ABSTRACT. World Values Survey data, collected June-October 1990, are used to explore determinants of individual welfare in various regions of the Soviet Union. Emphasis is placed on the role of household income and perceived health status in determining the happiness of an individual. Comparisons are made across five Soviet regions and between the Soviet Union, the U.S., and West Germany. The data indicate similar patterns existed regarding welfare determinants though Soviet citizens were relatively unhappy. There are also differences between the two market economies and the Soviet Union regarding the extent to which income influenced health and happiness.

I. INTRODUCTION

There is likely a typical belief in the West that life in the Soviet Union (SU) was not very pleasant. This belief is probably strengthened by remembrances of the political, social, and economic upheaval that ensued in the final years of the SU and the years following the breakup. However, little if any empirical evidence has been presented supporting this belief. This paper empirically explores two largely unanswered questions: How (un)happy were people in the SU in its last days? And, what influenced individual welfare in the SU?

Here a data set that has been little utilized by economists, the 1990–1993 World Values Survey, is used to examine individual welfare in the SU. Data were collected from approximately 1000 individuals in each of five Soviet regions between June and October 1990; approximately one year prior to Soviet dissolution. The data (described in more detail below) allow for an examination of subjective (reported) happiness in these five regions. The empirical results indicate certain patterns existed across geographical regions in the SU, though they also indicate differences existed as well. Further, in many ways – particularly with respect to personal and

demographic characteristics, the pattern of determinants of happiness in the SU match those of Western countries. However, evidence indicates potential differences regarding the influence of income on subjective happiness and the influence of income on subjective health.

Specifically, and surprisingly, evidence indicates the negative welfare effects associated with being “poor” (roughly in the bottom income quartile) in the SU are quite strong. In fact the presented evidence broadly indicates stronger than in established market economies. However evidence also indicates that positive welfare effects associated with higher income as one rises from lower-middle to high income are virtually absent in the SU. This distinguishes the Soviet results from results on the income-welfare relationship gathered in virtually every market and transition economy (see the literature review below). Thus evidence presented here refutes the notion the SU was a completely “nonmonetized” economy, though the marginal utility of money income appears to have dissipated rapidly. It is worth noting that this conclusion is not uniform across the SU. In particular Moscow, a city that had special status in the Soviet economy, appears to have had a money income-welfare relationship similar to the typical relationship found for market economies.

The paper is structured as follows: Section provides background a brief literature review. Section II describes the data and the empirical estimation methods. Section III presents the results, and Sections IV provides concluding remarks

II. BACKGROUND AND LITERATURE REVIEW

The empirical economics literature dealing with individual happiness is fairly small though growing rapidly. Easterlin (1974 and 1995) was the first economist to conduct such research using survey data on subjective happiness. Such surveys typically ask about an individual’s level of happiness or overall satisfaction with their life. Easterlin’s work is primarily concerned with the effects of relative vs. absolute income on happiness. Easterlin concludes, based on U.S. studies, economic growth does not necessarily buy happiness as people are more concerned with their relative standing in society