	Mdn		IQR		<i>z</i>	Cohen's <i>d</i>
	Russia	Iran	Russia	Iran		
Institutional trust	3.75	1.90	1.87	1.30	12**	0.97
Traditional money-keeping	1.00	1.50	0.75	1.00	-4.53***	0.32
Modern investments	1.00	1.00	0.66	1.33	-3.07**	0.20
Extra work	2.33	2.66	1.67	2	-3.03**	0.23
Cutting expenses	3.00	4.50	2.50	1.50	-8.50***	0.67
Social/material resorts	1.20	1.80	0.80	1.60	-4.69**	0.34

Note. Mdn = Median. IQR = Interquartile Range. \**p* < .05. \*\**p* < .01. \*\*\**p* < .001.

**Table 4.** t-test for mean differences in income

Variable	<i>M</i>		SD		<i>t</i>	DF	Cohen's <i>d</i>
	Russia	Iran	Russia	Iran			
Income (standardized)	0.57	-0.71	0.92	.50	23.46***	614.27	0.76

Note. \*\*\**p* < .001.

## Multivariate regression of institutional trust on economic coping strategies

For both countries, we used multivariate regression to assess the relationships between institutional trust and ECS, controlling for income, education, gender, and employment. As inclusion of age did not alter the results, we removed it from the model in the interest of parsimony. The control variables were entered into the regression first. Pillai's trace test indicated that for both countries, there are significant differences in the use of overall economic coping strategies between different income levels, education levels, and women and men, while there were no differences between employed and unemployed. Results for Russia are income:  $F(5, 375) = 7.63, p < 0.001$ ; education:  $F(5, 375) = 2.28, p = 0.04$ ; gender:  $F(5, 375) = 5.00, p < 0.001$ ; employment:  $F(5, 375) = 0.78, p = 0.55$ . Results for Iran are income:  $F(5, 298) = 11.8, p < 0.001$ ; education:  $F(5, 298) = 2.70, p = 0.02$ ; gender:  $F(5, 298) = 3.32, p = 0.006$ ; employment:  $F(5, 298) = 0.96, p = 0.43$ .

To further assess these differences, we examined the relationships between control variables and each factor of ECS in a multivariate regression. Among Russians, income was a significant negative predictor of cutting expenses ( $\beta = -0.28, t(379) = -5.10, p < 0.001$ ), seeking extra work ( $\beta = -0.13, t(379) = -2.71, p = 0.02$ ), and using social/material resorts ( $\beta = -0.21, t(379) = -3.82, p < 0.001$ ). For Iranians, unlike Russians, income significantly and positively predicted traditional ways of keeping money ( $\beta = 0.37, t(302) = 3.42, p < 0.001$ ), while similarly to Russians, but to a greater extent, it negatively related to cutting expenses ( $\beta = -0.51, t(302) = -4.69, p < 0.001$ ), seeking extra work ( $\beta = -0.23, t(302) = -2.14, p = 0.03$ ), and using social/material resorts ( $\beta = -0.54, t(302) = -4.98, p < 0.001$ ). Education among Russians was a significant positive predictor of cutting expenses ( $\beta = 0.12, t(379) = 2.55, p = 0.01$ ), but was unrelated to other ECS, although as previously mentioned, it led to significant differences in combination of ECS. Similarly for Iranians, although education led to differences in overall economic strategies, it was only a significant contributor of traditional ways of keeping money ( $\beta = 0.25, t(302) = 2.23, p = 0.02$ ), but unlike Russia, it had no relationship with cutting expenses. Regarding gender, in Russia, being female was negatively related to traditional ways of keeping money ( $\beta = -0.18, t(379) = -3.66, p < 0.001$ ), modern investments ( $\beta = -0.23, t(379) = -4.67, p < 0.001$ ), and using social/material resorts ( $\beta = -0.18, t(379) = -3.65, p < 0.001$ ). Unlike Russia, being female in Iran had no relationship with traditional ways of keeping money and social/material resorts, but like Russia and to a greater degree, it was negatively linked to modern investments ( $\beta = -0.23, t(302) = -3.84, p < 0.001$ ). Employment had no relationship with any economic coping strategies in either country.

In the next step, we added institutional trust to the multivariate regression model to assess its predictivity of ECS, when controlling for income, education, gender, and employment. We then conducted Pillai's trace test to assess differences in overall ECS based on different levels of institutional trust. This test demonstrated that in Russia, institutional trust is related to differences in overall ECS,  $F(5, 374) = 4.38, p < 0.001$ , while in Iran, we did not find such a relationship,  $F(5, 292) = 2.06, p = 0.06$ .

To further explore these differences, we examined the relationships between institutional trust and each factor of ECS while including the control variables in the multivariate regression. The results are presented in Table 5 and illustrated in Figure 1. Among Russians, institutional

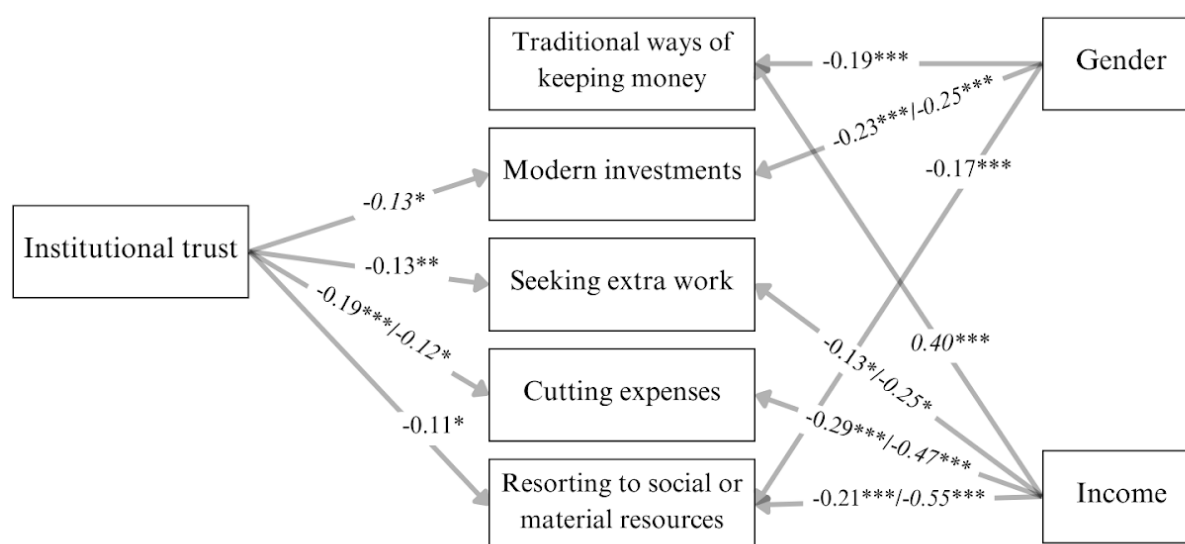
trust was negatively related to cutting expenses ( $\beta = -0.19$ ,  $t(378) = -3.98$ ,  $p < 0.001$ ), extra work ( $\beta = -0.13$ ,  $t(378) = -2.59$ ,  $p = 0.009$ ), and social/material resort ( $\beta = -0.11$ ,  $t(378) = -2.25$ ,  $p = 0.02$ ). For Iranians, however, institutional trust had a negative relationship with modern investing ( $\beta = -0.13$ ,  $t(296) = -2.31$ ,  $p = 0.02$ ), but no relationship with extra work and resorting to social/material resources. Similar to Russians but to a lesser degree, in Iran, institutional trust negatively associated with cutting expenses ( $\beta = -0.12$ ,  $t(296) = -2.24$ ,  $p = 0.02$ ).

**Table 5.** Multivariate regression of institutional trust on economic coping strategies (first row: Russia, second row: Iran)

Variables	Traditional money-keeping		Modern investments		Extra work		Cutting expenses		Social/material resorts	
	$\beta$	SE	$\beta$	SE	$\beta$	SE	$\beta$	SE	$\beta$	SE
Income	0.00	0.05	0.00	0.05	-0.13*	0.05	-0.29***	0.05	-0.21***	0.05
	0.40***	0.11	0.17	0.11	-0.25*	0.11	-0.47***	0.11	-0.55***	0.11
Education	0.02	0.04	-0.06	0.04	-0.02	0.04	0.10*	0.04	-0.02	0.04
	0.21	0.11	0.07	0.11	-0.20	0.12	0.10	0.11	-0.20	0.11
Gender <sup>a</sup>	-0.19***	0.05	-0.23***	0.05	-0.06	0.05	0.00	0.05	-0.17***	0.05
	-0.07	0.06	-0.25***	0.06	-0.10	0.06	0.02	0.06	-0.04	0.06
Employment <sup>b</sup>	0.03	0.05	0.04	0.05	-0.01	0.05	0.03	0.05	-0.03	0.05
	0.03	0.06	-0.03	0.06	-0.00	0.06	0.05	0.06	0.10	0.06
Institutional trust	0.00	0.05	-0.00	0.05	-0.13**	0.05	-0.19***	0.04	-0.11*	0.04
	-0.09	0.05	-0.13*	0.05	-0.07	0.05	-0.12*	0.05	-0.04	0.05
$\Delta R^2$	0.00		0.00		0.02		0.04		0.01	
	0.00		0.01		0.00		0.01		0.00	

Note. This table only presents the final model. The control model (without inclusion of institutional trust) is reported within text. Education was treated as continuous. <sup>a</sup> Female = 1, Male = 0. <sup>b</sup> Employed = 1, Unemployed = 0. \* $p < .05$ . \*\* $p < .01$ . \*\*\* $p < .001$ .

**Figure 1.** Significant relationships between institutional trust, control variables, and ECS



Note. Only significant relationships in the final predictor model are presented. Standardized coefficients for Russia are shown in regular type and for Iran in italics (Russia/Iran).

## Summary

Overall, these analyses indicated that Russians and Iranians significantly differ in their levels of institutional trust and their utilization of economic coping strategies, even when controlling for demographics. In accordance with our hypothesis, Russians exhibited higher degrees of institutional trust and lower degrees of using economic coping strategies, compared to Iranians. Furthermore, partial evidence was provided for the negative association between institutional trust and some factors of economic coping strategies. Specifically, Russians with lower degrees of institutional trust tended to rely more on seeking extra work, cutting expenses, and resorting to social and material resources for dealing with sanctions. Iranians were similar to Russians in terms of their lower degrees of institutional trust being related to more cutting on expenses, but unlike Russia, their lower degrees of institutional trust were not related to extra work or social/material resorts, but instead associated with more modern investments.

As for sociodemographics, in Russia, income was negatively associated with cutting expenses and social/material resorts. These relationships existed in Iran as well, but income also positively predicted traditional money-keeping in this country. Education was related to more cutting expenses in Russia, but had no relationship with other factors of ECS in Russia or Iran. Russian women were less likely to utilize traditional ways of keeping money, modern investments, and social/material resorts. Iranian women were also less likely to utilize modern investments. Employment had no significant association with any of ECS in either country.

## Discussion

Throughout this study, we developed an instrument for measuring economic coping strategies of people against economic sanctions. We then compared Russians and Iranians with respect to



their adaptation of these strategies and also their levels of institutional trust. Next, we explored the role of institutional trust and sociodemographic factors in people's deployment of different categories of economic coping strategies, and examined how these relationships differ in Russia and Iran.

### **The scale of economic coping strategies**

With regard to the ECS scale, our aim was to ascertain if it can reliably measure economic coping strategies in Russia and Iran, if the strategies as measured by the items fall under our theoretical categorization, and if the results are comparable. This study provided evidence for the reliability of this instrument in both Russia and Iran, which suggests the items tap into the economic strategies of people. Furthermore, the validity of our proposed factor structure in both Russia and Iran suggested that economic coping strategies may be divided in: 1) traditional ways of keeping money (investing in gold, bank deposits, and real-estate); 2) modern investments (national and foreign stocks, cryptocurrency); 3) cutting expenses (including basics such as food and clothes, as well as entertainment and vacation); 4) extra work (a new job, business, or extra income opportunities); and 5) resorting to social and material resources (social: receiving financial aid from family, friends, or organizations; material: selling property, sharing house, changing one's living place). These factors are also in line with reactive and proactive strategies mentioned by Radaev (2023).

This research also established the invariance of ECS scale across Russia and Iran. Hence, it may be used by future cross-cultural studies between these two countries. However, as the scale's internal consistency was substantially higher in Russia compared to Iran, we suggest some caution with this regard, since this disparity may suggest that our scale might have missed some important coping strategies in Iran. For example, this instrument did not capture reliance on bank loans, which is a strategy frequently used by Iranians (Yazdani and Hill 1993; Hoseini and Beck 2020), as loans protect borrowers during periods of hyperinflation<sup>3</sup> (Ewing 2003) that are recurrent in Iran (World Data 2022). Accordingly, addition of these culture-specific strategies may improve the instrument's reliability among Iranians.

### **Preliminary comparison of Russia and Iran**

In terms of comparing Russia and Iran in their economic coping strategies, we found that in line with our hypothesis, Iranians use all strategies more than Russians, with this difference being at its peak in cutting expenses (although the effect sizes for extra work and modern investments should be treated with caution). This difference may be explained by the longer exposure of Iran to sanctions, which has exhausted its economy (Ghomi 2022) and may have pressed people to protect themselves against volatile financial situations by individual measures. We may also suggest that Russians use these strategies to a lesser degree since the Bank of Russia has taken measures to prevent financial instability (Hilgenstock et al. 2022). As to why the biggest difference was in cutting expenses, one reason may be the lower income and degrees of

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<sup>3</sup> This is because inflation favors borrowers, meaning that fixed-rate interests of loans remain the same while the prices of goods and services skyrocket during hyperinflation. Therefore, people's fixed-debt obligations would consume a smaller percentage of their revenue and the money they pay back is worth less than the money they borrowed, resulting in easier pay-back of the loan (Ewing 2003).

employment in the Iranian sample compared to the Russian sample, which also reflects the differences in the broader economies of these countries, as Russia has a higher GDP and lower unemployment rate compared to Iran (World Data 2023).

With regard to institutional trust, while both countries had low degrees of trust, we found that Russians have higher levels of institutional trust compared to Iranians, which confirms our hypothesis. This finding may be explained from various perspectives. From the perspective of economic sanctions, we may propose that four decades of sanctions have been effective in terms of eroding institutional trust in Iran, while the duration of sanctions in Russia has not allowed for this influence as of yet. However, this explanation may be reductionist, and the broader political and historical patterns should be accounted for.

Accordingly, in the case of Russia, we see that although institutional trust in this country is among the lowest in the world (Stickley 2009), the onset of special military operations was parallel with the growth of institutional trust among Russians in 2022-2023, evident by the polls of sociologists (Levada Center 2022, 2023). We speculate that this increased institutional trust is a result of increased social cohesion that occurs in situations of threat, as Russians may have felt higher degrees of existential threat during this ordeal which may have led them to experience more loyalty toward the state. Second, in the case of Iran, the lack of institutional trust among Iranians predates the implementation of economic sanctions, with Iranian historians noting a historical and fundamental hostility and separation between state and society, rooted in the arbitrary power<sup>4</sup> of the state in Iran and society's endemic rejection of the state (Katouzian 2003). It may be concluded from these remarks that institutional trust in situations of economic threat may vary cross-culturally. If the sanctions in Russia were to continue, the trajectory of institutional trust in this country may shed more light on the phenomenon.

### **The relationship of institutional trust with economic coping strategies in Russia and Iran**

To further shed light on whether economic sanctions interact with institutional trust, we assessed and compared the relationship between institutional trust and economic coping strategies in Russia and Iran. As the direct investigation of causal pathways between economic sanctions and institutional trust is not feasible, our reasoning was that if sanctions in some way impact institutional trust, it would reflect in the relationship between economic coping strategies against sanctions and institutional trust.

In the case of Russia, we found that after controlling for socio-demographics, people with overall higher utilization of economic coping strategies are more likely to have lower institutional trust. This result may infer that those with higher levels of economic coping strategies are more financially impacted by the sanctions, and their trust in government and institutions has been reduced as a result of this financial insecurity. This interpretation aligns with studies that suggest downward social mobility is linked to political distrust and 'blame the system' attitudes (Daenekindt et al. 2018), and is also in line with the link between economic insecurity and lack of institutional trust (Perry 2021). From another perspective, however, we may assume that those who have had lower institutional trust even prior to sanctions are more

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<sup>4</sup> Meaning that power in Iranian states across history has not been bound by independent laws or social classes.

likely to utilize economic coping strategies in the face of sanctions, as they do not trust that the government would protect them, leading to a greater reliance on individual coping strategies.

We cannot determine with certainty which interpretation is more accurate. However, a clarifying point may be that the relationship between institutional trust and ECS in Russia was specially observed for people with higher levels of seeking extra work, cutting expenses, and resorting to social and material resources - strongest in cutting expenses. Unlike traditional ways of keeping money and modern investments that require financial capital, these strategies are more suitable for low-income individuals. This assumption was backed by the negative relationship of income with these strategies in our sample. As evident by the case of Iran, low income puts people at increased risk of moving into poverty under sanctions (Kokabisaghi 2018; Ghomi 2022), and therefore more susceptible to political distrust as a result of downward mobility (Daenekindt et al. 2018). From this point of view, if it was prior low institutional trust that had led to utilizing ECS, we would see significant relationships for all strategies, and not just those related to low income. Therefore, we conclude that in the case of Russia, the first interpretation is more accurate; meaning that certain coping strategies lead to lower institutional trust through the path of financial insecurity. It is important to note that it is not low-income alone that leads to political distrust - we found no relationship between income and trust. Rather, the case is that institutional trust is lower in those whose financial issues have pressed them to cut expenses, seek extra work, and use social/material resorts.

Different patterns between institutional trust and ECS were observed in Iran, as there was no relationship between overall utilization of ECS and institutional trust, suggesting that Iranians' levels of institutional trust is not related to potential financial impacts of sanctions on their lives. This lack of connection may be explained by the political climate of Iran. As previously stated, the political distrust in this country has roots in historical power dynamics between the state and society (Katouzian 2003). Accordingly, despite the economic instability of Iran, the focal point of its last major uprisings - the Green Movement and Mahsa Amini protests - was not economic problems, but issues of human rights (Dabashi 2011; Khatam 2023). In this situation, the effect of sanctions on people's trust of the government may be overshadowed by the multifaceted distrust (Kazempour and Goodarzi 2022) prevalent in the country.

However, when Iranians' strategies were considered separately, results suggested that those with more cutting of expenses and greater modern investments had lower degrees of institutional trust. These relationships may have emerged from pathways other than economic insecurity caused by sanctions, especially considering the lack of relationship between trust and overall ECS in Iran. Different reasons may be put forth for each strategy. Regarding cutting expenses, although this relationship was similar to our observations in Russia, the reason for its occurrence may be different in Iran and not related to low-income. This is because although extra work and social/material resorts were also strongly related to low-income (social/material resorts were more closely tied to income compared to cutting expenses), they did not relate to institutional trust. Our explanation is that in the case of Iran, cutting expenses is linked to lower institutional trust through reduced life satisfaction. To elaborate, cutting expenses in this study concerned minimizing entertainment, vacation, and purchase of food, clothes, etc. - all of which are linked to life satisfaction (de Bloom et al. 2009; Dumludag 2015). On the other hand, research suggests a link between life satisfaction and institutional trust (Aliyev et al. 2022).

Therefore, we claim that cutting expenses may have led to lower institutional trust through the role of lowered life satisfaction, not economic insecurity.

Additionally, the existence of a relationship between modern investments and lower institutional trust in Iran and lack of this relationship in Russia may be rooted in different regulation of cryptocurrency in these countries. In Iran, the government has a more restrictive policy toward cryptocurrency, and its trading and possession was banned in 2018. This ban was later lifted but restrictions are still in place (Freeman Law 2020). As a result, using cryptocurrency may be viewed as a deviant behavior or a sign of distrust toward traditional financial institutions, which in turn could be linked to lower institutional trust. In this case, we may propose that it is the prior level of low trust that is linked to modern investments, and not lowered trust as a result of economic insecurity induced by sanctions. On the other hand, in Russia, there is a greater degree of legal acceptance and recognition of cryptocurrency (Freeman Law 2021). Hence, using cryptocurrency may not be perceived as a sign of deviant behavior and therefore not be associated with lower institutional trust.

We also explored the role of socio-demographic characteristics in ECS. We found that in both Russia and Iran, people with lower income levels are more inclined to seek extra work, cut expenses, and resort to social and material resources, with these relationships being stronger in Iran. Accordingly, we propose that in both Russia and Iran, low income is the major risk factor when it comes to being negatively impacted by sanctions and thus using ECS, and both countries may benefit from policies for protecting economically-vulnerable segments of the society. We also found gender differences in investment-related activities in both Russia and Iran, which may be due to differences in financial risk tolerance, meaning that higher sensitivity of women to financial risk may lead them to perceive these strategies as a less secure way of coping with sanctions (Lemaster and Strough 2014).

## Limitations

This study was not without limitations. Firstly, the cross-sectional design precludes establishing causality or drawing definitive conclusions about the relationship between institutional trust and economic coping strategies. Precisely, it is unclear whether individuals with lower institutional trust are more likely to use ECS, or whether the negative effects of sanctions, as reflected by increased ECS utilization, lead to lower institutional trust. On a related note, we cannot establish with certainty that use of ECS is due to sanctions, as other factors such as individual differences in economic behavior, life choices, or risk tolerance may contribute to different levels of ECS. Longitudinal studies are needed to further clarify these findings.

Another limitation was the use of self-report measures, which are susceptible to response biases. This is particularly relevant to our measure of institutional trust and the overall purpose of the study, as individuals may be hesitant to disclose politically sensitive information. Violation of normal distribution in ECS and institutional trust is another limitation of this research, as it could jeopardize the generalizability of the findings.

## Conclusion

Overall, we found that Russians and Iranians differ in terms of their institutional trust and utilization of economic coping strategies. Our findings suggest that sanctions impact institutional trust differently in Russia and Iran, reflected by the different relationships between economic coping strategies and institutional trust in these countries. It seems that in Russia, those who have turned to economic coping strategies have been more impacted by sanctions' effect on institutional trust, with this impact being specially stronger for those who have had to cut expenses, seek extra work, and resort to social/material resources. In Iran, however, institutional trust and overall economic coping strategies were unrelated, suggesting that factors other than economic insecurity are contributing to low trust in this country. However, when strategies were considered separately, it was revealed that those who cut expenses and used modern investments more had lower institutional trust. These relationships seem to have emerged through pathways other than sanctions, such as low life satisfaction and restriction of certain investing activities in Iran.

Future studies may benefit from directly exploring the role of life satisfaction in the relationship between economic coping strategies and institutional trust. People's perception of sanctions may also be subject of future research. While the sanctioning bodies may aim for reducing institutional trust, people's perceptions of their outcomes may be different. Specifically, it is worth investigating if society members perceive themselves as victims of political wars, if they justify sanctions or view them as unfair to individuals, and how living in a country that has been subjected to economic punishment from the international community affects their mental health, global identification, and attitude toward out-group members such as those from the countries that have imposed sanctions. Furthermore, it is important to note that Iran has been under sanctions for more than 40 years and as such, people have devised workarounds for gaining access to utilities that were never available to them. In contrast, in the case of Russia, people lost access to services that they already had. Therefore, future research should address this point of difference and explore how Russians have coped with the loss of these services.

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## Appendix A

### Confirmatory Factor Analysis of ECS (Russia/Iran)

ECS item	Factor loading				
	1	2	3	4	5
Factor 1: Traditional money-keeping					
5. Have you started investing in gold?	0.70/0.45				
7. Do you deposit money in foreign currency in Russian/Iranian banks?	0.67/0.61				
8. Are you investing into real estate?	0.57/0.55				
11. Have you begun to rent out an apartment, a country house or a garage?	0.55/0.26				
Factor 2: Modern investments					
3. Have you started investing into Russian/Iranian stock?	0.59/0.47				
4. Have you started investing into foreign stocks?	0.77/0.79				
6. Have you started investing in	0.75/0.70				

cryptocurrency?

Factor 3: Cutting expenses

9. Do you save on current expenses (food, clothes, shoes, etc.)? 0.66/0.52

14. Had you to save on entertainment and vacation expenses? 0.97/0.80

Factor 4: Seeking extra work

1. Are you looking for a new job at the moment?" 0.62/0.44

2. Are you going to start a new business? 0.54/0.45

10. Are you looking for extra income opportunities? 0.44/0.71

Factor 5: Resorting to social/material resources

12. Have you changed a living place for a cheaper alternative or started to share a house with relatives? 0.68/0.49

13. Have you sold any of your property? 0.66/0.53

15. Have you obtained financial support from relatives and friends? 0.48/0.58

16. Have you begun to receive help from public organizations?" 0.69/0.39

17. Have you begun to receive help from social security agencies or other government organizations? 0.47/0.32

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Note. ECS = economic coping strategies. The estimator method was diagonally weighted least squares.