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War and well-being in transition: Evidence from two natural experiments[☆]

Gunes Gokmen^{*,a}, Evgeny Yakovlev^b

^a *New Economic School and Center for the Study of Diversity and Social Interactions, Novaya street 100A, Skolkovo, Moscow, Russia*

^b *New Economic School, Novaya street 100A, Skolkovo, Moscow, Russia*

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ABSTRACT

This paper assesses the effect of the Russo–Georgian conflict of 2008 and the Ukrainian–Russian conflict of 2014 on the well-being of minorities in Russia. Using the Russian Longitudinal Monitoring Survey (RLMS), we find that the well-being of Georgians in Russia suffered negatively from the 2008 Russo–Georgian conflict. We show that the conflict has no direct effect on the labor market outcomes of Georgians, and therefore, we attribute the negative effect of conflict on well-being to more indirect channels such as fear, altruism, or sympathy. In comparison, we find no general effect of the Ukrainian–Russian conflict of 2014 on the Ukrainian nationals' happiness. However, the life satisfaction of Ukrainians who reside in the southern regions of Russia in close proximity to Ukraine is negatively affected. We also show that the negative effect of conflict is short-lived with no long-term legacy. Additionally, we analyze the spillover effects of conflict on other minorities in Russia. We find that while the well-being of non-slavic and migrant minorities who have recently moved to Russia is negatively affected, there is no effect on local minorities who have been living in Russia for at least ten years.

1. Introduction

Since the seminal paper of Easterlin (1974), the economics literature on well-being and happiness has expanded considerably.¹ In particular, after the collapse of the “Iron Curtain”, the evolution of well-being in transition countries has received more systematic scrutiny. For instance, Guriev and Zhuravskaya (2009) document subjective well-being in transition countries, and find that low levels of life satisfaction in transition economies are highly correlated with income, inequality, deterioration of public good provision, increased economic volatility and uncertainty, and a mis-allocation of human capital in a post-communist labor market. Additionally, using World Values Survey data, Sanfey and Teksoz (2007) confirm low levels of life satisfaction in transition countries compared to non-transition countries, even though there is a positive trend since the dip in mid-90s.² Also, Lelkes (2006) examines the heterogeneous effect economic transition had on well-being in Hungary, and highlights entrepreneurs as the winners of increased economic

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^{*} Corresponding author.

E-mail addresses: gunesgokmen@gmail.com (G. Gokmen), eyakovlev@nes.ru (E. Yakovlev).

¹ For example, among others, Alesina et al. (2004) study inequality and happiness in Europe and the USA. Blanchflower and Oswald (2004) focus on the evolution of well-being over time in Britain and the USA. Easterlin et al. (2012) survey the evolution of life satisfaction in China in the last two decades. Rehdanz et al. (2015) examine the effect of natural disasters on well-being in the locations affected by the tsunami after the Fukushima disaster.

² Guriev and Melnikov (2018) find that by 2016 the transition happiness gap is closed.

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freedoms. Nevertheless, it is worth noting that most of the literature on well-being in transition abstracts from heightened political instability and conflict proneness while examples of transition countries facing various types of conflicts are abundant, such as Yugoslavia, Ukraine, Tajikistan, Russia, Armenia, Azerbaijan, Moldova, etc. The current paper contributes to our understanding of well-being in transition in relation to conflict.

The literature has documented the impact of conflict on various socio-economic outcomes.³ Researchers have investigated, for example, the relationship between conflict, and the level of GDP (Bove et al., 2016),⁴ household welfare (Justino, 2011), generalized trust and trust in central institutions (Grosjean, 2014), social capital (Guriev and Melnikov, 2016), and election turnout (Coupé and Obrizan, 2016b). Relatedly, conflict has also been found to directly affect well-being (Frey, 2012; Welsch, 2008). Importantly, Coupé and Obrizan (2016a) study war and happiness in transition using data from the on-going conflict in Ukraine. They show that the average level of happiness declined substantially in areas that directly experienced war.

However, the literature so far overlooked certain indirect impact of conflict on well-being. Conflict might not only influence the citizens of the affected countries, but also the ethnic nationals from those countries that reside abroad. A case in point, Georgian and Ukrainian nationals who reside in Russia might be adversely influenced by the recent conflict of their origin country with their resident country. This group of people might be negatively affected for various reasons. First, they might be subject to discrimination by Russian officials and other citizens. Second, they might feel alienated from Russia and from living in a country with which their origin country has conflict. Lastly, independently of with whom their origin country has conflict, they might simply be negatively influenced by the fact of their home country, and family and friends experiencing conflict. Therefore, it is important to analyze how recent conflicts in Georgia and Ukraine impact the well-being of minorities in Russia.

In this paper, we use the Russo–Georgian conflict of 2008 and the Ukrainian–Russian conflict of 2014 as a natural experiment to study the well-being of Georgian and Ukrainian nationals as well as other minorities who reside in Russia. We argue that these two conflicts were exogenous. Migrants could not have predicted the conflict when they decided to move to Russia, neither can there be a confounder that triggers the start of the war and affects the well-being of minorities in Russia at the same time.

Collapse of the USSR derailed the balance of power and international relations across the former Soviet space. This unstable political environment in some instances gave way to tension among former Soviet states, which has an impact on the daily lives of ordinary people. Already in the 1980s towards the end of the Soviet Union, tension in the regions of South Ossetia and Abkhazia has been brewing. After the independence of Georgia from the Soviet Union in 1991, a series of skirmishes between Georgian and South Ossetian, and Abkhazian forces occurred.⁵ Meanwhile in the 2000s, the relationship between Russia and Georgia began to sour as Georgia shifted away from Russia in a pro-Western course. Finally, when conflict between Georgian and Ossetian forces broke out in South Ossetia in August of 2008, Russia got involved on the side of the Ossetians and launched an offensive against Georgia. At the same time, the conflict spread to Abkhazia with Russian forces also backing up Abkhazian forces. This was declared the first war in Europe in the 21st century as Russia ended up occupying parts of undisputed Georgian territories (e.g. Gori) and moving deeper into Georgia as close as 40 km away from Tbilisi. By the end of August 2008, a ceasefire agreement has been reached, and, by October 2008, Russian troops withdrew from the undisputed Georgian territories.

On the other hand, after the Euromaidan protests and the fall of the Ukrainian government, in early 2014 pro-Russian groups started demonstrating in eastern and southern parts of Ukraine. This quickly escalated into an armed conflict between the central Ukrainian government forces and Russia-backed separatists. Subsequently, pro-Russia groups took control of the eastern regions of Donetsk and Luhansk. Currently, the conflict is still on-going, albeit at low intensity.

By utilizing the Russian Longitudinal Monitoring Survey (RLMS), we first assess the effect of the Russo-Georgian conflict on the well-being of Georgian nationals in Russia in terms of their life satisfaction, job satisfaction or health evaluation. Employing difference-in-differences methodology, we provide evidence that the well-being of Georgian nationals, measured by any three outcomes, suffered negatively from the conflict of 2008 in comparison to the well-being of the Russian majority. For example, their life satisfaction went down by about 39% of the mean life satisfaction, whereas their job satisfaction dropped by about 23% of the mean job satisfaction. We also demonstrate that the conflict has no direct effect on the livelihoods or the labor market outcomes of Georgian nationals. Therefore, we attribute the negative effect of conflict on well-being to more indirect channels such as fear, altruism, sympathy, or just uncertainty in general. On the other hand, we do not find any average effect of the Ukrainian–Russian conflict of 2014 on the Ukrainian nationals' happiness. However, those Ukrainians who reside in the southern regions of Russia in close proximity to Ukraine are negatively affected with a drop in their life satisfaction. Furthermore, we show that the negative effect of conflict on well-being of Georgians is short lived and does not have a long-term legacy. Additionally, we analyze the spillover effects of conflict on other minorities that live in Russia. We find that while the well-being of non-slavic and migrant minorities who have recently moved to Russia is somewhat negatively affected, there is no effect on local minorities who have been living in Russia for at least ten years. Lastly, we carry out placebo exercises to show that there is no pre-treatment effect.

This paper contributes to the literature on conflict and well-being in transition. We add to the previous studies by showing that the effect of conflict on well-being goes beyond the conflict zone (Coupé and Obrizan, 2016a). Instead of focusing on the direct impact of conflict on happiness in war-torn areas, we contribute to this literature by scrutinizing the well-being of people whose country of origin experiences conflict, but they themselves are not in the war zone. Additionally, we show that certain other minority groups

³ See Blattman and Miguel (2010) for a survey of conflict studies in economics literature. They highlight the impact of war on, for example, economic growth, physical capital, institutions, living standards, and human capital.

⁴ See Brück et al. (2012) for a survey on the economic costs of conflict.

⁵ For an example, see Georgian and South Ossetian conflict of 1991–1992, or Georgian and Abkhazian conflict of 1992–1993.

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