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Beyond GDP: What Makes People in Latvia and Lithuania Happy?

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Abstract

The aim of this paper is to study Lithuania and Latvia, two countries not captured by the wave of economic happiness research yet, and to find out what factors most contribute to people wellbeing there. In order to answer the question and to explore the determinants of happiness, the data from locally executed surveys is used and analyzed according to Frey & Stutzer (2002) theories and derived econometric model. As dependent variable two proxies for wellbeing are used: „happiness“, and „satisfaction with life“. The results show that the most important factors influencing satisfaction with life in Latvian sample are: gender, marital status, employment status, household income and political trust. Furthermore, education, settlement, household income, employment status and marital status are main contributors to happiness. In Lithuanian representative group social trust, political trust and care index were found statistically significant factors to satisfaction while age, care index and political trust are important determinants of happiness. In addition, the results show inconsistencies between two proxy variables in a number of cases, therefore raising doubts in several previous researches that treat both concepts as interchangeable. Finally, another important finding contradicting researches in other countries implies that married people are no happier than single with some regressions showing even negative sign of coefficient.